



November 15, 2013

ADVANCE NOTICE OF INTENT TO FILE EMERGENCY REGULATIONS

This notice is sent in accordance with Government Code Section 11346.1(a)(2), which requires that State of California agencies give a five working day advance notice of intent to file emergency regulations with the Office of Administrative Law (OAL). The California Health Benefit Exchange ("Exchange") intends to file an Emergency Rulemaking package with the Office of Administrative Law (OAL) that establishes the identity proofing process for the individual Exchange. As required by subdivisions (a)(2) and (b)(2) of Government Code Section 11346.1, this notice appends the following: (1) the specific language of the proposed regulation and (2) the Finding of Emergency, including specific facts demonstrating the need for immediate action, the authority and reference citations, the informative digest and policy statement overview, attached reports, and required determinations.

The Exchange plans to file the Emergency Rulemaking package with OAL at least five working days from the date of this notice. If you would like to make comments on the Finding of Emergency or the proposed regulations (also enclosed), they must be received by both the Exchange and the Office of Administrative Law within five calendar days of the Exchange's filing at OAL. Responding to these comments is strictly at the Exchange's discretion.

Comments should be sent simultaneously to:

California Health Benefit Exchange
Attn: Michael Schaps
560 J St, Suite 290
Sacramento, CA 95814

Office of Administrative Law
300 Capitol Mall, Suite 1250
Sacramento, CA 95814

Upon filing, OAL will have ten (10) calendar days within which to review and make a decision on the proposed emergency rule. If approved, OAL will file the regulations with the Secretary of State, and the emergency regulations will become effective for one hundred eighty days (180) days. Please note that this advance notice and comment period is not intended to replace the public's ability to comment once the emergency regulations are approved. The Exchange will hold a public hearing and 45-day comment period within the 180-day certification period following the effective date of the emergency regulations.

You may also view the proposed regulatory language and Finding of Emergency on the Exchange's website at the following address:

<https://www.coveredca.com/hbex/regulations/>.

If you have any questions concerning this Advance Notice, please contact Michael Schaps at (916) 228-8331.

FINDING OF EMERGENCY

The Director of the California Health Benefit Exchange finds an emergency exists and that this proposed emergency regulation is necessary to address a situation that calls for immediate action to avoid serious harm to the public peace, health, safety, or general welfare. As well, federal rules require the Exchange to establish identity proofing procedures by December 2013.

DEEMED EMERGENCY

The Exchange may “Adopt rules and regulations, as necessary. Until January 1, 2016, any necessary rules and regulations may be adopted as emergency regulations in accordance with the Administrative Procedures Act. The adoption of these regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare” (Gov. Code § 100504(a)(6)).

AUTHORITY AND REFERENCE

Authority: Government Code Section 100504.

Reference: Government Code Sections 100502, 100503, and 100504; Centers for Medicare and Medicaid Services (CMS), Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and Disclosure of Certain Data Obtained through the Data Services Hub (June 11, 2013).

INFORMATIVE DIGEST / POLICY STATEMENT OVERVIEW

Documents to be incorporated by reference:

None

Summary of Existing Laws

Under the federal Patient Protection and Affordable Care Act (PPACA), each state is required, by January 1, 2014, to establish an American Health Benefit Exchange that makes available qualified health plans to qualified individuals and small employers. Existing state law, the California Patient Protection and Affordable Care Act, established the California Health Benefit Exchange within state government. (Gov. Code § 100500 et seq.) The Exchange is required to establish the criteria and process for eligibility determination, enrollment, and disenrollment of enrollees and potential enrollees in California. (Gov. Code § 100503(a)) Centers for Medicare and Medicaid Services (CMS) policies established in CMS, Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and Disclosure of Certain Data Obtained through the Data Services Hub (June 11, 2013) require that individuals applying for health coverage through the Exchange provide assurance that they are in fact who they say they are.

The proposed regulations will establish the Exchange's policies and procedures for identity verification in the individual Exchange. The proposed regulation will provide the public with clear standards for identity verification, including the process that will be used for paper and non-paper (electronic, telephone, Certified Enrollment Counselor, Certified Agent, or other) and the alternate process should the initial identity verification fail.

The Exchange currently provides rigorous system features and procedures that ensure that individuals who apply for coverage or who provide enrollment assistance are who they say they are. However, for continued use of the federal data services hub for verification of income and social security data, CMS, Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub (June 11, 2013), requires state exchanges to establish remote identity verification for customers who apply online and over the phone. As a result, the proposed regulations will integrate the federal remote identity verification service for consumers who apply online or over the phone. These proposed regulations will benefit the public by providing clear guidelines of how the Exchange will verify identity for consumers who apply in either paper or non-paper formats.

After an evaluation of current regulations, the Exchange has determined that these proposed regulations are not inconsistent or incompatible with any existing regulations.

MATTERS PRESCRIBED BY STATUTE APPLICABLE TO THE AGENCY OR TO ANY SPECIFIC REGULATION OR CLASS OF REGULATIONS

None

LOCAL MANDATE

The Executive Director of the California Health Benefit Exchange has determined that this proposed regulatory action does not impose a mandate on local agencies or school districts.

FISCAL IMPACT ESTIMATES (Attached Form 399)

This proposal does not impose costs on any local agency or school district for which reimbursement would be required pursuant to Section 7 (commencing with Section 17500) of Division 4 of the Government Code. This proposal does not impose other nondiscretionary cost or savings on local agencies.

COSTS OR SAVINGS TO STATE AGENCIES AND TO FEDERAL FUNDING (Attached Form 399)

The proposal results in additional costs to the California Health Benefit Exchange, which is currently funded by federal grant money and will become financially self-sufficient in 2015. The proposal does not result in any costs or savings to any other state agency.

§ 6460. Identity Verification Requirement.

(a) Definitions. For purposes of this section, the following terms shall have the following meanings:

- (1) RIDP: Remote Identity Proofing Process.
- (2) FDSH: Federal Data Service Hub.
- (3) Exchange Affiliate: customer service representative, certified enrollment counselor, certified insurance agent, certified plan-based enroller, county eligibility worker, or other individual authorized by the Exchange to accept health insurance applications on behalf of the Exchange.

(b) Applicants must verify their identity before submitting an application for health insurance through the Exchange's individual market.

(c) Applicants submitting paper applications for health insurance through the Exchange shall verify their identity by signing in ink, under penalty of perjury, the declaration and signature section of the Exchange's paper application. The Exchange shall not accept or process any paper application lacking an attestation of identity signed by the applicant in ink under penalty of perjury.

(d) Applicants submitting non-paper applications for health insurance through the Exchange (i.e., through the Exchange website or through an Exchange Affiliate, whether in person, by telephone, or otherwise) shall verify their identity through the FDSH RIDP service or through the process set forth in subsections (e)(2) or (e)(3), below. If an applicant chooses to use the FDSH RIDP service, the Exchange or Exchange Affiliate shall use the FDSH RIDP service to present the applicant with a list of personalized questions and multiple choice answers based on information pertaining to the claimed identity of the applicant. These questions may pertain, without limitation, to the applicant's credit history, residential history, or other identifying attributes. Based on the accuracy of the applicant's answers to these questions, the FDSH RIDP service will inform the Exchange or Exchange Affiliate whether the applicant's identity has been verified.

(1) If the FDSH RIDP service reports that the applicant's identity has been verified, the Exchange or Exchange Affiliate shall permit the applicant to submit a non-paper application for health insurance.

(2) If the FDSH RIDP service reports that the applicant's identity has not been verified, the Exchange or Exchange Affiliate shall provide the applicant a Referral ID and a telephone number to call to undergo an alternative identity verification process.

(e) Alternative identity verification process. Neither the Exchange nor an Exchange Affiliate shall accept a non-paper application for health insurance from an applicant who fails the initial FDSH RIDP process until:

(1) the FDSH RIDP service informs the Exchange or Exchange Affiliate that the applicant has successfully completed the alternative identity verification process by calling the telephone number provided and successfully answering additional personalized questions; or

(2) the applicant presents in person to an Exchange Affiliate and shows acceptable proof of identity or a copy thereof. Acceptable proof of identity is:

- (i) a valid identification card issued by a federal, state, or local governmental entity that bears a recognizable photograph of the applicant, or

(ii) two of the following: a birth certificate, Social Security card, marriage certificate, divorce decree, employer identification card, high school or college diploma (including high school equivalency diplomas), and a property deed or title.

or;

(3) the applicant mails or electronically transmits to the Exchange or Exchange Affiliate a copy of the acceptable proof of identity referenced in subsection (e)(2).

(f) An applicant who successfully completes the identity verification requirements set forth in this section may, if otherwise permitted, apply for health insurance for members of his or her household without those household members satisfying the requirements set forth in this section.

(g) Notwithstanding anything in this section, a county eligibility worker may accept and process an application for health insurance through the Exchange's individual market from any applicant whose identity has been verified through any alternate process that meets the requirements set forth in the June 11, 2013 "Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub" issued by the Centers for Medicare & Medicaid Services ("Guidance"). The Exchange and the Department of Health Care Services shall determine, after mutual consultation, whether an alternate process to be used by the counties meets the requirements of the Guidance.

AUTHORITY: Gov't Code § 100503(a).

REFERENCE: Gov't Code § 100503(a); June 11, 2013 "Guidance Regarding Identity Proofing for the Marketplace, Medicaid, and CHIP, and the Disclosure of Certain Data Obtained through the Data Services Hub" issued by the Centers for Medicare & Medicaid Services.

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2008)

See SAM Section 6601 - 6616 for Instructions and Code Citations

| | | |
|--|--|---|
| DEPARTMENT NAME Covered California | CONTACT PERSON Michael A. Schaps | TELEPHONE NUMBER 916-228-8331 |
| DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 ID Proofing | | NOTICE FILE NUMBER Z |

ECONOMIC IMPACT STATEMENT

A. ESTIMATED PRIVATE SECTOR COST IMPACTS (Include calculations and assumptions in the rulemaking record.)

1. Check the appropriate box(es) below to indicate whether this regulation:

- | | |
|---|---|
| <input type="checkbox"/> a. Impacts businesses and/or employees | <input type="checkbox"/> e. Imposes reporting requirements |
| <input type="checkbox"/> b. Impacts small businesses | <input type="checkbox"/> f. Imposes prescriptive instead of performance |
| <input type="checkbox"/> c. Impacts jobs or occupations | <input type="checkbox"/> g. Impacts individuals |
| <input type="checkbox"/> d. Impacts California competitiveness | <input type="checkbox"/> h. None of the above (Explain below. Complete the Fiscal Impact Statement as appropriate.) |

h. (cont.) _____

(If any box in Items 1 a through g is checked, complete this Economic Impact Statement.)

2. Enter the total number of businesses impacted: _____ Describe the types of businesses (Include nonprofits.): _____

Enter the number or percentage of total businesses impacted that are small businesses: _____

3. Enter the number of businesses that will be created: _____ eliminated: _____

Explain: _____

4. Indicate the geographic extent of impacts: Statewide Local or regional (List areas.): _____

5. Enter the number of jobs created: _____ or eliminated: _____ Describe the types of jobs or occupations impacted: _____

6. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?

Yes No If yes, explain briefly: _____

B. ESTIMATED COSTS (Include calculations and assumptions in the rulemaking record.)

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ _____

a. Initial costs for a small business: \$ _____ Annual ongoing costs: \$ _____ Years: _____

b. Initial costs for a typical business: \$ _____ Annual ongoing costs: \$ _____ Years: _____

c. Initial costs for an individual: \$ _____ Annual ongoing costs: \$ _____ Years: _____

d. Describe other economic costs that may occur: _____

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

2. If multiple industries are impacted, enter the share of total costs for each industry: _____

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. (Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.): \$ _____

4. Will this regulation directly impact housing costs? Yes No If yes, enter the annual dollar cost per housing unit: _____ and the number of units: _____

5. Are there comparable Federal regulations? Yes No Explain the need for State regulation given the existence or absence of Federal regulations: _____

Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ _____

C. ESTIMATED BENEFITS (Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. Briefly summarize the benefits that may result from this regulation and who will benefit: _____

2. Are the benefits the result of: specific statutory requirements, or goals developed by the agency based on broad statutory authority?

Explain: _____

3. What are the total statewide benefits from this regulation over its lifetime? \$ _____

D. ALTERNATIVES TO THE REGULATION (Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.)

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: _____

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

| | | |
|----------------|-------------------|----------------|
| Regulation: | Benefit: \$ _____ | Cost: \$ _____ |
| Alternative 1: | Benefit: \$ _____ | Cost: \$ _____ |
| Alternative 2: | Benefit: \$ _____ | Cost: \$ _____ |

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: _____

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? Yes No

Explain: _____

E. MAJOR REGULATIONS (Include calculations and assumptions in the rulemaking record.) Cal/EPA boards, offices, and departments are subject to the following additional requirements per Health and Safety Code section 57005.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million? Yes No (If No, skip the rest of this section.)

2. Briefly describe each equally as an effective alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 1: \$ _____ Cost-effectiveness ratio: \$ _____

Alternative 2: \$ _____ Cost-effectiveness ratio: \$ _____

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT (Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year which are reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code. Funding for this reimbursement:

a. is provided in _____, Budget Act of _____ or Chapter _____, Statutes of _____

b. will be requested in the _____ Governor's Budget for appropriation in Budget Act of _____
(FISCAL YEAR)

2. Additional expenditures of approximately \$ _____ in the current State Fiscal Year which are not reimbursable by the State pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code because this regulation:

a. implements the Federal mandate contained in _____

b. implements the court mandate set forth by the _____
court in the case of _____ vs. _____

c. implements a mandate of the people of this State expressed in their approval of Proposition No. _____ at the _____
election; (DATE)

d. is issued only in response to a specific request from the _____
_____, which is/are the only local entity(s) affected;

e. will be fully financed from the _____ authorized by Section
(FEES, REVENUE, ETC.)

_____ of the _____ Code;

f. provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each such unit;

g. creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

3. Savings of approximately \$ _____ annually.

4. No additional costs or savings because this regulation makes only technical, non-substantive or clarifying changes to current law regulations.

ECONOMIC AND FISCAL IMPACT STATEMENT cont. (STD. 399, Rev. 12/2008)

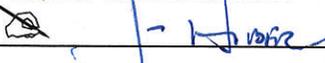
5. No fiscal impact exists because this regulation does not affect any local entity or program.
6. Other.

B. FISCAL EFFECT ON STATE GOVERNMENT (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year. It is anticipated that State agencies will:
- a. be able to absorb these additional costs within their existing budgets and resources.
- b. request an increase in the currently authorized budget level for the _____ fiscal year.
2. Savings of approximately \$ _____ in the current State Fiscal Year.
3. No fiscal impact exists because this regulation does not affect any State agency or program.
4. Other. See attached.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS (Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.)

1. Additional expenditures of approximately \$ _____ in the current State Fiscal Year.
2. Savings of of approximately \$ _____ in the current State Fiscal Year.
3. No fiscal impact exists because this regulation does not affect any federally funded State agency or program.
4. Other. See attached.

| | | |
|---|------------------------|------|
| FISCAL OFFICER SIGNATURE  | DATE 11-18-2013 | |
| AGENCY SECRETARY ¹ APPROVAL/CONCURRENCE  | PROGRAM BUDGET MANAGER | DATE |
| DEPARTMENT OF FINANCE ² APPROVAL/CONCURRENCE  | | DATE |

1. The signature attests that the agency has completed the STD.399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or department not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

2. Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD.399.

FISCAL IMPACT STATEMENT

B. FISCAL EFFECT ON STATE GOVERNMENT &

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS

There is no historical data to estimate the fiscal impact. Certified enrollment entities are compensated \$58 for each effectuated qualified health plan (QHP) application (\$29 for split household -- an application has some individuals enrolling in Medi-Cal and the rest of the individuals enrolling in QHP). It is unlikely that there will be many applicants who will seek external assistance for the sole purpose of identity verification because the applicants have other means to verify identity – signing and mailing a paper application; mailing or electronically sending HBEX proof of identity. Individuals who seek external assistance will likely need help in completing the application, other than identity verification, in which case the certified enrollment entities would be entitled to compensation.

Furthermore, there is no historical data to estimate the workload impact to HBEX's Service Center staff for reviewing the applicants' mailed or electronic submission of proof of identity. There is, however, a design change to the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) to comply with this proposed rulemaking. Staff is working with the contractor to see what needs to be changed in order to determine the cost impact.

The fiscal components, except for the CalHEERS design change, will impact both state government and federal funding. The design change will only impact federal funding.