

**U.S. Department of Health and Human Services  
Centers for Medicare & Medicaid Services  
Center for Consumer Information and Insurance Oversight**

**Cooperative Agreement to Support Establishment of  
Affordable Care Act's Health Insurance Exchanges**

**Commonwealth of Kentucky Application  
Level II Establishment Grant**

**Funding Opportunity Number: IE-HBE-12-001  
CFDA: 93.525**

**Submission Date:** November 15, 2012

**Period of Performance:** October 2012 to December 2014

**Table of Contents**

B. PROJECT NARRATIVE.....4

a. Discussion of Existing Exchange Planning and Exchange Establishment Progress.....4

    1. Key Findings of Background Research.....4

    2. Legal Authority and Governance .....4

    3. Stakeholder Consultation .....4

    4. Long-term operational cost and sustainability .....6

    5. Program Integration .....6

    6. Business Operations of the Exchange .....7

    7. IT Gap Analysis and Exchange IT Systems.....8

    8. Reuse, Sharing, and Collaboration (IT) .....8

    9. Organizational Structure .....8

    10. Program Integrity .....10

    11. ACA Requirements .....10

    12. SHOP .....12

b. Proposal to Meet Program Requirements .....12

    1. Current Exchange Pathway.....12

    2. Strategy to Complete Exchange Activities .....12

    3. Strategy to Address Early Benchmarks .....12

        a. Legal Authority and Governance.....12

        b. Consumer and Stakeholder Engagement and Support .....13

        c. Eligibility and Enrollment.....18

        d. Plan Management.....29

        e. Financial Management, Risk Adjustment, and Reinsurance.....35

        f. Small Business Health Options Program (SHOP) .....35

        g. Organization and Human Resources.....39

        h. Finance and Accounting.....39

        i. Technology.....40

        j. Privacy and Security .....42

        k. Oversight Monitoring, and Reporting .....43

        l. Contracting, Outsourcing, and Agreements .....46

    4. Strategy to Address Early Benchmarks (Section I.4).....51

        a. Operational Gaps.....51

        b. IT Gaps Analysis.....51

        c. Actuarial and Market Analysis.....51

        d. Stakeholder and tribal consultation.....51

e. Long term Operational Costs .....52

5. Proposed solution for Exchange IT Systems .....53

6. IT Seven Standards and Conditions .....55

7. Organizational Structure .....58

8. Coordination with federal Government .....59

9. Reuse, Sharing, and Collaboration (non-IT).....59

10. Financial Integrity .....60

11. Implementation Challenges.....61

12. SHOP .....61

F. Work plan.....62

G. Budget Narrative .....62

H. Additional Letters of Agreement and/or Description(s) of Proposed/Existing Project .....62

I. Descriptions for Key Personnel & Organizational Chart.....62

J. Cost Allocation Methodology Appendix .....62

K. Documentation Supporting Eligibility of Applicant.....62

Appendix A: KHBE Executive Order.....63

Appendix B: Sustainability Plan .....63

Appendix C: Operating Model.....63

Appendix D.1: Work plan.....63

Appendix D.2: System Implementation Project Plan.....63

Appendix E: Budget Narrative.....63

Appendix F: Key Personnel & Organizational Chart.....63

Appendix G: Cost Allocation Methodology .....63

Appendix H: Supporting Documentation.....63

## **B. PROJECT NARRATIVE**

### **a. Discussion of Existing Exchange Planning and Exchange Establishment Progress**

#### **1. Key Findings of Background Research**

The background research necessary for planning an exchange in Kentucky, including an assessment of the number of insured and uninsured individuals in the Commonwealth, current health insurance market status, and identification of the number and characteristics of potential users, was conducted by University of Kentucky (UK) Department of Biostatistics and Department of Health Services Management. The final research report was submitted to the Center for Consumer Information and Insurance Oversight (CCIIO) in August 2011

#### **2. Legal Authority and Governance**

On July 17, 2012, an Executive Order (EO) was issued by the Governor, creating the Office of the KHBE within the CHFS. The EO was necessary to move forward with establishment of the state-based KHBE. Furthermore, on September 18, 2012, the Governor issued an amended EO establishing the KHBE and appointing the Advisory board members and chair. A copy of the amended EO is included in *Appendix A: KHBE Executive Order* of this grant application.

#### **3. Stakeholder Consultation**

The Commonwealth recognizes the importance of stakeholder input and is committed to maintaining open communication with impacted groups including insurers, agents, advocates, small businesses, health care providers, state agencies, consumers and business leaders. Key activities include:

- KHBE staff will continue making presentations and holding public meetings to educate and inform stakeholders about the Exchange.
- The Exchange Advisory board will meet regularly to address key Exchange requirements and policy issues. Advisory board sub-committees consisting of consumers, other stakeholder groups and interested parties will be established to study specific policy issues and advise the board.
- KHBE will post materials and background information on the public Exchange website including stakeholder reports, meeting minutes and comments.
- KHBE will utilize an email distribution list to provide updates on Exchange activity and opportunities for stakeholder input and feedback.
- KHBE will meet one-on-one and in small group meetings with stakeholders, experts and other impacted state agencies.

Following the June 2012 Supreme Court decision relating to the ACA, the Commonwealth began conducting regional public forums, inviting insurers, agents, small business owners, consumer advocates and consumers. The forums were structured to educate the public on the Exchange, review insurance market reforms and solicit input. Attendants participated in small group discussions and brief question and answer sessions at each forum. Following is the schedule of forums, including locations, which was posted on Kentucky's healthcare reform website. After evaluating public feedback following the forums the KHBE anticipates scheduling additional regional forums in March or April of 2013.

Statewide Public Forums	
Date	Location
May, 7, 2012	Dept. of Transportation; Frankfort, Kentucky
July 25, 2012	Northern Kentucky Mets Center Auditorium; Erlanger, Kentucky
July 26, 2012	University of Louisville; Louisville, Kentucky
July 27, 2012	Big Sandy Community & Technical College; Prestonsburg, Kentucky
August 1, 2012	Somerset Community College; Somerset, Kentucky
August 16, 2012	West Kentucky Community & Technical College; Paducah, Kentucky
August 17, 2012	Owensboro Community & Technical College; Owensboro, Kentucky

The KHBE is required by EO 2012-587 to review and discuss issues with the Exchange Advisory board.

On September 18, 2012, Governor Beshear issued an amended Executive Order establishing the Kentucky Health Benefit Exchange and appointing the Advisory board members and chair. The Board held their first meeting on September 27, 2012. Members received a brief background on the HBE, federal requirements, policy issues and expectations. The Board agreed to meet every fourth Thursday of the month with the exception during the months of November and December due to the holidays. Additionally, the initial subcommittees were identified to address the following:

- Behavioral Health
- Dental/Vision
- Education and Outreach
- Navigator/ Agent
- Qualified Health Plans
- SHOP

Each subcommittee has an appointed board member serving as chair and KHBE staff for assistance. Subcommittee meetings began in October 2012, and will be held at the least monthly or more frequently if necessary.

All board and subcommittee meetings and materials have been and will continue to be posted on the KHBE website ([healthbenefitexchange.ky.gov](http://healthbenefitexchange.ky.gov)). Posted meetings are open to the public in accordance with the Kentucky Open Meetings Act.

To facilitate ongoing stakeholder communication KHBE maintains an email distribution list and a website that provides meeting information, resources, updates and other applicable materials. In 2013, the website will transition to a redesigned site for the October 1, 2013 open enrollment period.

#### Stakeholder and Tribal Consultation

See Stakeholder Consultation. The Commonwealth does not currently have any federally recognized Tribes.

#### 4. Long-term operational cost and sustainability

The KHBE has developed a detailed sustainability model, which outlines implementation costs, operational costs and analysis on potential revenue options, as well as revenue recommendations to ensure sustainability by January 1, 2015. This model projects operational costs for the five year period from 2015 – 2019. The model is based upon best available data and is considered a working document for KHBE leadership to update and refine as Exchange design details are finalized.

The following sustainability options were considered:

- **Premium Assessment** – assess health benefit plans and stop-loss policies sold in Kentucky.
- **Public Funds** – utilize a portion of tobacco fund appropriations.
- **User Fees** - assess a fee to customers for exchange services.
- **Ancillary Insurance Products** - offers standalone dental and other core ancillary insurance products as they mature (e.g., vision, pharmacy).
- **Health Related Goods and Services** – establish a Goods and Services page on the Exchange to sell additional products that explicitly or implicitly improve the health of the exchange population. The KHBE would then receive a portion of profits from either the good (e.g. pedometer), or service (e.g. gym membership).
- **Marketing/ Advertising** – deploy banner ads on the Exchange portal, enabling users to view and click on graphical advertisements. The KHBE is paid by advertisers based on a market price of cost per thousand ad impression.
- **Affinity Programs** - establish an affinity program page where KHBE purchasers can subscribe to specific services based on their individual interests.

The sustainability model can be found in *Appendix B: Sustainability Plan*

#### 5. Program Integration

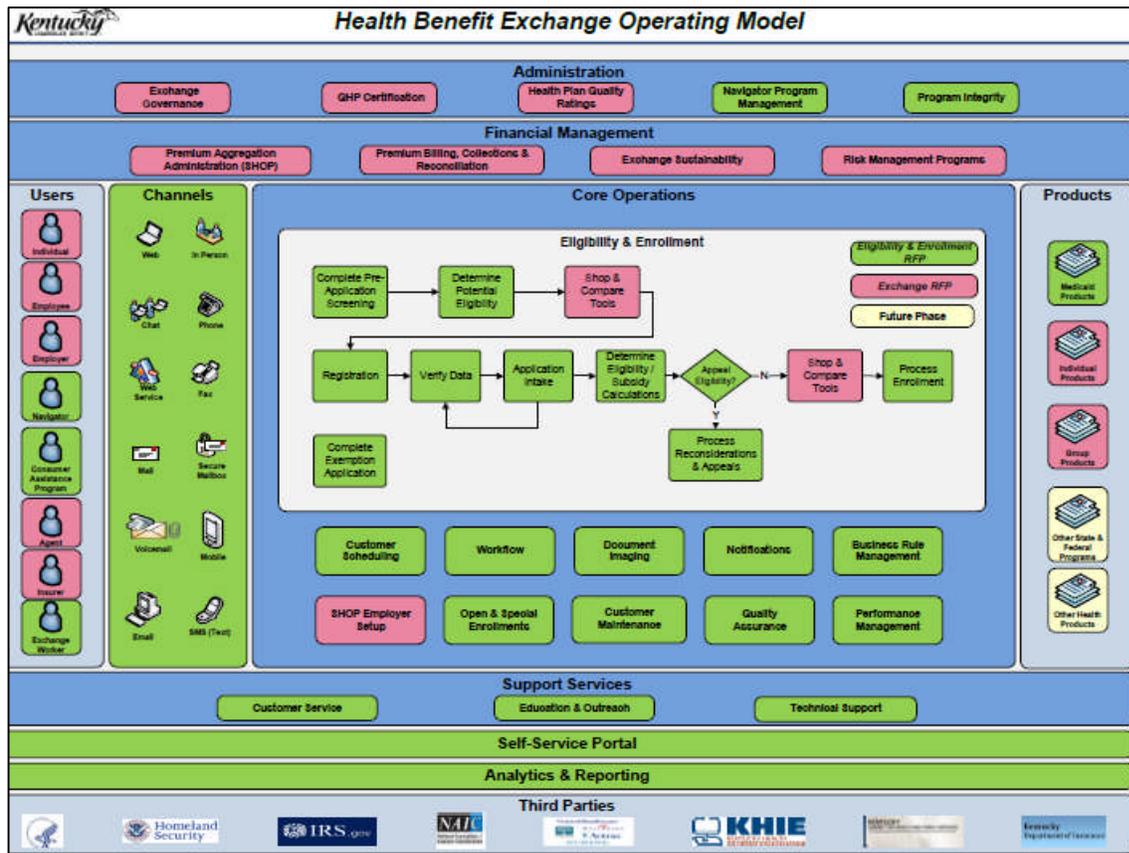
As referenced earlier, the Commonwealth has designated CHFS as the single point of contact to lead planning efforts for the KHBE. In 2011, a high-level executive leadership team was also assembled and includes individuals from the impacted agencies across state government, including OHP, OATS, DMS, DCBS, and DOI. The executive leadership team oversees the work of several inter- and intra-agency planning groups and serves as reviewer of major KHBE activities.

In August 2011, three work groups were established, including Medicaid, Insurance, and Information Technology workgroups. With the assistance of the Commonwealth’s planning vendor Accenture, each work group met and discussed relevant topics to identify functional, system, and technical requirements. The Medicaid work group focused on topics, including eligibility determinations, verification, and enrollment; strategies for compliance with the “no wrong door” policy; Medicaid managed care; and other areas that impact Medicaid services. The Insurance work group focused on analyzing functional necessities for an Exchange, such as the certification of qualified health plans and quality rating systems; eligibility determinations; development of risk adjustment process and reinsurance mechanism; role of Navigators and Agents; SHOP functions and other areas of impact to the insurance markets in the Commonwealth. The Information Technology work group focused on the overall technical application architecture; ACA, CMS, and Health Insurance Portability, Affordability and Accountability Act (HIPAA) transaction standards; accessibility; and security and privacy standards.

In October 2011, the Medicaid and Insurance work groups merged to form one work group and conducted a deeper level of analysis of issues. This resulted in development of the KHBE Operating Model and a set of high-level detailed requirements for system development. This Model represents the functionality for both eligibility determination and enrollment in health coverage, regardless of whether the product or program is Medicaid, CHIP, Individual, Group, or other state/Federal programs. An operational plan for the KHBE was also developed through this work effort with the assistance of the Information Technology work group. The operational plan includes, but is not limited to, the KHBE Operating Model, KHBE Application Blueprint, functional and system requirements, Exchange Roadmap, and a RFP.

## 6. Business Operations of the Exchange

As discussed in Kentucky’s second Level I Establishment Grant, the KHBE established workgroups that met over 35 times over several months to define the vision and operational plan for the KHBE. One outcome was the development of the KHBE Operating Model below, which can also be found in *Appendix C: Operating Model*.



The operating model was an input to the system implementation RFP for KHBE’s Eligibly and Enrollment and a Plan Management and Billing Solutions (E&E and PBM).

During the procurement phase, KHBE took strides to prepare for the system integrator by developing Kentucky based process flows for all functional areas of the exchange including eligibility, enrollment, plan management, and financial management.

## 7. IT Gap Analysis and Exchange IT Systems

The Exchange IT Gap Analysis was presented in the initial Level I Establishment Grant submitted by the Commonwealth. In the second Level I Establishment Grant, the Commonwealth outlined activities that were conducted with the planning vendor, to evaluate and identify technical solution options for the KHBE. This work included Shared Functionality Analysis, Product Leverage Analysis, and Shared Service Analysis. The IT Gap Analysis that was previously conducted was an input to the system implementation RFP for KHBE's Eligibility and Enrollment and a Plan Management and Billing Solutions (E&E and PBM).

## 8. Reuse, Sharing, and Collaboration (IT)

The Commonwealth implementation vendor, Deloitte and partner CGI bring significant experience in health and human service system implementation, including ongoing health insurance exchange implementations in other states. As such, the follow areas address how the how the technology solution will support reuse sharing and collaboration:

- **User Interface requirements and design concepts** – leverage Deloitte's UX related work in State of Washington for the citizen portal and the State of Delaware for Case Worker Portal
- **Rules requirements and design** – leverage Corticon based rules engine repository being developed in State of New Mexico and migrate the reusable contents to Corticon's .Net framework for KY
- **Correspondence Engine design** – leverage Deloitte's work in integrating Adobe Correspondence engine with the Eligibility solution developed in Pennsylvania and Montana
- **Federal Hub** – Obtain synergies from the configuration, connectivity and testing related to the hub in states like Illinois, Delaware and Colorado
- **PMB Solution** - leverage work done by CGI for the Federal Hub and exchange solutions being built for other states including Colorado
- **Shared Infrastructure** - Common infrastructure (BizTalk, SAP BO) leveraged across the CHFS enterprise.
- **Shared Services** - Common enterprise services (security and doc management) employed by the HBE solution. Focus on creating foundational components to be reused for future initiatives.
- **Application Reuse** - Reuse of business rules, data models and framework components from other state IE implementations.
- **Virtualization** - Extensive use of virtualization to maximize use of underlying hardware investments and support scalability.

## 9. Organizational Structure

Based upon the availability of funds, the Office of the KHBE is poised to move forward in its recruitment and hiring of KHBE staff and anticipates having the four (4) Division Directors appointed (hired) no later

than December 1, 2012. It is also anticipated that additional staff necessary to staff the KHBE will be hired no later than March 31, 2013, in order of to be available for the KHBE Open Enrollment period beginning on October 1, 2013. A copy of the proposed staffing is included in Attachment II.

To hire staff that may optimally and responsibly perform KHBE activities and functions, the Office of the KHBE plans to:

- Work closely with the CHFS Office of Human Resource Management to recruit, identify, and hire staff with the knowledge, skills, and abilities to perform specific KHBE functions and activities; and
- Conduct staff recruitment and identification of candidates, and the hiring process in accordance with the CHFS Selection Process, which is consistent with KRS Chapter 18A and may be provided upon request.



## 10. Program Integrity

The Program Integrity and system oversight functions include the planning and implementation of activities to prevent waste, fraud, and abuse. In an effort to prevent fraud and abuse, the KHBE plans to:

- Implement simple and clear eligibility and enrollment rules;
- Create processes that maximize the use of federal and state verified data;
- Assign unique index numbers for customers; and
- Match and synchronize identities that exist in the KHBE and across other State systems, such as the Kentucky Automated Management Eligibility System (KAMES).

In order to detect potential fraud and counteract fraudulent activity, the KHBE will also use data mining and analytic techniques that match patterns of activity. The KHBE will have the authority to terminate coverage based on the detection and proof of fraudulent activity. As appropriate, the KHBE will refer cases to insurers, the DOI, and DMS, as applicable. To support transparency of KHBE activities and operations, statistics and information relating to KHBE fraud, including statistics related to dollars lost due to fraud will be available to the public.

## 11. ACA Requirements

### Health Insurance Market Reform

The DOI has led the initiative to implement health insurance market reforms in Kentucky. As outlined in previous Level I Grant proposals, a significant amount of past progress has been demonstrated in this area. The following outlines updates to these actions:

- 1. Prohibition of Rescissions:** This provision is currently being enforced by the Commissioner of Insurance and most insurers voluntarily complied with this requirement within six (6) month of enactment. DOI is investigating any complaints relating to improper rescissions and taking administrative action when appropriate.
- 2. Medical Loss Ratio (MLR):** Kentucky submitted a letter to the U.S. Department of Health and Human Services (HHS) to request an adjustment to the MLR requirement in the individual market. In July 2011, CMS determined that Kentucky may establish an MLR standard of 75 percent for 2011, with the 80 percent standard to apply beginning 2012, which reasonably addresses the risk of market destabilization.
- 3. Appeals Process:** Kentucky has completed a gap analysis associated with appeals processes and has issued a bulletin requiring insurers to implement the new provisions to ensure an effective appeals process. HHS has reviewed Kentucky's actions and determined that Kentucky's process meets the standards identified in the appeals regulation and guidance.
- 4. Annual Review of Premiums:** The DOI has conducted in-person meetings and bi monthly conference calls with all major insurers to discuss the final rate rule and they have indicated that they will be able to comply with these requirements. HHS has determined that Kentucky has an effective rate review program in the individual and small group market with the exception of non-Sitused association coverage.
- 5. Mandated coverage for children under 19 years of age without imposition of preexisting condition exclusions:** The Insurance Commissioner has issued an order requiring insurers to implement an annual mandatory enrollment period for individuals qualifying for coverage under this

provision. The individuals may also enroll anytime during the year if a qualifying event occurs and the individual applies within the time frame.

- 6. Required Adherence to HHS Standards for Compiling/Providing Information to Enrollees that Accurately Describes Benefits of Coverage:** DOI is waiting for HHS to promulgate final rules. In the meantime, DOI will enforce state laws requiring insurers to provide the terms and conditions of their health benefit plan products.

### Rate Review

It was determined by HHS that Kentucky had an effective rate review process. Section 1003 of the Affordable Care Act requires the Secretary of the Department of Health and Human Services (HHS), in conjunction with the States, to establish a process for the annual review of health insurance premiums to protect consumers from unreasonable, unjustified and/or excessive rate increases. Section 2974 of the Public Health Service Act (PPACA Section 1003) provides for a program of grants that enable states to improve the health insurance rate review and reporting processes. Kentucky applied for and received Cycle I and Cycle II rate review grants. The Cycle II award is for a 3 year period of time ending September 30, 2014.

The goals of the Cycle II Rate Review Grant Program include:

- Establishing or enhancing a meaningful and comprehensive effective rate review program that is transparent to the public, enrollees, policyholders and to the Secretary, and under which rate filings are thoroughly evaluated and, to the extent permitted by applicable State law, approved or disapproved; as well as
- Developing an infrastructure to collect, analyze, and report to the Secretary critical information about rate review decisions and trends, including, to the extent permitted by applicable State law, the approval and disapproval of proposed rate increases.

With Cycle II grant funds, the DOI has continued to enhance its rate review process in response to requirements set forth by the Patient Protection and Affordable Care Act of 2010 and the Health Care and Education Reconciliation Act of 2010. In several broad categories the DOI plans to continue enhancing information technology, personnel, consumer initiatives, internal capabilities and audit capabilities.

The primary goal is to increase oversight of insurer rate increases and rating practices and increase the types of data collected in the process. The grant has allowed the DOI to increase the number of staff receiving and reviewing rate filings and add additional actuaries to examine more closely the assumptions made by insurers. DOI will continue to increase the efficiency and transparency of the rate review process and increase the data analysis performed in the process. DOI grant funds will be used to continue to enhance the SERFF system to prepare the Department for remitting data to Kentucky consumers and the Secretary of HHS.

DOI has contracted with Wakely Consulting Group for actuarial services that include auditing of insurer's rate development and rate application practices. The contract actuary will, on a part-time basis, provide rate application audits with respect to specific insurers. These audits can:

- Determine if filed and approved rates are being appropriately charged to the consumer.
- Allow the Department to evaluate the effect of underwriting on an insured's medical insurance premium.

- Collect information that will be useful in developing criteria for certification of Qualified Health Plans to participate in the Exchange.
- Assist in the determination of whether federal minimum loss ratios are being met.
- Verify the accuracy of assertions made in the rate filings.

The ultimate goal is to identify and correct insurer operating practices that are in conflict with federal criteria, Kentucky laws, rules, regulations, and requirements with respect to the Patient Protection and Affordable Care Act.

## **12. SHOP**

The KHBE began planning activities for its SHOP Exchange in the fall of 2011. During the planning phase of work the KHBE identified a set of business requirements related to the SHOP, which supported the system implementation RFP for KHBE’s Eligibility and Enrollment and a Plan Management and Billing Solutions (E&E and PBM).

During the procurement process, KHBE developed business process models related to the SHOP.

The KHBE has established a SHOP Subcommittee to assist with programmatic and policy issues. Some of the policy issues considered by the Subcommittee include the definition of small employer, participation requirements, and employee choice options.

Further detail on SHOP can be found in section b.12.

### **b. Proposal to Meet Program Requirements**

The proposal to meet program requirements, below, reflects the requirements for a state-based exchange.

#### **1. Current Exchange Pathway**

The Commonwealth of Kentucky plans to establish a state-based Health Benefits Exchange by October 1, 2013. The Commonwealth has made significant progress toward the implementation of all core Exchange functions. Development of all functions will be complete on or before October 1, 2013, as described below, in order for consumers to begin plan selection at that time.

#### **2. Strategy to Complete Exchange Activities**

This section provides information on the Commonwealth’s efforts related to the establishment of a state-based Exchange as outlined in *Appendix A: KHBE Executive Order* of the Funding Opportunity Announcement.

#### **3. Strategy to Address Early Benchmarks**

The proposal to meet program requirements, below, reflects the requirements for a state-based exchange.

##### **a. Legal Authority and Governance**

*The State has enabling authority to operate an Affordable Insurance Exchange, including a Small Business Health Options Program (SHOP), compliant with the Affordable Care Act §1321(b) and implementing regulations.*

The Office of the KHBE, in the Cabinet of Health and Family Services, was established by Executive Order on July 17, 2012. The EO gave all necessary powers to operate an Affordable Insurance Exchange in compliance with all ACA requirements.

*The Exchange has been established with an Exchange Board and governance structure in compliance with Affordable Care Act § 1311(d) and 45 CFR 155.110.*

A September 18, 2012 amendment to the Executive Order appointed the Advisory Board and Director to discuss policy and programmatic issues with the KHBE. Details of the organizational structure are described in section A (9).

**b. Consumer and Stakeholder Engagement and Support**

*The Exchange has developed and implemented a stakeholder consultation plan and has and will continue to consult with consumers, small businesses, State Medicaid and CHIP agencies, agents/brokers, employer organizations, and other relevant stakeholders as required under 45 CFR § 155.130.*

The Kentucky Health Benefit Exchange values stakeholder engagement and provides opportunities for dialogue with diverse populations statewide. KHBE considers stakeholder consultation an essential component of the process and will continue to plan accordingly for inclusion of stakeholders, including consumers, advocates, insurance carriers, brokers, small businesses, state agencies and business leaders. Key activities include:

- KHBE staff will continue making presentations and holding public meetings to educate and inform stakeholders about the Exchange.
- The Exchange Advisory board will meet regularly to address key Exchange requirements and policy issues. Advisory board sub-committees consisting of consumers, other stakeholder groups and interested parties may be established to study specific policy issues and advise the board.
- KHBE will post materials and background information on the public Exchange website including stakeholder reports, meeting minutes and comments.
- KHBE will utilize an email distribution list to provide updates on Exchange activity and opportunities for stakeholder input and feedback.
- KHBE will meet one-on-one and in small group meetings with stakeholders, experts and other impacted state agencies.
- To facilitate on going stakeholder communication, KHBE maintains a website that provides information, resources and news.

*Applicable only to States with Federally-recognized Tribes: The Exchange, in consultation with the federally recognized Tribes, has developed and implemented a Tribal consultation policy or process, which has been submitted to HHS.*

This activity is not applicable to Kentucky.

*The Exchange provides culturally and linguistically appropriate outreach and educational materials to the public, including auxiliary aids and services for people with disabilities, regarding eligibility and enrollment options, program information, benefits, and services available through the Exchange, the Insurance Affordability Program(s), and the SHOP. In addition, the Exchange has an outreach plan for populations including: individuals, entities with experience in facilitating enrollment such as agents/brokers, small businesses and their employees, employer groups, health care providers, community-based organizations, Federally-recognized Tribal communities, advocates for hard-to-reach populations, and other relevant populations as outlined in 45 CFR § 155.130.*

The Exchange has taken steps to continue stakeholder engagement through outreach and education. Key activities include:

- KHBE has contracted with the University of Kentucky (UK) to conduct an actuarial analysis and develop an outreach and education plan that includes a market analysis and an environmental scan. UK will assess outreach and education needs, make recommendations, identify target areas and vulnerable populations, solicit comments from stakeholders and submit a written outreach and education plan.
- KHBE identifies Navigators as key players in both educating and distributing education and outreach materials. Additionally, KHBE anticipates that multiple entities including QHPs, health care providers, agents, advocacy groups and community organizations will also distribute educational materials and provide information about the Exchange.
- KHBE recently issued a Request for Quote (RFQ) from two outside experts, with whom it has existing business relationships, to obtain quotes for a plan which includes recommendations and options for branding, the design and provision of education and promotional materials, and the development and implementation of a multi-faceted advertising and marketing campaign.
- KHBE anticipates the use of multiple access channels for communication, including public media and web campaigns, telephone outreach, and printed materials to target potential KHBE customers and employers. Additionally, KHBE will provide culturally and linguistically appropriate methods that include auxiliary aids and services for people with disabilities.

*The Exchange provides for the operation of a toll-free telephone hotline (call center) to respond to requests for assistance from the public, including individuals, employers, and employees, at no cost to the caller as specified by 45 CFR § 155.205(a).*

The Commonwealth will establish a Kentucky Health Benefit Exchange Contact Center (KHBECC) that fulfills the certification requirements of CMS and the ACA.

The Contact Center is comprised of the following solutions:

- An end-to-end hosted Contact Center as a Service (CCaaS) solution including infrastructure, telephony services, network infrastructure, and hardware and software to support distributed Contact Center operations supporting multiple contact channels.
- Outsourced Tier 1 customer service operations supporting multiple contact channels including telephone, email, TDD/TTY, and web chat.
- The KHBECC includes a framework for extending call center capabilities into Commonwealth agencies providing Tier 2 service to citizens.

Tier 2 will be extended into the following Commonwealth entities, providing coordination with other Insurance Affordability Programs, and other State and Federal agencies:

- Office of the Kentucky Health Benefit Exchange
- Department for Medicaid Services
- Department for Community Based Services
- Kentucky Department of Insurance
- Office of Administrative and Technology Services

Tier 2 resources will provide support for contact channels: Walk-in, Mail and Fax. The KHBECC framework will allow for expansion of service delivery to programs such as SNAP and TANF

KHBECC access for the public, including individuals, employers, and employees is provided at no cost, including toll-free telephone and all supported access channels. Outsourced translation and oral interpretation services will be provided for Limited English Proficiency (LEP) populations

*The Exchange has established and maintains an up-to-date Internet Web site that provides timely and accessible information on Qualified Health Plans (QHPs) available through the Exchange, Insurance Affordability Program(s), the SHOP, and includes requirements specified in 45 CFR § 155.205(b).*

The Commonwealth has contracted with a systems integration vendor to implement the KHBE insurance marketplace. It is anticipated that this site will be up and viewable to the public in the spring or early summer of 2013 transitioning into the HBE web portal for open enrollment October 1, 2013. The KHBE has developed an informational website for all interested parties to obtain information regarding the implementation of the HBE. The website includes information on the following:

#### Home page

- Link to Healthcare.gov and the law
- Brief background on the HBE
- Meeting Notices
- Comments or contact us option
- eAlerts (Gov-delivery messaging tool)

#### Pages

- Advisory Board and Member information (including meeting dates, agendas and minutes)
- Navigator information
- Grants
- News Releases
- Interactive Calculator
- Resource Library
  - Fact Sheets
  - Reports
  - Helpful Links
  - Public Forums (presentations, evaluations and forum summaries)
  - FAQs
  - Essential Health Benefits
  - Federal rules and guidance

The informational website will be a placeholder for the more interactive site created by the vendor. Currently, we are reviewing potential logos and marketing campaigns. The vendors will create a site that will continue our efforts with providing the public updated information and an avenue to identify issues and provide comments.

*The Exchange has established or has a process in place to establish and operate a Navigator program that is consistent with the applicable requirements of the program specified in 45 CFR § 155.210, including the development of training and conflict*

The KHBE recognizes the vital role of Navigators as described in the ACA and the final rule. . The KHBE will develop a Navigator Program consistent with the requirements of 45 CFR 155.210.

The Exchange also intends to establish an in-person assistance program, and to permit agents and web-brokers to participate in the Exchange all as more fully described in 45 CFR 155.220.

In June 2012, prior to the establishment of the Advisory Board, a taskforce was established to investigate and address the Navigator requirements established in the ACA and the final rule. The taskforce set up a number of workgroups in the following areas:

1. Standards;
2. Funding;
3. Conflict of interest;
4. Training and certification

This Navigator Taskforce and the various work groups met on a number of occasions. The training and certification group produced a draft curriculum for Navigator training and the conflict of interest group also met. Information concerning their deliberations is attached.

At the initial meeting of the Advisory Board on September 27, 2012, subcommittees were established, including a subcommittee known as the Navigator/Agent Subcommittee. Marcus Woodward, a well-known and well respected member of the agent community was appointed as chairman. This subcommittee is responsible to make recommendations to the full Advisory Board concerning Navigators, Agents, In-person Assisters and Web Brokers. Members of this subcommittee include three members of the Advisory Board (Woodward, Allgood and Felix) plus thirteen additional members representing agents, insurers, providers and consumer groups. Agent involvement in the exchange had been a popular topic at various public forums.

The Navigator/Agent subcommittee first met on October 4, 2012. Background information regarding standards for the Navigator Program and discussion took place regarding the relative roles of Navigators and Agents within the exchange. Specific to the meeting was a discussion of Blueprint Items 2.6-2.9, including the Navigator standards in 45 C.F.R. §155.210 and the role that agents may fill in assisting individuals and employers in the enrollment process as described in 45 C.F.R. §155.220.

The subcommittee voted to recommend to the full board that the exchange consider establishing an “in-person” assistance program consistent with the requirements of 45 C.F.R. § 155.2[1]0 (c), (d) and (e). The subcommittee further voted to recommend to the full board that the exchange permit activities by agents and brokers pursuant to 45 C.F.R. § 155.220 (a).

A second meeting of the subcommittee was held on October 11, 2012. During this meeting, there was discussion of in-person assisters, additional discussion of the role of agents; particularly in the small group market. Also discussed was training and certification of Navigators and Agents.

A third meeting of this subcommittee was held on October 18, 2012. During this meeting, the subcommittee was given an update on the NASHP meeting and the progress made in preparation for the design review and completion of the Blueprint sections 2.6-2.9.

The following is intended to describe the approach to be taken by the Exchange to meet these specific Blueprint requirements:

## Basic Approach

- The Exchange will establish its Navigator Program through the promulgation of an Administrative Regulation to be filed on an “Emergency” basis, if necessary;
- The requirements set forth in the regulation will be consistent with KRS Chapter 13A (Administrative Regulations) and 45 CFR 155.210 and 155.260;
- The regulation(s) will contain provisions relating to all of the required standards (training, conflicts of interest, etc.);
- The Navigator Program will adhere to privacy and security standards and
- Stakeholder input will be received during the regulation drafting process to achieve buy-in to extent possible.

## Funding

- The Exchange will attempt to secure funding for the initial Navigator grants using existing state funds.
- Federal grant funds will be used for development and operations to the extent permitted;
- Beginning in 2015, the program, including grants, will be funded through the operational funds of the Exchange.

## Timeframe to Implement Navigator Program

- The Navigator Program will be implemented through the promulgation of a regulation on or before February 1, 2013;
- RFP (Level 1 Grant) for the approved scope of work will be issued and a vendor will be selected on or before May 1, 2013;
- Navigators and In-Person Assistants will be selected on or before June 15, 2013;
- Training of Navigators, Agents, and In-Person Assistants will be completed by August 1, 2013.
- Navigator Program will be implemented in conjunction with In-Person Assistance Program and Agent participation program; all through Emergency regulations if necessary. Efforts will be made to combine training.

*The Exchange has established an in-person assistance program distinct from the Navigator program, and has a process in place to operation the program consistent with the requirement of 45 CFR 155.205(c), (d) and (e).*

The Navigator/Agent subcommittee voted to recommend to the full board that the exchange consider establishing an “in-person” assistance program consistent with the requirements of 45 C.F.R. § 155.2[1]0 (c), (d) and (e). The subcommittee further voted to recommend to the full board that the exchange permit activities by agents and brokers pursuant to 45 C.F.R. § 155.220 (a).

A second meeting of the subcommittee was held on October 11, 2012. During this meeting, there was discussion of in-person assisters, additional discussion of the role of agents; particularly in the small group market. Also discussed was training and certification of Navigators and Agents.

## Basic Approach

- Kentucky will establish its In-Person Assistance Program, its program to permit Agents to participate in the Exchange, and its regulation of Web-Brokers through the promulgation of an Administrative Regulation and/or amendments to existing regulations all to be filed on an “Emergency” basis if necessary;
- The requirements set forth in the regulation(s) will be consistent with KRS Chapter 13A (Administrative Regulations) and 45 CFR 155.205, 155.210, 155.220, and 155.260;
- The regulation(s) will contain provisions relating to all of the required standards for IPAs, Agents, and Web Brokers;
- These entities will adhere to privacy and security standards as may be required.

## **Funding**

- It is anticipated that the In-Person Assistance program and the development of these regulations and the associated training will be funded by Federal grants. Beginning in 2015, these programs will be funded through the operational funds of the Exchange.

*If applicable: If the State permits activities by agents and brokers pursuant to 45 CFR 155.220(a), the Exchange has clearly defined the role of agents and brokers including evidence of licensure, training, and compliance with 45 CFR § 155.220(c)-(e). The Exchange will have agreements with agents/brokers consistent with 45 CFR § 155.220(d), which address agent/broker registration with the Exchange, training on QHP options and Insurance Affordability Program(s), and adherence to privacy and security standards, as specified in 45 CFR § 155.260.*

In Kentucky, agents, play a vital role in facilitating the purchase of coverage, specifically in the small group market. Agents are licensed and regulated by the Kentucky Department of Insurance and held to licensure and continuing education requirements. Kentucky agents have well developed relationships with employers, insurers, chambers of commerce and business association. Agents are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 through Kentucky’s Health Benefit Exchange.

Given the significance of agents in Kentucky, the subcommittee further voted to recommend to the full board that the exchange permit activities by agents and brokers pursuant to 45 C.F.R. § 155.220 (a).

### **c. Eligibility and Enrollment**

*The Exchange has developed and will use a State-developed, HHS-approved single, streamlined application for the individual market or will use the HHS-developed application to determine eligibility and collect information that is necessary for enrollment in a QHP for the individual market and for insurance affordability programs as specified in 45 CFR § 155.405. The Exchange has developed and will use a State-developed, HHS-approved application for SHOP or will use the HHS-developed application for SHOP employers and employees as specified in 45 CFR 155.730.*

The Commonwealth of Kentucky plans to utilize the federal single-streamlined applications for Medicaid and for individual insurance. The Affordable Care Act (ACA) replaces outdated, burdensome application processes with a vision for a single, simple, and streamlined application process that anyone can use to apply for all types of coverage. This outlines a vision for an online application process that is simple, seamless, and automated, building on the ACA and making the application and enrollment process easy for consumers. The Commonwealth will also be utilizing the federal employer related applications for the SHOP. These applications include the employer application and the employee application.

*The Exchange has developed and documented a coordination strategy with other agencies administering insurance affordability programs and the SHOP that enables the Exchange to carry out the eligibility and enrollment activities.*

The ACA replaces an outdated burdensome application process with a vision for a single, simple and streamlined application process. In order to accept and process this single application, the Exchange will have to interact with a number of agencies during both acceptance and completion of the application processing. The Exchange currently has Memoranda of Understanding with the Department for Medicaid Services (DMS) and the Department for Community-Based Services (DCBS). An integrated eligibility and enrollment system is being developed to handle both Medicaid and QHP applications. The DCBS, via the local offices that this Department maintains throughout the Commonwealth, has long been the vehicle through which Medicaid applications have been received and processed. The DCBS will continue to receive Medicaid applications from individuals who would prefer to apply in person. Given the fact that the Exchange plans to use the federal single application, it is also planning to utilize the DCBS to receive QHP applications. This arrangement will allow the DCBS to continue its role in facilitation for Medicaid application, and will expand its role for facilitation of QHP application, as well.

The Exchange will also offer enrollment application through the mail. Mail will be received and processed at the Exchange's address by a dedicated team. Additionally, the Exchange will offer a fast, efficient, and simple online application process, as well as taking applications through the contact center.

By virtue of its function as a state government agency, the Exchange will interact with other state agencies for necessary services, such as, but not limited to, mail and postage, financial and purchasing functions processed through state systems, and payroll and personnel processing.

The KHBE will support the functionality required to operationally manage the setup of Employers on SHOP. SHOP Employer setup will include the application process with identification of employees, determination of SHOP eligibility, definition of contribution strategy, QHP elections, and any financial processing information required to support premium aggregation and payments. The KHBE will allow Employers with 2 to 50 employees to participate on the SHOP Exchange. Employers already qualified to participate in the SHOP Exchange that exceeds the number of employees after the initial open enrollment period will be allowed to remain on the SHOP Exchange.

The KHBE will produce and send monthly premium bills to each SHOP participating employer for payment of their employees' health plan coverage. The SHOP participating employers will submit payments to the KHBE on behalf of both the employer and the employees. The KHBE will collect a single payment and remit premiums owed to each QHP. The KHBE will reconcile any enrollment and premium payment discrepancies with the QHPs on a monthly basis.

Premium billing and collection, along with the accounting functions associated with this feature, will be handled within the Division of Financial and Operations Administration. The system will define and manage open and special enrollment periods for SHOP and individual health benefit plan customers. The KHBE will also manage the distribution of notifications related to open and special enrollment periods to all customers (employers, employees, individuals).

As mentioned earlier, the Exchange will coordinate many functions with the Department for Medicaid Services. Both Medicaid and Exchange eligibility and enrollment will be processed within the same system. Monitoring and oversight will be coordinated between these two agencies, using similar

algorithms and testing methodology. Applicants will be able to apply for health coverage and will be determined eligible for either private health insurance or Medicaid. Once determined eligible for these programs, the purchaser may elect to enroll into a QHP, and a Medicaid-eligible applicant may elect a Medicaid Managed Care Organization (MCO). During the enrollment process, the KHBE will determine individual responsibility based on subsidy calculation. The customer may utilize Shop and Compare Tools to assist in the QHP election process. These tools include the display of health plan quality ratings, plan benefit summaries, premiums, and cost sharing amounts. More robust comparison tools will provide customers with a more personalized comparison based on their historical experience (i.e., average number of office visits, primary care physician, average number or cost of prescriptions, etc.). The KHBE will transmit all required enrollment data to the specific QHP on behalf of the customer. The enrollment process also includes the ability to maintain a customer record, renew health plan elections, and disenrollment, or termination of coverage.

*The Exchange has the capacity to accept and process applications, updates, and responses to redeterminations from applicants and enrollees, including applicants and enrollees who have disabilities or limited English proficiency, through all required channels, including in-person, online, mail, and phone.*

The Commonwealth is working with Deloitte LLC to design, develop and implement an integrated multi-layer Health Benefit Exchange solution that fulfills requirements established by the Affordable Care Act (ACA). The KHBE solution is comprised of two separate but closely integrated solutions, an end-to-end Eligibility and Enrollment (E&E) solution and a Plan Maintenance and Billing (PMB) solution. The KHBE solution will accept and support processing of applications, updates, and renewals through multiple communication channels, including customers with disabilities or limited English proficiency. The application intake process will capture all required customer data in a single application to calculate eligibility and apply for each product within the KHBE, as well as communicate with the customer on an ongoing basis.

The KHBE is planning for in person applications to be accepted and processed by the Department for Community Based Services (DCBS) offices. DCBS currently administers eligibility and enrollment for Medicaid, Kentucky's Children Health Insurance Program (KCHIP), Supplemental Nutrition Assistance Program (SNAP), and Kentucky Transitional Assistance Program (KTAP), the Commonwealth's Temporary Assistance for Needy Families (TANF) program. DCBS is re-evaluating current workflows. This will likely modify the current workflow; however local DCBS offices will continue to complete the same functions such as accepting and processing applications and returned verification. DCBS currently utilizes scanning and imaging to store verification, this will be enhanced with the KHBE project.

Customers may apply via telephone using the call center. A contact center representative will interview the customer and enter their responses into the on-line application. The intake process will capture the customer's agreement to terms and conditions of the application for insurance coverage telephonically. The contact center will feature an Interactive Voice Response (IVR) component that will provide intelligent call routing, access to individuals with disabilities and language deficiencies and Computer Telephony Integration (CTI).

Customers may apply by mail or fax as well. A case worker will enter information from the hardcopy application into the on-line application.

The Commonwealth is developing an online Self Service Portal (SSP) that is accessible through a standard or mobile web browser. The SSP will serve as a one stop shop for residents of the Commonwealth seeking health benefit coverage. If customers begin with the pre-screening tool their information will be populated in the application. The SSP will operate under a “no wrong door” policy. This will allow customers to view comparative information on health benefit options, submit a single application to calculate eligibility and apply for each product within the KHBE, enroll in the selected coverage option and obtain information on the administration and operations of the KHBE, and access contact information for Navigators, Agents and other consumer assistance services. Customers will also have the capability to scan and upload documents using the SSP. The SSP will be deployed as a public facing website and will support communication between customers and the KHBE, including web chat, email and secure inbox. A toll free hotline will provide the opportunity to access information using an Interactive Voice Response (IVR) or direct conversation with an Exchange worker.

Regardless of the communication method used to complete an application, the KHBE will automatically process as much eligibility as it can without worker interaction. The KHBE will interface with the Federal Hub to obtain verification as well as interface with a non-Federal hub to obtain verification from state-level sources. If there are no discrepancies between the customer attestation and the retrieved verification it is possible for an eligibility determination to be processed without worker interaction. If a discrepancy between the customers’ attestation and retrieved verification is identified the application will be processed and a Request for Information (RFI) will be issued to provide verification.

*The Exchange has the capacity to send notices, including notices in alternate formats and multiple languages; conduct periodic data matching, and conduct annual redeterminations and process responses in-person, online, via mail, and over the phone pursuant to 45 CFR part 155, subpart D.*

The KHBE will generate and issue notices to customers using a variety of communication channels including, secured mailbox, mail or voicemail. We understand diversity is needed within the KHBE solution due to the varied population, Insurers, Employers, Employees, and Individuals being served. The KHBE notifications will uphold all legislative requirements and standards of communication and accessibility to those with disabilities. The KHBE notices will be drafted to minimize literacy demands, align with cultural and linguistic proficiency and meet customers’ preferences. Notifications may be triggered automatically through workflow events, through scheduled processes, or through manual requests. Post-implementation, the KHBE notices will be revised to ensure continuing compliance and quality.

The KHBE will simplify the application process for customers by utilizing the Federal Hub as well as a non-Federal Hub. Data matching will be conducted with the Federal and State Hubs at initial application, periodically within the eligibility period and at redetermination.

The non-Federal Hub will interface with the following state agencies/applications. A brief description of the information provided or collected is also provided. The types of information needed to transfer in the non-Federal Hub will be finalized in JAD sessions.

- **Medicaid Management Information System (MMIS)** – current system responsible for adjudicating Fee For Service Claims, supports encounter processing, Provider Enrollment, Third Party Liability functions, Managed Care Support, MSIS, SUR, and MAR. The KHBE will communicate eligibility determinations, Third Party Liability, etc. to MMIS.

- **Kentucky Automated Management and Eligibility (KAMES)** – current system that determines eligibility, benefits calculations, and provides reporting information for Supplemental Nutrition and Assistance Program (SNAP), Kentucky Transitional Assistance for Needy Families, the Commonwealth’s TANF program, and Medicaid Programs. There is a probability for interfacing with KAMES due to the phased implementation of the KHBE.
- **Kentucky Automated Support and Enforcement System (KASES)** – current system handling child support cases. Medical support enforcement data will be sent to KASES for child support cases.
- **Kentucky Integrated Child Care System (KICCS)** – current system for Child Care Assistance Program (CCAP). The KHBE will receive CCAP data from KICCS.
- **Document Management System (DMS)** – will be a document repository for the KHBE eForms and documents. Documents and forms will be uploaded, retrievable and searchable.
- **Department of Education** – Medicaid cases are currently being incorporated into the Free and Reduced lunch program. They are also notified of recipients in the Employment Training Work Opportunity that receive benefits.
- **State Wage Information Collection Agency (SWICA)** – provides current income data on Unemployment benefits and quarterly wages.
- **Kentucky Enterprise User Provisioning System (KEUPS)** – identify management and single sign-on system with workflow based user provisioning/de-provisioning, support for extended security attributes, and support applications via Active Directory. KEUPS will be enhanced to accommodate KHBE as an on-boarded application and will be known as Kentucky Self-Service Gateway (KSSG).
- **Office of Inspector General (OIG)** – the KHBE will notify OIG of potential fraud. OIG will conduct an investigation and notify the KHBE of the fraud determination.
- **Kentucky Claims Debt Management System (KCD)** – provides current list of claims to KAMES to indicate those cases as do not purge. The KHBE will provide information to KCD regarding name and SSN changes.
- **Home Energy Program (HEP)** – The KHBE will send case data for reporting purposes.
- **Managed Care Assignment Processing System (MCAPS)** – completes auto-selection and maintenance of MCO selections. The KHBE may interface directly with MCAPS for MCO selection.
- **The Worker’s Information System (TWIST)** – current system for foster care and subsidized adoption. The KHBE will provide data elements for reporting and will exchange information when a member of a case can be removed due to placement in foster care or subsidized adoption.
- **Women, Infants, and Children (WIC)** – short-term intervention program designed to influence lifetime nutrition and health behavior to high-risk populations. The KHBE will send applicant referrals.
- **Community Health Department (CDP)** – will receive WIC pregnancy and regular referrals.
- **Department of Insurance (DOI)/KID** – regulates the insurance market, licenses agents, and monitors the financial condition of insurance companies and educates consumers. The KHBE and DOI will communicate issuer, QHP certification/decertification, accreditation information along with issuer application information.
- **System for Electronic Rate and Form Filing (SERFF)** – part of NIPR. Designed to enable companies to send and states to receive, comment on, and approve or reject insurance industry rate

and form filings. DOI currently uses SERFF for certification of health plans. The KHBE may interface with SERFF directly or through DOI.

- **National Insurance Producer Registry (NIPR)** - communication network that links state insurance regulators with the entities they regulate to facilitate the electronic exchange of producer information. Data standards have been developed for the exchange of license application, license redetermination, appointment and termination information. The KHBE may potentially interface with NIPR.
- **Kentucky Vital Events Tracking System (KVETS)** – web-based system for electronic processing of vital records including, birth, marriage, death and divorce certificates.
- National Insurance Producer Registry (NIPR) – communication network that links state insurance regulators with the entities they regulate to facilitate the electronic exchange of producer information. Data standards have been determined for the exchange of license application, license redetermination, appointment and termination information. The KHBE will potentially interface with NIPR.
- **Electronic Management Administrative & Reporting System (eMARS)** – provides accounting support for the Commonwealth’s applications. The KHBE will most likely use eMARS for financial integration for premium payment activities.
- **ePayment** – the Commonwealth’s payment services system. The KHBE will interface with ePay if payments will be processed by Kentucky.
- **Health Insurance Oversight System (HIOS)** – system allows government to collect data from states and individual and small group market issuers, which will be aggregated with other data sources and made public on a consumer facing website. The KHBE may potentially interface with HIOS.
- **Issuers of Insurance** – company that wishes to offer affordable insurance or QHPs in the KHBE.
- **The KHBE Contact Center** – will incorporate multiple solutions to provide toll-free telephone support along with Tier 1 and Tier 2 call center operations.

The KHBE will interface with the Federal and non-Federal Hubs at the time of annual redetermination to collect current information. The current information will be used generate a redetermination form for customer review. The customer will have thirty days to review the redetermination form and report any discrepancies. The customer may respond to their redetermination form in person, online, by mail, by fax, by phone, and can upload verification. The KHBE will verify any information, re-determine the customer’s eligibility and timely notify the customer of the eligibility result.

*The Exchange has the capacity to conduct verifications pursuant to 45 CFR part 155, subpart D, and is able to connect to data sources, such as the HHS/federal Data Services Hub, and other sources as needed. The Exchange has the capacity to conduct verifications pursuant to 45 CFR 155 Subpart D, and is able to connect to data sources, such as in the Data Service Hub, and other sources as needed.*

*List of Data Sources and data types. Brief description of the different types of Verification Methods. Brief description of how verification will be conducted in areas that may require support with Federal agencies.*

### **Data Sources / Verification of Data Types**

The Federal Hub will provide a single integration point for the interfaces to the following Federal Agencies:

- Health and Human Services (HHS)

- The Centers for Medicare and Medicaid Services(CMS)
- The Department of Home Land Security (DHS)
- The Social Security Administration (SSA)
- The Department of the Treasury (Treasury)
- The Internal Revenue Service (IRS)

Verification of the data types:

- Social Security Number
- Residency
- Citizenship
- Immigration Status
- Incarceration Status
- Household Income
- Social Security Income

**Verification Methods**

- Self-Attestation - With certain exceptions, Exchange or the Medicaid/CHIP Agency may accept attestation of information and/ or conduct database verification needed to determine eligibility with further documentation. 42 CFR 435.945, 45 CFR 155.315, 45 CFR 155.320
- Data Matching – States must develop secure, electronic interfaces to allow for data matching and eligibility determinations for Insurance Affordability Programs (IAPs). State must use data matching to maximum extent practicable.
  - Federal Hub - The federal government is developing a data hub for verifying consumer-provided information against required federal data source (i.e., SSA, IRS)
  - State data sources – This is available in the Commonwealth’s Interface Control Document.
- Reasonable Compatibility-Standard for assessing whether verification can be considered complete, or if additional information is necessary. When data obtained is “reasonably compatible” with an applicant’s attestation, State agencies are prohibited from requiring additional documentation 42 CFR 435.952, 45 CFR 155.300
  - Reasonably Compatible
    - Exchange
      - General: “... the difference or discrepancy does not impact the eligibility of the applicant, including the amount of advance payments of the premium tax credit or category of cost sharing reduction.” 45 CFR 155.300
      - Income “If an applicant’s attestation to projected annual household income is not more than ten percent below his or her prior tax data, the exchange must rely on the attestation without further verification.” 45 CFR 155.300
    - Medicaid/CHIP Agencies

- General: with certain exceptions, state flexibility in defining reasonable compatibility. Applies to MAGI and non-Magi populations. 42 CFR 435.952
- Income: “Income information obtained through an electronic data match shall be considered reasonably compatible with income information provided by or on behalf of an individual if both are either above or at or below the applicable income standard or other relevant income threshold.” 42 CFR 435.949
- NOT Reasonably Compatible
  - Exchange
    - Additional Information from Applicant: seek additional information from individual to identify and address cause of the inconsistency
    - Documentation: Provide applicant 90 days to submit “satisfactory documentation” to reconcile. May extend the 90 days period if the applicant demonstrated a good faith effort. If still unable to verify, eligibility must be determined based on data sources, unless special circumstances.
    - Case-by- Case: Exchange may accept an explanation of circumstances as to why the applicant does not have documentation 45 CFR 155.315(f) –(g)
  - Medicaid/CHIP Agencies
    - Additional Information from Applicant: seek additional information from individual, including statement which reasonably explains the discrepancy.
    - Documentation: Only to the extent that electronic data are not available and establishing a data match would not be effective, considering:
    - Program integrity impact (i.e. potential for ineligible individuals to be approved as well as for eligible individuals to be denied coverage) 42 CFR 435.952(c)

*The Exchange has established the appropriate privacy and security protections and has capacity to accept, store, associate, and process documents received from individual applicants and enrollees electronically, and the ability to accept, image, upload, associate, and process paper documentation received for applicants and enrollees via mail and/or fax.*

In order to ensure the privacy and information integrity of customer information, KHBE is developing a privacy governance structure along with privacy policy and procedures. This governance structure will provide a framework from which the Exchange will develop operational standards to ensure the privacy protection of customer information including that through document acceptance and processing. Among other potential procedures, KHBE will compare external eligibility data sources with customer self-attested data and, based on defined rules, seek additional information from the customer where necessary. Where customer data is unverified, KHBE will seek additional verification from other sources. KHBE is engaged with Accenture consulting to ensure a multi-faceted identity proofing set of processes which supports adequate privacy controls during the document acceptance and processing steps.

KHBE is upgrading a document management process to support the Exchange. The Kentucky Access, Accuracy and Accountability Project (KAAAP) Electronic Case File system (ECF) is an existing Commonwealth system that was designed to serve as the Commonwealth’s document management service. KAAAP ECF provides document management capabilities for various social and entitlement programs hosted in the Kentucky Automated Management and Eligibility System (KAMES). The

system is currently integrated with KAMES Mainframe system to access business data about the cases and members via the BizTalk web services and the KEUPS system for authentication and user access provisioning. SharePoint, the major component in the platform, provides all storage, document processing, user claims handling and metadata management functions.

The Commonwealth intends to enhance and modify the current ECF solution for incorporating the Document Management requirements of the KHBE. The enhanced ECF solution will provide standards-based integration services for interfacing with the E&E and the PMB solutions. The Vendor will be responsible for developing specific details of this interface during Joint Application Design sessions with the Commonwealth.

The CHFS Document Management System will:

1. Serve as the primary repository for storage of all KHBE documents and content including, but not limited to, outbound communications, inbound documents (applications and verification documents), content (web, help, and communications), and document templates;
2. Provide document management functions to assist with processing of inbound documents that include features like indexing, scanning, and workflow;
3. Provide advanced search capabilities, document versioning, and change notifications;

The CHFS Document Management system includes security controls to support standard privacy practices. All users to the system will be managed through KEUPS which supports identity proofing, authentication and activity logging. SSL transport is a recent enhancement to the selected product and is currently in testing by the KHBE team.

Additionally, KHBE is developing a privacy governance structure to ensure that the Exchange security controls are complemented by processes designed to protect the privacy and integrity of all information. KHBE will be working with other state agencies to leverage existing privacy practices for KHBE. These are expected to include privacy controls regarding permitted use of data, data exchange and submission, use and disclosure of information and consumer access to their own records.

*The Exchange has the capacity to determine individual eligibility for enrollment in a QHP through the Exchange and for employee and employer participation in the SHOP. In addition, the Exchange has the capacity to assess or determine eligibility for Medicaid and CHIP based on Modified Adjusted Gross Income (MAGI), consistent with 45 CFR part 155 subpart D.*

The Commonwealth will implement an integrated, multi-layer Health Benefit Exchange. The KHBE solution is comprised of two separate but closely integrated solutions; an end-to-end Eligibility and Enrollment (E&E) solution and a Plan Maintenance and Billing (PMB) solution. The E&E solution includes functions required to process eligibility and enrollment for all Medicaid members (MAGI at implementation, non-MAGI six months post-implementation) and other health insurance affordability programs offered on the KHBE, as well as supporting functions such as workflow, notifications, scheduling, document management, business rules management, and associated business processes required to launch and maintain the operation of an efficient and effective E&E solution. The E&E solution will use a single streamlined application and the hierarchy for eligibility determination will be MAGI Medicaid, APTC/CSR, and then non-MAGI Medicaid. The PMB solution includes functions required to offer and maintain individual and group insurance products including QHP Certification,

premium billing, collections and reconciliation, enrollment maintenance and more, required to offer individual and group health insurance products on the KHBE and support and sustain seamless operation. After successful implementation, the Commonwealth intends to extend the E&E solution to support additional human services programs including, but not limited to SNAP and TANF.

*The Exchange has the capacity to determine eligibility for Advance Payments of the Premium Tax Credit (APTC) and Cost Sharing Reductions (CSR), including calculating maximum APTC, independently or through the use of a Federally-managed service.*

The KHBE will determine eligibility for advance payment of the premium tax credit (APTC) and cost-sharing reductions (CSR) for customers eligible for enrollment in an individual QHP. The Commonwealth elected to use the Federal Service to calculate the APTC amount for those eligible. The KHBE will provide the appropriate information in order for the Federal Service to calculate the amount of the APTC.

The KHBE will have an agreement with HHS specifying their respective responsibilities related to the eligibility determinations for APTC and CSR as required in 45 CFR Part 155 Section 155.302(c)(4).

*The Exchange has the capacity to independently send notices, as necessary, to applicants and employers as necessary pursuant to 45 CFR §155 subpart D that are in plain language, that address the appropriate audience, and that meet content requirements.*

The KHBE will distribute several types of notifications to KHBE customers (i.e., Insurers, Employers, Employees, and Individuals). Notifications may be triggered automatically through workflow events, through scheduled processes (i.e., Annual Enrollment Period Notices), or manual requests.

The KHBE will generate paper and electronic notices for required notification situations such as results of an Individual or Employee eligibility determination, requests to the Individual/Employee for additional data and verifications, results of a redetermination due to changes in circumstances, among others. Notifications will be formatted using static text and program data provided by the Commonwealth during system design.

Notice generation follows established policy rules to provide timely notices to Insurer, Individual, Employer, Employee and households at their documented mailing addresses. KHBE notifications will uphold all the legislative requirements and standards of communication and accessibility to those with disabilities.

A preliminary list of the notifications that will be required for the processing of Medicaid cases through the E&E Solution was included in the KHBE RFP. The selected Vendor, Deloitte, shall conduct discovery activities to compile a complete and final list of all notifications required to process eligibility and enrollment and case lifecycle management for all programs and products provided through the KHBE.

*The Exchange has the capacity to accept applications and updates, conduct verifications, and determine eligibility for individual responsibility requirement and payment exemptions independently or through the use of Federally-managed services. The Exchange has the capacity to support the eligibility appeals process and to implement appeals decisions, as appropriate, for individuals, employers, and employees.*

For individuals wishing to request an exemption of the individual responsibility provision or payment provisions, the KHBE will provide contact information and process information that will enable individuals to access the federal exemption process. As this process has not been defined at the federal

level (including how the federal exchange will accept requests from individuals or from state exchanges), Kentucky is awaiting this information in order to determine whether the KHBE will merely provide information and links, or whether it will pass on requests for exemptions to the federal exchange.

Under federal law, the Kentucky Health Benefit Exchange (KHBE) must allow an individual, employee, or qualified entity to submit an appeal related to eligibility determinations made by the KHBE and must provide instructions regarding how to file an appeal in any eligibility determination notice. Once an eligibility determination has been made, applicants will receive notice of their determinations during their online application process or by mail if the applicant did not apply online.

KHBE will use an internal resolution process to clarify discrepancies that arise between self-reported information and what is verified through trusted data sources. Only when discrepancies are too large and additional information provided by the person is not sufficient should the issue be escalated to an appeal.

An individual can begin the appeal process through a reconsideration request (administrative eligibility review), but this step may be bypassed and an individual may proceed to a formal appeal before an Appeals Board. Once an appeal or request for an administrative review has been filed, an appellant will have the opportunity to submit supporting evidence and to review evidence used by the KHBE in making its eligibility determination in advance of the hearing. The KHBE will use the existing Cabinet for Health and Family Services (CHFS) administrative hearings infrastructure to maximize resources. Hearings will comply with current state law as outlined in KRS Chapter 13B.

<http://www.lrc.ky.gov/KRS/013B00/CHAPTER.HTM>

The Department of Health and Human Services (HHS) will issue additional guidance regarding the appeals process in future rulemaking. The KHBE will review any additional guidance from HHS when it is released, along with other applicable law, and ensure its policies are compliant.

*The Exchange and SHOP have the capacity to process QHP selections and terminations in accordance with 45 CFR § 155.400 and § 155.430, compute actual APTC, and report and reconcile QHP selections, terminations, and APTC/advance CSR information in coordination with issuers and CMS. This includes exchanging relevant information with issuers and CMS using electronic enrollment transaction standards.*

The Commonwealth has established the procedures below to process QHP selection and termination.

Eligibility and Enrollment QHP Selection Process:

- QHP is selected
- Enrollee confirms selection
- Database is updated
- Enrollment information is sent electronically to issuer
- KHBE sends out notification of enrollment to Enrollee
- Issuer sends enrollment cards to Enrollee

Eligibility and Enrollment Termination Process:

- Termination notification is received
- Database is updated
- Enrollment information is sent electronically to issuer
- KHBE sends out proper notification of termination

- Issuer sends out proper notification of termination

#### Eligibility and Enrollment APTC/advance CSR Process

- Individual seeks APTC/CSR assistance
- Individual's data is electronically sent to Federal Hub
- APTC & CSR calculation is completed by Federal Hub
- Database is updated

*The Exchange has the capacity to electronically report results of eligibility and exemption assessments and determinations, and provide associated information to HHS, IRS, and other agencies administering Insurance Affordability Programs, as applicable. This includes information necessary to support administration of APTC and CSR as well as to support the employer responsibility provisions of the Affordable Care Act.*

The Exchange has the capacity to electronically report results of eligibility determinations, and provide associated information to HHS, IRS, and other agencies administering Insurance Affordability Programs, as applicable. Our current plan is to use the federal services for the Individual Responsibility Requirement and Payment Exemption Determinations and for the APTC and CSR. Kentucky will fully define the processes and integration points with the federally-managed services as part of the development process with our vendor, Deloitte LLC. It is the Commonwealth's expectation that Deloitte, LLC, will propose and design an approach addressing the electronic reporting results of the eligibility determinations for APTC, CSR, and employer responsibility requirements which fulfills all federal requirements and expectations of the RFP and executed contract.

*The Exchange will comply with transition activities in 45 C.F.R. § 155.345(i) for State-based PCIP programs.*

Kentucky does not currently operate a state-based Pre-Existing Condition Insurance Plan program. However, eligible residents of Kentucky who contact the Department of Insurance relating to PCIP coverage or visit the DOI website will be directed to <http://www.healthcare.gov/law/features/choices/pre-existing-condition-insurance-plan/ky.html> in order to obtain contact information for the PCIP program operated by the U.S. Department of Health and Human Services (DHHS).

Currently, it is Kentucky's understanding that PCIP participants, including approximately 920 Kentucky residents, will be provided notice regarding their options for coverage in 2014 and beyond by the DHHS or an agent acting on behalf of the DHHS.

#### **d. Plan Management**

*The Exchange has the appropriate authority to perform the certification of QHPs and to oversee QHP issuers consistent with 45 CFR 155.1010(a).*

Governor Steve Beshear issued Executive Order 2012-587 on July 17, 2012 establishing the Kentucky Health Benefit Exchange, a requirement of the federal Affordable Care Act. (ACA). Paragraph IX of the Executive Order states "The Office shall, at a minimum, carry out the functions and responsibilities required under § 1311 of the Affordable Care Act to implement and comply with federal regulations issued under § 1321(a) of the Affordable Care Act, including the submittal of an application for approval of Exchange certification." §1311(e) of the ACA grants an Exchange the authority to certify QHPs.

Paragraph VIII of the Executive Order states that "The Office may enter into contacts and other arrangements with appropriate entities, including but not limited to federal, state, and local agencies, as

permitted under 45 CFR §155.110, to the extent necessary to carry out its duties and responsibilities, provided that such agreements incorporate adequate protections with respect to the confidentiality of any information to be shared.” The Exchange will enter into a Memorandum of Agreement (contract) with the Kentucky Department of Insurance (KDOI) to assist the Exchange in the process of certification of QHPs.

Pursuant to Paragraph XI of the Executive Order, which grants the Office the authority to promulgate administrative regulations to carry out the duties and responsibilities of the Exchange, the Office anticipates promulgating such regulations.

*The Exchange has a process in place to certify QHPs pursuant to 45 CFR 155.1000(c) and according to QHP certification requirements contained in 45 CFR 156.*

As part of the collaborative agreement between KDOI and the Exchange, the Kentucky Department of Insurance (KDOI) will establish a review process for QHPs to assist the Exchange in the process for certification of QHPs in advance of the annual open enrollment period. The review process will include an application, insurer rate and benefit information, transparency data, accreditation data, marketing standards and network adequacy. The KDOI will identify issuers that are licensed, solvent, and otherwise in good standing. The KDOI will use their rate, benefit and form review process to determine QHP compliance with:

- Essential Health Benefits
- Actuarial Value requirements
- Limitations on Cost Sharing

An expansion of the existing National Association of Insurance Commissioners (NAIC) System for Electronic Rate and Form Filing (SERFF) will provide additional fields for issuers to provide data to KDOI, including but not limited to; transparency data, accreditation data, quality measures and network adequacy pursuant to the requirements of CFR 45 §§155-1000 to 155-1080. SERFF will allow Kentucky to integrate its Exchange systems with SERFF’s Plan Management capabilities. SERFF enables KDOI to send data for a health plan to the Exchange at any time.

**Transparency data will include;**

- Claims payment policies & practices.
- Financial disclosures.
- Information on enrollee rights.
- Information, upon request of an individual, on cost sharing with respect to a specific item or service.

**Accreditation**

The Exchange will accept National Committee for Quality Assurance (NCQA) or Utilization Review Accreditation Commission commercial accreditation. Accreditation data will be provided via SERFF.

**Network Adequacy Standards**

- The Exchange will use the KDOI current policy to permit issuers to define network requirements for 2014. In addition, a Qualified Health Plan subcommittee, formed under the authority of the amended

Executive Order 2012-783, is currently considering Essential Community providers and any willing provider requirements.

- Require issuers to maintain a network that is sufficient in numbers & types of providers, including providers that specialize in mental health & substance abuse services, to assure that all services will be accessible without unreasonable delay.
- Issuer will make its provider directory for a QHP available to the Exchange for publication & to potential enrollees in hard copy upon request.

**Service area of a QHP**

The QHP subcommittee is considering alternatives to determine the definition of “service area.”

**Stand-alone dental plans**

The Exchange will allow the offering of a limited scope dental benefits plan that covers at least pediatric dental essential benefits as defined in Section 1302(b)(1)(J) of the Affordable Care Act. The Exchange will allow the dental plan to be offered as a stand-alone dental plan or in conjunction with a QHP.

**Recertification and Decertification;**

- A process for recertification will be implemented in SERFF via new system functionality.
- The Exchange may decertify a health plan at any time if the QHP issuer is no longer in compliance with the general certification criteria.
- The Exchange will establish a process for the appeal of a decertification of a QHP. The Exchange will provide notice of decertification to: QHP issuer; to enrollees in the QHP who must receive information about a special enrollment period; HHS; and KDOI.

*The Exchange uses a plan management system(s) or processes that support the collection of QHP issuer and plan data; facilitates the QHP certification process; manages QHP issuers and plans; and integrates with other Exchange business areas, including the Exchange Internet Web site, call center, quality, eligibility and enrollment, and premium processing*

The KHBE will be using the SERFF system for the collection of QHP Issuer and Plan Data.

Other data collection methods and applicable systems that will be used to support the business operations of Plan Management are as follows:

- Federal HUB
- State Data HUB
- Insurer Systems
- Benchmark Plan has been selected and awaiting approval

*The Exchange has the capacity to ensure QHPs’ ongoing compliance with QHP certification requirements pursuant to 45 CFR 155.1010(a) (2), including a process for monitoring QHP performance and collecting, analyzing, and resolving enrollee complaints.*

As part of its compliance monitoring program, the Exchange will collaborate with the KDOI to ensure that QHP issuers comply with policies and laws associated with:

- Plan certification, recertification and decertification
- State insurance market requirements
- State network adequacy standards
- Rate increase approval and justification process

- Enrollee complaint resolution
- Plan quality
- Collection of race, ethnicity, language, interpreter use and cultural competency

### **Plan Certification, Recertification and Decertification**

The Exchange will collaborate with the KDOI to ensure issuers and plans meet requirements of the Affordable Care Act. The KDOI will review the following information to ensure the ACA required benefit design standards are met:

- Essential Health Benefits included
- Limitations on cost sharing met
- Actuarial value/metal level requirements met
- Discriminatory benefit design requirements met

*The Exchange has the capacity to support issuers and provides technical assistance to ensure ongoing compliance with QHP issuer operational standards.*

Kentucky intends to collaborate with the System for Electronic Rate and Form Filing (SERFF) for training and supporting issuers in the technical aspects of submitting QHP filings. Kentucky's Department of Insurance (DOI) will provide technical support and assistance to issuers for compliance with QHP requirements. DOI currently holds a conference call with insurers every two weeks to discuss issues and provide assistance.

Technical assistance occurring outside of SERFF will largely be provided by DOI. The principle operations outside of SERFF that will require technical support will likely pertain to reporting related to plan quality.

*The Exchange has a process for QHP issuer recertification, decertification, and appeal of decertification determinations pursuant to 45 CFR 155.1075 and 155.1080.*

The Exchange recognizes the importance of ensuring continued compliance of issuers with federal and state requirements for offering plans in the Exchange market. The Exchange will use its authority to decertify a plan issuer or a qualified health plan (QHP) that is no longer meeting exchange standards. Alternatively, the Exchange may decertify an issuer for noncompliance with Kentucky insurance requirements.

The following would be criteria for decertification of plan issuers and/or of specific QHPs:

1. Recertification failure
2. Quality performance issues
3. Non-compliance with Kentucky insurance requirements

Note: Issuers will have the opportunity to appeal Exchange decertification decisions. For any issuers or qualified plans that are decertified, a special enrollment period would then be offered to enrollees to select new plans.

### **Non-compliance Issues**

The Exchange and the Kentucky Department of Insurance (KDOI) will work together to ensure that plan issuers are in good standing with KDOI in order to offer qualified plans on the Exchange.

## **Recertification Failure**

If a plan issuer or its qualified plans do not meet requirements for recertification at the annual recertification review, the Exchange may opt to decertify the issuer or some of its qualified plans. The Exchange may also opt to require corrective action as an alternative to decertification.

## **Quality performance Issues**

The Exchange may opt to develop additional decertification criteria based on consumer feed-back (via complaint/grievance process) and quality performance results. Poor performing plans could be decertified or the Exchange could require corrective action as an alternative to decertification.

The Exchange is working to establish a process for the QHP issuer appeal of a decertification of a QHP in accordance with 45 CFR §155.1080 and any necessary appeal of QHP certification determinations consistent with any applicable laws or regulations of the Commonwealth. The Exchange will provide notice of decertification to:

- QHP issuer
- Enrollees in the QHP who must receive information about a special enrollment period
- HHS
- Kentucky Department of Insurance

## **Procedures for Recertification of Qualified Health Plans**

The Exchange is working with the KDOI to develop its recertification policy for issuers and qualified health plans. The KDOI will collect information annually regarding rates, covered benefits and cost sharing requirements pursuant to 45 CFR §155.1020(c) in the form and manner to be specified by HHS.

The Exchange will complete the QHP recertification process on or before September 15 of the applicable calendar year. Upon determining the recertification status of a QHP, the Exchange will notify the QHP issuer.

*The Exchange has set a timeline for QHP issuer accreditation in accordance with 45 CFR 155.1045. The Exchange also has systems in and procedures in place to ensure QHP issuers meet accreditation requirements as part of QHP certification in accordance with applicable rulemaking and guidance.*

The Exchange will accept proof of National Committee for Quality Assurance (NCQA) and Utilization Review Accreditation Commission accreditation to meet the Exchange accreditation requirements based on the QHP issuer's performance in the categories set forth in 45 CFR §156.275(a)(1). This data will be made available to the KDOI and the Exchange through SERFF. Since there is no Exchange specific accreditation that will exist for the initial years, commercial accreditation will be accepted for 2014 & 2015. For 2016 and beyond, if it is offered, Exchange specific accreditation may be required.

The Exchange will review accreditation annually for issuers. Beginning in 2013, issuer's accreditation status will be reviewed for the upcoming benefit year. For non-accredited plans, the Exchange will establish an accreditation time line by administrative regulation in accordance with 45 CFR §155.1045. In the accreditation review that will be performed in 2014 for the 2015 benefit plan year, all issuers will be required to have accreditation by one of the authorized entities. If accreditation is not obtained or substantial progress toward accreditation cannot be demonstrated in 2014, the Exchange may opt to

decertify plans offered by that issuer. A special enrollment period would then be offered to enrollees of decertified plans.

*The Exchange has systems and procedures in place to ensure that QHP issuers meet the minimum certification requirements pertaining to quality reporting and provide relevant information to the Exchange and HHS pursuant to Affordable Care Act 1311(c)(1), 1322(e)(3), and as specified in rulemaking.*

The Exchange has systems and procedures in place to ensure that QHP issuers meet the minimum certification requirements pertaining to quality reporting and provide relevant information to the exchange and HHS pursuant to the ACA, 1311 and 1322.

Since 1995, insurers offering managed care health plans in Kentucky have been required by the Kentucky Insurance Code to develop, and make available to the public, comprehensive quality assurance or improvement standards to identify, evaluate, and remedy problems relating to access (network adequacy and availability), continuity of care, and quality of health care services. The standards include:

- An ongoing written, internal quality assurance or improvement program;
- Specific written guidelines for quality of care studies and monitoring, including attention to vulnerable population;
- Performance and clinical outcomes-based criteria;
- A procedure for remedial action to correct quality problems, including written procedures for taking appropriate corrective action;
- A plan for data gathering and assessment; and
- A peer review process.

In the initial process of developing their quality standards and programs, the insurers sought guidance from national health plan accrediting organizations, including the National Committee for Quality Assurance (NCQA) and URAC. As a result, insurers with a majority of the market in Kentucky today offer products that are accredited by the National Committee for Quality Assurance (NCQA) and URAC and are reported to be in compliance with existing statutes and regulations relating to quality, including a quality improvement program and quality reporting.

To offer health plans under the Kentucky Health Benefit Exchange (KHBE), insurers (issuers) in Kentucky must “have in effect a certification issued or recognized by the Exchange to demonstrate that each health plan it offers in the Exchange is a qualified health plan (QHP).” 45 CFR 155.200 (b). To obtain this certification, the insurers must meet minimum certification standards, including but not limited to:

- Implementation and report of a quality improvement strategy or strategies;
- Disclosure and report of information on health care quality and outcomes; and
- Implementation of appropriate enrollee satisfaction surveys. 45 CFR 155.200.

Insurers must be accredited by NCQA or URAC on the basis of local performance of their QHPs and provide the following relevant information in accordance with established HHS standards.

- Claims payment policies and practices;
- Periodic financial disclosures;
- Data on enrollment;

- Data on disenrollment;
- Data on the number of claims that are denied;
- Data on rating practices;
- Information on cost-sharing and payments with respect to any out-of-network coverage; and
- Information on enrollee rights under title I of the ACA.

Given the experience of Kentucky insurers in developing quality programs and submitting quality reports required by the Kentucky Department of Insurance (DOI), the KHBE does not anticipate any issues or problems with Kentucky insurers' ability or comply with QHP certification requirements associated with quality reporting and provision of relevant information.

The KHBE will ensure that QHP insurers (issuers) meet the minimum certification requirements pertaining to quality reporting and provision of relevant information to Exchange and HHS by:

- Collaborating with insurers to ensure that business operations and technical interfaces are developed to support quality reporting and provision of other relevant information;
- Collaborating with the Kentucky Department of Insurance (DOI) to review and certify QHPs in accordance with requirements of the ACA, Kentucky Insurance Code, and 45 CFR 155.200 through 45 CFR 155.520, and provide quality reports and other relevant information;
- Promulgating an administrative regulation which clearly establishes requirements for QHP certification, including detailed requirements for collection of quality information and provision of other relevant information to the KHBE and HHS, consistent with the requirements of 45 CFR 155.200 through 155.520;
- Providing an insurer portal for the KBHE collection of quality information and other relevant information from insurers which may not be collected through the DOI, NCQA, URAC or SERFF;
- Using the National Association of Insurance Commissioners' System for Electronic Rate and Form Filing (SERFF) to collect accreditation information, quality reports and other relevant information, including but not limited to many of the certificate requirements such as required disclosures, rates, and policy documents. These documents will be reviewed by the DOI before being forwarded to the KHBE; and
- Using the NCQA and URAC, as applicable and necessary, to acquire additional quality reports and provide other relevant information, if unavailable through the DOI, insurers, or SERFF.

**e. Financial Management, Risk Adjustment, and Reinsurance**

*The State has the legal authority to operate the risk adjustment program per 45 CFR 153 and the Affordable Care Act 1343, if the State chooses to administer its own risk adjustment program.*

Kentucky will utilize the Federal Government processes for Risk Adjustment.

*The State operates its own reinsurance program per the Affordable Care Act 1341 requirements.*

Kentucky will utilize the Federal Government processes for the Reinsurance Program.

**f. Small Business Health Options Program (SHOP)**

*The SHOP is compliant with regulatory requirements pursuant to 45 CFR § 155 Subpart H*

The Affordable Care Act directs each State that chooses to operate an Exchange to establish insurance options for small businesses through a Small Business Health Options Program (SHOP).

The Kentucky Health Benefits Exchange;

- Will comply with regulatory requirements pursuant to 45 CFR 155 Subpart H (6.1).
- Will allow a qualified employer to select a level of coverage for which all QHPs within that level are made available to the qualified employees of the employer; Kentucky is considering offering a choice model encompassing the model required under ACA section 1302(d)(1). (6.1a).
- Through processes managed by the Department of Insurance (DOI) ensure that all QHP issuers make rate changes at a uniform time that is either quarterly, monthly, or annually, and prohibit all QHP issuers from varying rates for a qualified employer during the employer's plan year (6.1b).
- Will offer QHPs on the exchange to small employers that meet the requirements of the state's small group market.
- Has established a minimum participation requirements of 75% for the offering of health insurance coverage in the exchange (6.1d).
- Will establish a premium calculator, as described in 45 CFR 155.205(b)(6), to facilitate the comparison of available QHPs after the application of any applicable employer contribution in lieu of any advance payment of the premium tax credit and any cost-sharing reduction (6.1e).

Kentucky will utilize its current definition of small employer group for 2014 and 2015 as follows:

“Small employer” means, in connection with a group health plan with respect to a calendar year and a plan year, an employer who employed an average of at least two (2) but not more than fifty (50) employees on business days during the preceding calendar year and who employs at least two (2) employees on the first day of the plan year.

Beginning on January 1, 2016, Kentucky will adopt the federal definition for small employer groups to also include employers with 51-100 employees.

Kentucky has undertaken a multi-faceted approach to ensure that the SHOP complies with federal regulatory requirements and at the same time also meets the purchasing needs of small businesses throughout Kentucky. Kentucky is working to determine the most effective, efficient manner of implementing a State specific SHOP Exchange, tapping into the well-established relationship of employer groups and insurers in the State and taking advantage of research and implementation efforts in other states for SHOPS.

Kentucky entered into a contract with Deloitte, its systems vendor on October 3, 2012. Deloitte will be responsible for the design, development and implementation of the Kentucky Health Benefit Exchange IT systems and will be contracting with CGI for the Plan Maintenance and Billing (PMB) solution. The Exchange has also engaged expert consultants to assist in analyzing various SHOP issues and to assist in the development of business process and requirements that comply with federal law and regulation.

A team charged with developing the policies and business requirements of the SHOP Exchange, which includes representatives from the Exchange, DOI, Accenture and Deloitte will meet regularly.

Understanding and building upon the distribution channels currently in place for small businesses to purchase insurance is also key to the success of the SHOP Exchange. In Kentucky, agents, play a vital role in facilitating the purchase of coverage in the small group health insurance market. Agents are licensed and regulated by the Kentucky Department of Insurance and held to licensure and continuing education requirements. Kentucky agents have well developed relationships with employers, insurers, chambers of commerce and business association. Agents are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 through Kentucky's Health Benefit Exchange.

*The Exchange has the capacity for SHOP premium aggregation pursuant to 45 CFR § 155.705.*

The Kentucky Health Benefit Exchange SHOP function will facilitate the creation of a system to bill and process monthly premium bills for small employers, aggregate and remit premiums to issuers and perform reconciliation and reporting of premiums pursuant to ACA and federal regulations. Each employer will be provided with a monthly bill that identifies the employer contribution, the employee contribution and the total amount due to the issuer(s) associated with each employer.

The Kentucky Health Benefit Exchange SHOP function will collect from each employer the total amount due and make payments to issuers for the enrollees of the small business employer. Books, records, documents and other evidence of accounting procedures and practices will be maintained for each benefit year and for at least 10 years thereafter. A process will also be established for managing non-payment or late premium payments including how employers will be notified and when enrollee eligibility would be affected.

### **Premium Billing**

The Kentucky Health Benefit Exchange SHOP function will generate a monthly premium invoice for employers. Employer invoices will include but not be limited to a monthly balance due, employee name, health plan, employer and employee share of the premium, eligibility dates, as well as employer identifying information.

### **Premium Payment**

The KHBE SHOP function will collect and process aggregated premiums from employers and aggregate premium to make payments to issuers.

The aggregated premium data will be transmitted to the issuer electronically in an X12 820 transaction with a matching ACH or EFT File format that will be sent to a designated lockbox bank.

The KHBE SHOP function will allow for establishment of a consistent schedule for billing and collecting premium payments from employers. Up-to-date aggregated monthly billing will be available on the SHOP. The system will collect the total amount due from employers on a monthly basis and distribute the amount appropriately to the issuers.

The KHBE Financial Management component will allow rules to be configured to handle non-payment of premium billings. The Commonwealth will define different stages of delinquency and determine appropriate actions at each stage at a later date. The system has the ability to automatically generate letters, trigger notifications, complete auto-terminations, place individuals and/or groups on hold or in suspense from the financial cycles, and assess fees and penalties.

## Payment Reconciliation

The KHBE SHOP function will reconcile payment information with QHPs on a monthly basis to keep enrollment files up to date, present alerts and notices to users, and maintain records for audit and reporting purposes.

Upon premium payment receipt and processing, the KHBE will aggregate payments and send the consolidated payment and corresponding remittance data to the appropriate issuers. In addition to payment and remittance information, issuers will have access to transaction and reconciliation reporting.

Upon payment delivery to the issuer, payment confirmation data is then sent to the KHBE, granting enrolled employers visibility to their payment status and history.

The KHBE will communicate with issuers monthly to verify that their lists of covered employees match each small business' employee list. This comparison will facilitate reconciliation of the employer's premium and the issuers' expected payment amounts.

*The SHOP Exchange has the capacity to electronically report information to the IRS for tax administration purposes.*

The Commonwealth is working with Deloitte LLC to design, develop and implement a Health Benefit Exchange solution that fulfills requirements established by the Affordable Care Act (ACA).

In the Kentucky Health Benefit Exchange (KHBE), an employer/employee initial application, update, or renewal will initiate an eligibility assessment in the KHBE SHOP. An eligibility determination for the employer/employee will occur after the assessment. This complies with the requirements put forth in Section 45 CFR 155.715 for the eligibility determination process for SHOP.

The (KHBE) will electronically report results of SHOP eligibility assessments and determinations to HHS. This will also include IRS reporting.

Design sessions have been scheduled and will be led by Deloitte. Once these are complete, the Commonwealth will have relevant IT documentation (detail design, process flows, etc.) available.

## Electronic Reporting:

The KHBE will keep an accurate accounting of all activities, receipts and expenditures and annually report to the Secretary of HHS. The exchange will be subject to annual audits and may be subject to investigations as well.

The KHBE will also maintain records of all enrollments in QHP issuers including identification of qualified employers participating in the SHOP and qualified employees enrolled in QHPs. Maintenance of these records will include a reconciliation of enrollment information and employer participation information with QHP issuers and HHS no less than on a monthly basis.

Along with eligibility and assessment determinations, the KHBE SHOP will report the following annually and periodically to the IRS:

- Employer participation
- Employer contribution
- Employee enrollment information

This information will be reported in a time and format to be determined by HHS.

## **Transfer Standards**

The KHBE will use the standards and protocols for electronic transactions as described in Section 45 CFR 155.270.

The KHBE will adhere to the requirements for privacy and security of personally identifiable information stated in Section 45 CFR 155.

### **g. Organization and Human Resources**

*The Exchange has an appropriate organizational structure and staffing resources to perform Exchange activities.*

In 2011, the Cabinet for Health and Family Services (CHFS) Lead Project Staff included a Project Manager; CHFS support staff, including a Health Policy Specialist II, Program Coordinator and Staff Assistant; and support staff of the Department of Insurance (DOI), including the Director of the Health and Life Division, an Administrative Branch Manager, a Program Coordinator, a Health Policy Specialist II and a Staff Attorney III.

However, on July 17, 2012, Executive Order 2012-578, created and established the Office of the Kentucky Health Benefit Exchange (“Office”), within the CHFS. The Office is headed by an Executive Director, who is appointed by the Governor, and composed of four (4) divisions, including the:

- Division of Health Care Policy Administration;
- Division of Information Systems;
- Division of Financial and Operations Administration; and
- Division of Communication and Outreach.

The EO also requires each division to be headed by a Director, appointed by the CHFS Secretary, and include support staff, as appropriate.

In late July 2012, KHBE Project Manager Carrie Banahan was appointed as the Executive Director of the Office of the KHBE. Two additional staff, including a Deputy Executive Director and Director for the Division of Health Care Policy Administration, began serving on September 1, 2012. It is anticipated that additional staff of the Office of the KHBE will be hired no later than March 31, 2013.

On August 15, 2012, Kentucky submitted an application for Level I Establishment Grant funds to obtain funding for several items, including the salaries of additional KHBE staff, who will be hired in the near future. The Grant award notification was issued by the U.S. Department for Health and Human Services (HHS) on September 27, 2013. Therefore, the Office of the KHBE is poised to move forward with hiring additional staff, which is necessary to ensure efficient, effective, and successful operations of the KHBE.

KHBE staff will support and provide monitoring and oversight of Division functions as a newly contracted vendor creates touch points to the information technology (IT) systems within the various divisions. As these IT interfaces (or touch points) become operational, staff will adjust their functions to focus on operations administration.

### **h. Finance and Accounting**

*The Exchange has a long-term operational cost, budget, and management plan.*

As described in section A4.Long Term Operating Costs and Financial Sustainability above, The KHBE has established an operating budget and sustainability model that can be adjusted as details of the

Exchange evolve over time. The KHBE Office has created a financial management plan that will detail how the KHBE will manage and monitor finances, ensure fiscal and program integrity, and comply with all federal requirements. In conjunction with internal contracts, as described above, the Commonwealth will implement the financial management plan and establish the procedures to process financial transactions.

The initial cost allocation methodology has been established between the Exchange, Medicaid, and CHIP. However, the Deloitte, the development vendor, is required to provide a new amended methodology for the future inclusion of other state programs such as SNAP and TANF, etc. based on the final requirements, gap analysis and roadmap.

For post-implementation on-going operations, Deloitte will also provide a recommended cost allocation methodology, the recommended mechanisms/data to capture, and the reports/mechanisms to support the approved methodology of cost allocation for both IT systems and program administration in accordance with OMB Circular A-87 between the Exchanges, Medicaid, CHIP, and other included programs.

A sustainability plan is being developed in conjunction with solidifying the operational cost estimate. The KHBE has decided to pursue a premium assessment on health insurers. An assessment is currently used to fund the Commonwealth's high risk pool. Similarly, a portion of the Commonwealth's Tobacco Settlement Funds are also used to fund the high risk pool and will come available for the Exchange. The KHBE has also considered various other revenue opportunities, including: user fees, advertising, affinity programs, health and wellness services, and health related goods and services, that it will continue to monitor for feasibility in the long term.

### **i. Technology**

*The Exchange technology and system functionality complies with relevant HHS information technology (IT) guidance.*

Kentucky has procured the services of Deloitte LLC to design, develop, and implement an integrated multi-layer Health Benefit Exchange (KHBE). Deloitte shall be responsible for ensuring that work performed under this Contract, including all deliverables, meets the requirements of all applicable federal and state laws, regulations, policies and guidance, including any amendments or updates thereto during the life of the Contract. Adherence to these laws, policies, regulations and guidance shall be a requirement of both the E&E and PMB solutions.

With the long-term goal of taking over support of the E&E solution in-house, the Commonwealth targets a custom solution for the E&E system and intends to utilize the established CHFS IT standards (primarily Microsoft based technologies; including .Net stack, SQL Server, BizTalk, etc.) for development and implementation of this system. The Commonwealth will be utilizing a cloud based solution for the PMB system. The E&E and the PMB solutions will be integrated through a multi-layered application architecture approach and will adhere to the architecture guidance and the seven conditions prescribed by CMS. In alignment with this guidance, the technical solution architecture will employ a modular design, based on Service Oriented Architecture (SOA) design principles and the Medicaid Information Technology Architecture (MITA) framework. Simply put, the two solutions will exchange data seamlessly in a real-time basis when and where feasible utilizing SOA.

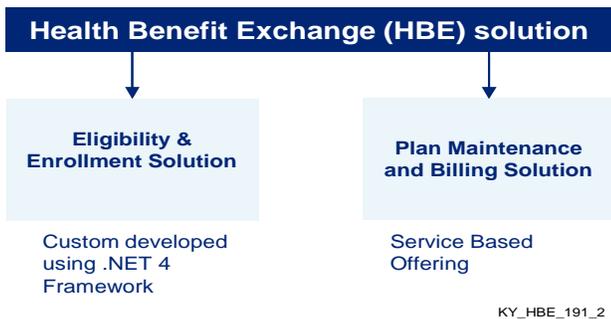
Kentucky's RFP and contract contain references to many standards and require adherence to:

- **“Enhanced Funding Requirements: Seven Conditions and Standards, Version 1.0”** – published by CMS and commonly referenced as the “CMS Seven Conditions;”
- **“Guidance for Exchange and Medicaid Information Technology (IT) Systems, Version 2.0”** – published by CMS and the Center for Consumer Information and Insurance Oversight (CCIIO) and commonly referenced as the “CCIIO IT Guidance;” and
- **“Medicaid Information Technology Architecture Framework, Version 3.0”** – published by CMS and commonly referred to as “MITA”

The Commonwealth has created a preliminary gap/compliance checklist and performed an assessment under the assumption that any proposed solution fully implements the functional and technical requirements as specified in the RFP/Contract. The checklist acts as a standards and guidance matrix that aggregates compliance checklist items into a single list and cross references them to the standards or guidance source(s) from which the requirement was derived, in order to avoid duplication. The compliance checklist acts as both a consolidated, de-duplicated inventory of the full federal requirements derived from the three requirements sources, as well as an assessment worksheet that can be used to assess a level of compliance of the information technology system against the federal requirements.

*The Exchange has the adequate technology infrastructure and bandwidth required to support all of the Exchange activities.*

Kentucky has procured the services of Deloitte LLC to design, develop, and implement an integrated multi-layer Health Benefit Exchange. With the long-term goal of taking over support of the E&E solution in-house, the Commonwealth targets a custom solution for the E&E system and intends to utilize the established CHFS IT standards (primarily Microsoft based technologies; including .Net stack, SQL Server, BizTalk, etc.) for development and implementation of this system. The Commonwealth will be utilizing a cloud based solution for the PMB system. The E&E and the PMB solutions will be integrated through a multi-layered application architecture approach and will adhere to the architecture guidance and the seven conditions prescribed by CMS. In alignment with this guidance, the technical solution architecture will employ a modular design, based on Service Oriented Architecture (SOA) design principles and the Medicaid Information Technology Architecture (MITA) framework.



The goal of Commonwealth and Deloitte would be to provide adequate technology infrastructure and bandwidth to develop a state of the art system that provides first-class customer experience, representing the highest level of service, support, and ease of use. The PMB solution will be hosted at CGI's Government Cloud. The E&E infrastructure and network environments will be hosted in the Commonwealth Data Center (CDC).

Commonwealth deems system availability and business continuity to be of critical importance to the success of the KHBE. Hence, the Commonwealth desires an infrastructure that will be architected with support for full redundancy as well as capabilities for recovery to an alternate site. Deloitte shall be responsible for ensuring that work performed under this Contract, including all deliverables, meets the requirements of all applicable federal and state laws, regulations, policies and guidance during the life of the Contract. Adherence to SLAs defined in the contract/ RFP shall be a requirement for both the E&E and PMB solutions.

*The Exchange effectively implements IV&V, quality management and test procedures for Exchange development activities and demonstrates it has achieved HHS-defined essential functionality for each required activity.*

The KHBE test procedures will be outlined by Deloitte LLC.

#### **j. Privacy and Security**

*The Exchange has established and implemented written policies and procedures regarding the Privacy and Security standards set forth in 45 CFR § 155.260(a)-(g).*

The Kentucky Health Benefit Exchange follows the Cabinet for Health and Family Services (CHFS) and the Commonwealth Office of Technology (COT) policies and procedures for IT Security. Both organizations align controls with the NIST 800-53 security standards. These standards are the basis for the IRS Security Procedures Report and the System Security Plan and Workbook. Both the CHFS and COT Policy sets are attached. Additionally, KHBE has attached a matrix detailing where the CHFS and COT IT policies align with NIST 800-53 standards.

The Kentucky Health Benefit Exchange (KHBE) is in process of governance development structure for KHBE privacy controls and policies. KHBE is working with other CHFS agencies with existing privacy policies and procedures to develop adequate and appropriate policies for the KHBE. Additionally, KHBE has completed the attached Privacy Impact Assessment as an assessment of the current state of privacy preparations for KHBE. KHBE is also working with the Cabinet HIPAA Privacy Officer in CHFS to align KHBE privacy governance with CHFS privacy governance structure.

While the KHBE privacy structure will cover all areas of privacy outlined in the Privacy Impact Assessment, particular attention will be given to consumer access controls. KHBE understands the need for consumer interaction and management over consumer records and information. KHBE will be developing processes and procedures that support consumer access to consumer information, consumer access to correct inaccurate information and consumer access to delete information.

*The Exchange has established and implemented safeguards that (1) ensure the critical outcomes in 45 CFR § 155.260(b) (4), including authentication and identity proofing functionality, and (2) incorporates HHS IT requirements as applicable.*

In addition to the policies and standards, KHBE has also provided first versions of the KHBE System Security Plan and the KHBE Information Security Risk Assessment. Both plans have been completed to the extent possible at this project stage. As KHBE is further along in the design process, both plans will be updated accordingly. Deloitte security staff will work closely with KHBE staff to define security controls in the system for security plan completion. Additionally, KHBE staff will work closely with Deloitte to identify, mitigate and document information security risks.

KHBE has also developed standard templates for data exchange. KHBE has attached a master template Memorandum of Understanding for exchanging non-HIPAA data. KHBE has attached a Master

Business Associate Agreement for exchange involving HIPAA data. The program plans to use the federally provided exchange agreement for data originating from the Federal Data Hub. KHBE will work from these templates for all data exchange. An Interconnection Security Agreement is in development for use of system to system connections.

KHBE includes a sample State of Records Notice (SORN) from Medicaid as part of the attachment package. KHBE understands that CMS will provide a SORN for use with the HBE for all federal data. If a SORN is needed for non-federal data, that notice will be developed using the federal and existing Medicaid as a template.

*The Exchange has adequate safeguards in place to protect the confidentiality of all Federal information received through the Data Services Hub, including but not limited to Federal tax information.*

The Kentucky Health Benefit Exchange (KHBE) has established the following timeline to receive approval to use Federal Tax Information from the Internal Revenue Service. The KHBE recently signed a contract with Deloitte to serve as system integrator. This plan for compliance is based on high level conversations with Deloitte project management. The dates are subject to modification as the design details are further detailed.

KHBE is aware of the procedural requirements in order to receive Federal Tax Information. KHBE is aware of the usage limitations on FTI as required by Section 6103 of the Internal Revenue Code. KHBE is also aware of the strict security requirements when approved for use of FTI. The agency will comply with these regulations.

KHBE has put together a high level timeline to IRS compliance. KHBE acknowledges that, in addition to the formal request for the data and the required SPR, KHBE must also have approval from the IRS to use the contracted vendor. Steps for vendor approval are included in the chart below. KHBE lists below the required contractor information as part of the contractor approval process. The required IRS Publication 1075 Exhibit 9 language was signed by the contractor at the time of contract signing with KHBE.

#### **k. Oversight Monitoring, and Reporting**

*The Exchange has a process in place to perform required activities related to routine oversight and monitoring of Exchange activities (and will supplement those policies and procedures to implement regulations promulgated under the Affordable Care Act 1313)*

The Commonwealth recognizes the importance of having a complete and robust program integrity plan in place for the Kentucky Health Benefits Exchange (HBE). The HBE Program Integrity Plan (PI Plan) provides a financial oversight and program integrity plan that includes a privacy and security plan for assuring confidentiality of information provided to the HBE; HBE program integrity policies and procedures; and audit strategies designed to prevent fraud, waste, and abuse within the HBE and appropriately coordinate with and monitor fraud and abuse prevention practices of the HBE network of partners and participants. The partners and participants included in this PI Plan are Medicaid, CHIP; qualified health plans (QHPs), Navigators, employers, and consumers. The PI Plan will also include an inventory of reports and financial policies to assure transparency of the operations of the HBE and the funds that flow through the HBE.

The prevention of waste, fraud, and abuse is being incorporated in the planning phases of the development of the exchange and will continue to be a key consideration through the design,

development, and implementation of the Exchange. The Commonwealth has already identified requirements for identity management capabilities to confirm the identity of those applying for health coverage. In addition, the Commonwealth has auditing capabilities, analytical fraud reporting, and documented user provisioning requirements. The Exchange will have the authority to terminate coverage based on the detection and proof of fraudulent activity. Where appropriate, the Exchange will coordinate with and/or refer cases to insurers, DOI, and/or DMS. The Exchange will report statistics regarding fraud, including statistic integrity plans in use by the Department for Medicaid Services, because of the close relationship between dollars lost and fraud.

Beyond the system components to help prevent and detect abuse, the Commonwealth is developing a program integrity plan to give the necessary oversight, policies, procedures, and authority for individuals to act on fraud and abuse claims and take the action necessary to stop both current abuse and to prevent future occurrences. The Commonwealth envisions that this program integrity plan will align very closely with the program Medicaid and the Exchange, having a common plan will be critical in streamlining the processes, administration of the plan, and to ensure complete coverage.

As a state agency, the HBE will benefit from the umbrella of state services that state agencies utilize. Some policies and procedures common to all state agencies include purchasing services procedures, facilities and support services, technology services, and statewide accounting services. The Finance and Administration Cabinet produces a Manual of Policies and Procedures that govern these commonly utilized services. This manual may be found at the website [finance.ky.gov/services/policies](http://finance.ky.gov/services/policies). The Commonwealth's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). As a part of this process, the Auditor of Public Accounts (APA) performs audits of state agencies in order to provide an opinion on these financial statements. In developing and operating the Commonwealth's accounting system, management of the Commonwealth continually places emphasis on the adequacy of internal accounting controls. The comprehensive internal control framework is designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing GAAP financial statements that are free from material misstatement and maintain accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgments by management. All internal control evaluations occur within this framework.

In general, fraudulent and abusive medical claims will impact insurers that participate in the HBE more specifically than the HBE itself. However, the HBE has to be vigilant to assure that its operations are financially transparent to federal and state regulators and that the functions of the HBE do not increase the risk of fraud. To accomplish this task, the HBE will create financial and program integrity policies and procedures that are informed by HBE collaboration and sharing of data and information with HBE participants.

The HBE and participants within the HBE have different risks. The HBE has an affirmative obligation to closely monitor the performance of QHPs. Although certification and monitoring of QHPs will be part of the plan management functions of the HBE, the PI Plan provides for additional audit and oversight. Following are some examples of the types of risks that may be encountered by HBE participants.

*The Exchange has the capacity to track and report performance and outcome metrics related to Exchange Activities in a format and manner specified by HHS necessary for, but not limited to, annual reports required by the Affordable Care Act 1313(a).*

The HBE will be equipped with a robust reporting platform that supports ad-hoc and canned reports, as well as provides for a comprehensive data warehouse/business intelligence solution. In addition, it will provide the functionality to build, create and run operational analytics and reports to support the governance in making policy decisions and management in making business decisions on the effectiveness and efficiency of business processes, organizational units, or individuals. The reporting solution will provide reports to support key system and business functions, giving users the ability to quickly and easily access timely and useful information. The HBE will have the ability to produce a variety of report outputs in a variety of media and formats for maximum flexibility. The HBE will also support analytics and reporting functionality that allows for communication with Federal Agencies, Insurers, Employers, and other State Agencies through the utilization of multiple interfaces.

The Commonwealth desires to implement a full blown business intelligence (BI) solution encompassing multiple human services programs in a subsequent phase following the initial implementation. In addition to ad-hoc reporting capabilities, the business intelligence solution shall provide the following capabilities: establishing data trends and patterns, data drill downs, user configurable dashboards and predictive data modeling. The HBE is expected to monitor and post publicly its performance on established key indicators. A dashboard is a structured, simple method to provide an at-a-glance view of overall performance.

*The Exchange has instituted procedures and policies that promote compliance with the financial integrity provisions of the Affordable Care Act 1313 (and will supplement those policies and procedures to implement regulations promulgated under the Affordable Care Act 1313), including the requirements related to accounting, reporting, auditing, cooperation with investigations, and application of the False Claims Act.*

Kentucky's Governor issued an Executive Order in July 2012 establishing the Kentucky Office of Health Benefit Exchange (KHBE) as a state agency that is housed within the Kentucky Cabinet for Health and Family Services (CHFS.) Therefore, the KHBE financial transactions will be governed by existing Commonwealth procurement and financial procedures established by the Kentucky Finance Cabinet - Office of the Controller <http://finance.ky.gov/offices/controller/Pages/default.aspx> pursuant to Kentucky Administrative Regulations 200 KAR 5:021. Kentucky adheres to the financial standards of the Generally Accepted Accounting Principles (GAAP) which are the standards adopted by the National Council on Governmental Accounting and Financial Accounting Standards Board. In addition, the Kentucky State Auditor audits financial records for CHFS under the guidelines of OMB Circular A-133.

The manual of policies and procedures related to financial administration incorporated in Kentucky Administrative Regulations 200 KAR 5:021 that Kentucky Finance Cabinet and therefore KY state agencies follow address Material and Procurement Services as well as Statewide Accounting Services. The existing procedures assure that KHBE will have high quality internal control standards for financial integrity.

The Cabinet for Health and Family Services also has an internal Office of Policy and Budget (OPB) which reports directly to the cabinet Secretary regarding department budgets and financial matters as well as a Division of General Accounting (DGA) and a Division of Procurement Services (DPS) located in the Office of Administrative and Technology Services which works under the overarching policies

established by the Finance Cabinet and specifically supports and oversees the CHFS procurement and accounting functions to ensure compliance with state and federally approved procurement and accounting guidelines. DGA prepares the CHFS Comprehensive Annual Financial Report and CHFS Cost Allocation Plan; manages grants, payments, travel reimbursement and cash receipts; performs audits and provides eMARS security and cost distribution and payroll updates. DPS provides oversight and monitoring of procurement activities and is responsible for the acquisition of goods and non-professional services for all CHFS entities.

The Office of Kentucky Health Benefit Exchange financial activity is tracked in the Commonwealth of Kentucky's statewide accounting system, called eMARS, which stands for enhanced Management and Administrative Reporting System.

Additionally, the Office of Kentucky Health Benefits Exchange has a Division of Financial and Operations Administration which will have responsibilities specific to the KHBE program related financial functions and will coordinate with the appropriate authorities and agencies as necessary.

### **1. Contracting, Outsourcing, and Agreements**

*The Exchange has executed appropriate contractual, outsourcing, and partnership agreements with vendors and/or State and Federal agencies for all Exchange activities and functionality as needed, including data and privacy agreements.*

#### **Internal Contracts**

The contracts listed below are internal contracts with other state agencies. These internal contracts include agreements with Kentucky Department for Medicaid Services (DMS), Department for Community Based Services (DCBS), and Kentucky Department of Insurance (DOI).

##### *Kentucky Department for Medicaid Services (DMS)*

The OHP has entered into Memorandums of Understanding (MOU) with the Department for Medicaid Services (DMS), an agency of the Cabinet for Health and Family Services, which provides quality healthcare and related services that produce positive outcomes for persons eligible for programs administered by the department. The DMS also administers the Child Health Insurance Program, will administer/oversee expansion of Medicaid eligibility in January 2014 (should the Commonwealth decide to pursue that option), and is working collaboratively with the implementation of the KY Health Information Exchange project. The MOU includes collaboration on changes to Medicaid eligibility processes, interfaces with information technology (IT) systems, and development of a "no wrong door" approach for purchasing health insurance in Kentucky. These agreements are created and signed annually.

##### *Department for Community Based Services (DCBS)*

The OHP has entered into Memorandums of Understanding (MOU) with the Department for Community Based Services (DCBS). DCBS administers eligibility determinations for Medicaid benefits, SNAP food benefits, TANF, and child protection and permanency programs. DCBS maintains offices in every county, and will continue to provide Medicaid and potentially Exchange eligibility determinations through walk-in centers. The MOU includes collaboration on changes to Medicaid eligibility processes, interfaces with information technology (IT) systems, and development of a "no wrong door" approach for purchasing health insurance in Kentucky. These agreements are created and signed annually.

*Kentucky Department of Insurance (DOI)*

The OHP has entered into Memorandums of Agreement with DOI. The DOI is a division of the Kentucky Public Protection Cabinet with regulatory authority over Kentucky's insurance market, licensed agents, and other insurance professionals. The DOI also monitors the financial condition of companies, educates consumers to make wise choices and ensures that Kentuckians are treated fairly in the marketplace. The Memorandums of Agreement include ongoing collaboration with identifying key issues, defining policy goals, reviewing governance options, Exchange operations, and the Essential Health Benefits. The MOA with DOI has been updated to include the SERFF modifications for certifying QHPs. These agreements are created and signed annually or as necessary.

**External Contracts**

The contracts presented below represent current external contracts that the Exchange has with other entities. While the University of Kentucky is a state university, it is considered an external entity as part of the university system.

*University of Kentucky (UK), College of Public Health, Department of Health Services Management*

The Office of Health Policy (OHP) entered into a Memorandum of Agreement (MOA) with UK to conduct background research on the insured and un-insured market, submit a written report of findings, and complete economic modeling on policy options. UK designated a team of two (2) principal investigators and five (5) investigators to conduct the background research that was completed under the Planning grant.

The OHP and UK entered into a second MOA for an Outreach and Education plan. This contract includes a market analysis and environmental scan identifying target areas and vulnerable populations for outreach and education efforts. Upon completion of this agreement, UK will provide the cabinet with a written outreach and education plan for release to stakeholders for comments, input and additional recommendations.

*Accenture*

The OHP entered into a contract with Accenture to develop a specific, actionable operational model and documented business requirements for the Exchange and Medicaid systems. The operational model provides policy makers with a coherent view of how the Exchange shall deliver the functions mandated by the Affordable Care Act, as enumerated in Kentucky's first Level I Establishment grant. Accenture also assisted the Commonwealth in the development of a Request for Proposals for the Exchange and the Medicaid systems development. Accenture conducted over 35 Joint Application Design (JAD) sessions including all impacted agencies to develop an operating model that maps out the exchange functions. Deliverables received under this contract include detailed functional and technical system requirements, cost allocation methodology, security and risk assessment plan, analysis of shared services with the Exchange, product leverage analysis, preliminary detailed design and system requirements, gap/compliance analysis to federal requirements, Enterprise IT Roadmap, Request For Proposal for the system build, program integrity plan, and business and sustainability plans. This contract has been completed.

The OHP entered into a second contract with Accenture to begin work on the Kentucky Enterprise User Provisioning System (KEUPS) enhancements so that it will fit into the Exchange system. As part of the CMS 7 standards and conditions, KEUPS has been identified as a solution that can be leveraged for the KHBE. KEUPS is a custom web based security solution to support user registration, authentication, authorization, and user provisioning needs for the TANF, SNAP and Medicaid eligibility workers in Kentucky. During the planning efforts of the Kentucky Health Benefit Exchange, gaps were identified within the current KEUPS software that must be enhanced and modified to meet the security demands of the KHBE; therefore, CHFS extended the services of Accenture to assist with the development and implementation of enhancements to remedy these gaps. This contract is currently ongoing.

Additionally, Accenture is assisting with the call center, DCBS transformation, the Basic Health Plan option, grants, and sustainability. Accenture staff will draft an RFP for the call center, review the workflow of DCBS workers and offices to determine roles and responsibilities in accordance with new eligibility requirements, make recommendations on the Basic Health plan option, assist KHBE staff with a Level II grant proposal and provide a sustainability model based on Kentucky's policy decisions. This contract is currently ongoing.

### *Deloitte*

The Commonwealth has procured the services of Deloitte to design, develop and implement an integrated multi-layer Health Benefits Exchange (KHBE or Exchange) solution that fulfills the certification requirements set out by the Center for Medicare and Medicaid Services (CMS) and the Federal Government in response to the Affordable Care Act (ACA). Deloitte has over 35 years of experience in Health and Human Services eligibility. They have developed and maintained 30 eligibility solutions and 23 self-service consumer portal solutions. Deloitte serves 41 state health and human services agencies, 10 of the largest health care systems nationally, and 21 of the 25 largest health plans. Further, Deloitte has successfully worked with the Commonwealth to implement several IT solutions, including info Advantage Data Warehouse, MARS and eMARS, the Kentucky Child Support Modernization, and others.

The current contract concerning the Kentucky Health Benefit Exchange solution is comprised of two separate but closely integrated solutions, an Eligibility and Enrollment solution and a Plan Maintenance and Billing Solution. The end-to-end Eligibility and Enrollment (E&E) solution includes functions required to process eligibility and enrollment for all Medicaid (both MAGI and non-MAGI) and other health insurance affordability programs offered on the Exchange, as well as supporting functions such as Workflow, Notifications, Scheduling, Document Management, Business Rules Management, and associated business processes required to launch and continuously operate an efficient and effective E&E System. The Plan Maintenance and Billing (PMB) solution includes functions required to offer and maintain individual and group insurance products, including Qualified Health Plan (QHP) Certification, Premium Billing, Collections and Reconciliation, and Enrollment Maintenance, for individual and group health insurance products on the Exchange and to support and sustain its seamless operation.

As part of this contract, Deloitte will be sub-contracting with CGI Technologies and Solutions. CGI has extensive experience with Health and Human Services systems integration and has also successfully worked with the Commonwealth to implement several system solutions. CGI will be providing services and/or products related to plan maintenance and billing, contact center analysis, infrastructure hosting,

cloud based infrastructure for the eligibility and enrollment system, disaster recovery and business continuity plan, and notification fulfillment.

After successful implementation of the above stated solutions, the Commonwealth's strategic vision is to extend the E&E solution to support additional human services programs including, but not limited to, SNAP and TANF in subsequent phases of implementation.

#### *Doe Anderson*

The Commonwealth entered into a contract with Doe Anderson to develop and implement a marketing and branding plan that will enable the Exchange to reach the maximum number of Kentucky's uninsured population. Kentucky has determined that the Exchange must have a branding that makes it identifiable and be easy to be remembered by Kentuckians, for maximum effectiveness of outreach to the uninsured.

#### **Future Contracts**

Listed below are future contracts that the KHBE anticipates procuring. This listing may change as the Exchange is implemented.

#### *Contact Center*

The Commonwealth intends to procure hardware, software and services for the implementation and operations of a Contact Center that will provide customer support over the phone and on-line chat for various Exchange user types. The Commonwealth expects the vendor to propose a plan outlining their approach and strategy for conducting an as-is analysis of existing Call Centers currently involved in DMS as well as a detailed analysis of the Commonwealth's requirements for implementation and operations of the Exchange Contact Center.

#### *Quality Rating Vendor*

The Exchange will assign quality ratings in accordance with quality rating system guidelines which will be issued by HHS. In order to assign quality ratings, the Exchange will develop a criteria for Qualified Health Plan Ratings by reviewing existing national quality rating systems (e.g., NCQA and URAC) and state standards. In an effort to increase transparency, and to limit perceived preferential treatment and administrative burden, the KHBE is considering contracting with a third party quality rating service to conduct ratings on behalf of the Exchange, based on the Exchange predetermined criteria.

The Health Plan Quality Rating process and criteria will be displayed on the Self Service Portal to support transparency and accountability. Health Plan Quality Ratings will be included in the criteria for QHP certification.

#### *Navigator and IPA Program/Training*

Kentucky has been awarded level one grant funding for the planning and development of the state's Navigator program. This development will include a Navigator role definition, selection criteria, recruitment plan, application and certification processes, and a financial model for Navigator compensation to ensure program sustainability. Interagency work groups have been formed to conduct preliminary research but grant funds will be used to contract with a vendor to further develop the program.

Based on this preliminary research KHBE has decided to also pursue an In Person Assister (IPA) program in addition to the Navigator Program. The IPA program will operate in conjunction with the Navigator Program to provide a broad scale support network for potential Exchange Enrollees. It is expected that the vendor selected for the development of the Navigator program will also address the IPA program.

As a part of the planning and development for this program, the Navigator/IPA vendor will produce a final report outlining policy options for each of the following deliverables and areas of analysis: 1.) Identification of Navigator/IPA functions and role within the KHBE and insurance marketplace. 2.) Proposal for how the KHBE should contract with Navigators and IPAs as well as the organizational entities. 3.) Identification of the role of agents in the KHBE and their interaction with the Navigator and IPA programs. 4.) Proposal for reaching culturally diverse and underserved populations. 5.) Proposal for standards, requirements, and curriculums for training and continuing education. 6.) Development of certification requirements and a corresponding process model. 7.) Strategies for the funding and sustainability of the Navigator and IPA programs. 8.) Proposed system and/or process for evaluating the performance of Navigator and IPA grantees that includes proposed metrics, reporting standards, and draft evaluation forms and tools. 9.) Development of a RFP, in collaboration with the KHBE, to procure the Navigator and IPA entities for 2013 and beyond. 10.) Development of an implementation timeline to operationalize the program.

The final structure of the Navigator and IPA Programs will depend on many policy issues and operational decisions that have not yet been made but the KHBE anticipates working with the vendor to assist with specific program operations.

#### *Qualified Health Plan Certification*

The Exchange will enter into a MOU with Department of Insurance, to support the certification of Qualified Health Plans and the SERFF system services.

#### *Qualified Health Plan Agreements*

The Exchange will enter into agreements with certified QHPs that will include the terms and conditions and the process for recertification, decertification and appeals.

#### *Asset Verification Program*

A contract will be created to implement an asset verification program that will interact with the new IT system that is being developed. This program requires each Medicaid recipient who is eligible on the basis of being aged, blind, or disabled to provide authorization for the State to obtain from any financial institution any financial record held by the institution with respect to the recipient, whenever the State determines the record is needed in connection with an eligibility determination; and uses the authorization provided to verify the financial resources of the recipient, in order to determine or redetermine the eligibility of that recipient for medical assistance.

#### *All Payer Claims Database*

An All Payer Claims Database (APCD) is a large scale database that systematically collects and aggregates medical, dental, and pharmacy claims data along with eligibility files from public and private payers on an ongoing basis. An APCD can collect and provide information on inpatient, outpatient,

pharmacy, and dental services for the commercially insured, publicly insured and self-insured populations.

The Commonwealth believes the APCD is an essential tool to achieving the goals of Health Reform as it will provide true transparency across the spectrum of health care payers to create a foundation for actionable, accountable measures and to provide accurate information regarding the cost and quality of medical services so that residents of Kentucky are empowered to make well-informed health care decisions.

#### **4. Strategy to Address Early Benchmarks (Section I.4)**

##### **a. Operational Gaps**

The Commonwealth developed an operational plan for a state-based Exchange. The operational plan included work products to support the planning, functional, and technical design including a business and sustainability plan, program integrity Plan, an enterprise roadmap, operating model and definitions, functional scenarios and examples, and detailed functional requirements. The technical work products include detailed technical and system requirements, reference architecture, application blueprint, integration and interface blueprint, data management and subsystem blueprint and a security and risk assessment

The operational plan materials develop in 2011 supported the development of the RFP for the solicitation of an Eligibility and Enrollment system and a Plan Management and Billing System.

##### **b. IT Gaps Analysis**

A summary of the IT Gap Analysis is included under IT Gap Analysis and IT System above.

##### **c. Actuarial and Market Analysis**

Aon Hewitt performed actuarial modeling and analysis relating to the evaluation of premium structure, rate setting, risk adjustment and benefit plan and cost-sharing design in both the small group and individual market. The findings provided were used so informed decisions could be made on the technical structure, establishment of markets, and consumer uptake and selection issues along products offered in different demographics.

Additionally, the KDOI created an internal work group to identify and recommend a “benchmark” plan. The work group examined the options based on the 10 plans provided by HHS. The group reviewed federal guidance, FAQs, the Institute of Medicine Report, decisions in other states, stakeholder comments and conducted an actuarial cost benefit analysis for “richness” of plans. On Oct. 1, 2012 the KDOI recommended the Anthem PPO plan with the Kentucky Children’s Health Insurance Program (KCHIP) substituting for the pediatric vision and dental requirements which the Anthem PPO plan does not offer. HHS will review the recommendation and accept public comment prior to making a final decision.

##### **d. Stakeholder and tribal consultation**

The Commonwealth recognizes the importance of stakeholder input and is committed to maintaining open communication with impacted groups including insurers, agents, advocates, small businesses, health care providers, state agencies, consumers and business leaders. Key activities include:

- KHBE staff will continue making presentations and holding public meetings to educate and inform stakeholders about the Exchange.
- The Exchange Advisory board will meet monthly to address key Exchange requirements and policy issues. Advisory board sub-committees consisting of consumers, other stakeholder groups and interested parties will be established to study specific policy issues and advise the board.
- KHBE will post materials and background information on the public Exchange website including stakeholder reports, meeting minutes and comments.
- KHBE will utilize an email distribution list to provide updates on Exchange activity and opportunities for stakeholder input and feedback.
- KHBE will meet one-on-one and in small group meetings with stakeholders, experts and other impacted state agencies.

After evaluating public feedback from the six public forums held in July and August, the KHBE anticipates scheduling additional regional forums in March or April of 2013.

The KHBE is required by EO 2012-587 to review and discuss issues with the Exchange Advisory board.

On September 18, 2012, Governor Beshear issued an amended Executive Order establishing the Kentucky Health Benefit Exchange and appointing the Advisory board members and chair. The Board held their first meeting on September 27, 2012. Members received a brief background on the HBE, federal requirements, policy issues and expectations. The Board agreed to meet every fourth Thursday of the month with the exception during the months of November and December due to the holidays. Additionally, the initial subcommittees were identified to address the following:

- Behavioral Health
- Dental/Vision
- Education and Outreach
- Navigator/ Agent
- Qualified Health Plans
- SHOP

Each subcommittee has an appointed board member serving as chair and KHBE staff for assistance. Subcommittee meetings will be held at the least monthly or more frequently if necessary. All board and subcommittee meetings and materials will be posted on the KHBE website. Posted meetings are open to the public in accordance with the Kentucky Open Meetings Act.

To facilitate ongoing stakeholder communication KHBE maintains an email distribution list and a website that provides meeting information, resources, updates and other applicable materials. In 2013, the website will transition to a redesigned site for the October 1, 2013 open enrollment period.

**e. Long term Operational Costs**

The Commonwealth has developed an operational budget model for the KHBE, including ongoing cost and revenue options for 2014 and beyond. This model projects expenses and potential revenue from 2015 through 2019. The model is flexible, in that it allows adjustments to be made as Exchange development and implementation unfolds. Additional details on the long-term operational costs and sustainability options can be found in *Appendix B: Sustainability Plan*

## 5. Proposed solution for Exchange IT Systems

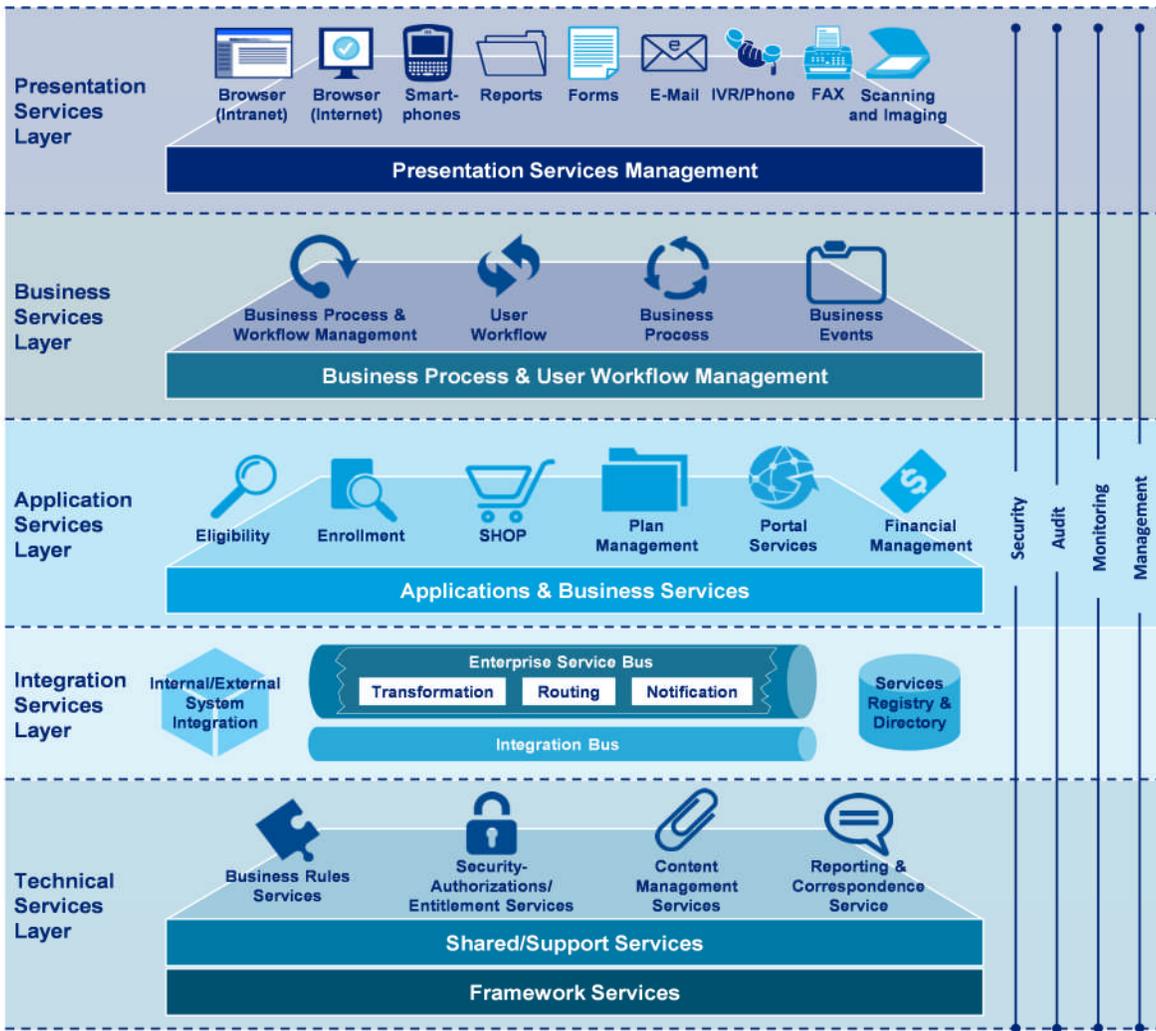
The Cabinet for Health and Family Services (CHFS), procured through competitive bid process Deloitte Consulting LLP to design, develop and implement an integrated multi-layer Health Benefit Exchange (HBE) solution that fulfills the certification requirements set out by the Center for Medicare and Medicaid Services (CMS) and the Federal Government in response the Affordable Care Act (ACA).

The HBE solution is comprised of two separate but closely integrated solutions. The Contractor will implement the following primary solutions:

- An end-to-end Eligibility and Enrollment (E&E) solution that includes functions required to process eligibility and enrollment for all Medicaid members (both MAGI and non-MAGI) and other health insurance affordability programs offered on the HBE, as well as supporting functions such as Workflow, Notifications, Scheduling, Document Management, Business Rules Management, and associated business processes required to launch and continuously operate an efficient and effective E&E System.
- A Plan Maintenance and Billing (PMB) solution that includes functions required to offer and maintain individual and group insurance products including QHP Certification, Premium Billing, Collections & Reconciliation, Enrollment Maintenance, and more functionality, that is required to offer individual and group health insurance products on the HBE and both support and sustain its seamless operation.

After successful implementation of the above stated solutions, the Commonwealth's strategic vision is to extend the E&E solution to support additional human services programs including, but not limited to, SNAP and TANF in subsequent phases of implementation.

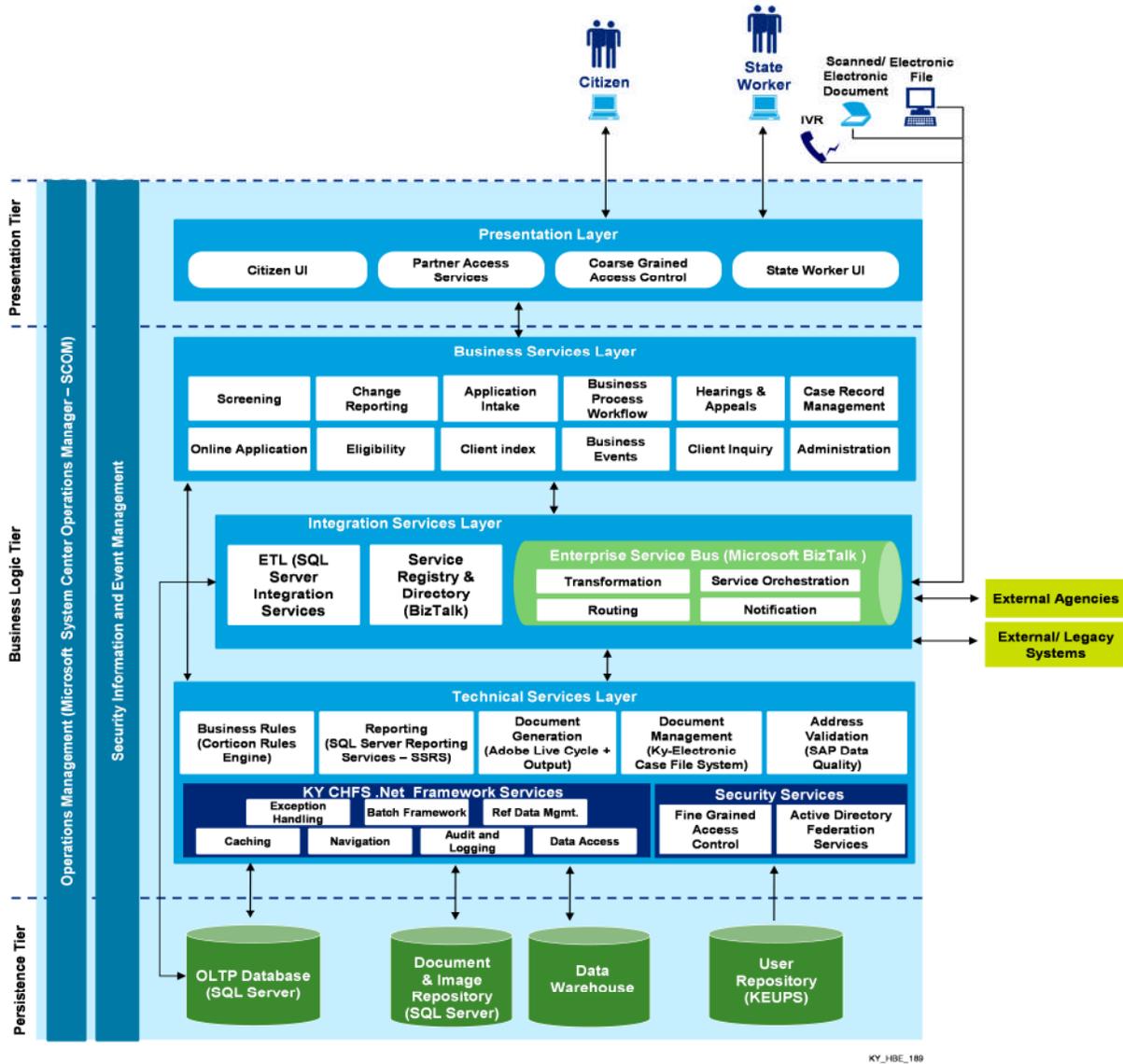
The following reference architecture proposed by Deloitte is based on leading practices garnered through decades of being involved in projects similar to the KY HBE project and will be leveraged to build both the E&E and PMB solutions. Each logical service layer is independent and isolated from each other, with specific well-defined interface points that facilitate modifying components in one area without impacting other application areas.



KY\_HBE\_190\_2

KY HBE Solution Architecture	
Component	Deloitte Architecture Approach Benefits CHFS
<b>Presentation Layer</b>	Utilizes User Interface components and presentation widgets, and applies data edits to validate the information being entered into the system. Supports ADA accessibility, multi-lingual capabilities and access from workstations, laptops as well as mobile devices.
<b>Business Services Layer</b>	Contains KY HBE business processes and user workflows. This layer separates the workflow and process logic from business components in following the SOA principles and provides maximum flexibility. It communicates with business logic components and business services to create composite business processes and user workflows.
<b>Application Services Layer</b>	Contains the application services that are necessary to complete business functions. This includes applications services that run business validation edits to validate data entry, triggering business, integration and technical services, manages errors and exceptions while supporting configurability.
<b>Integration Layer</b>	Provides integration services that enable inter-application communication with internal and external systems. Integration Services provides an XML based SOA interface to Commonwealth systems and facilitates transformation and routing of messages. It also provides secure delivery of messages between KY HBE and other interfacing systems.
<b>Technical Services Layer</b>	Contains the technical services including shared/support services for the business rules engine, the enterprise content services, forms generation, and reporting services. This layer also includes .Net framework services such as Data Access Objects and Batch Framework.

### KY HBE Solution Architecture



## 6. IT Seven Standards and Conditions

### Modularity Condition

The KHBE is committed to the use of open interfaces and exposed application programming interfaces; separate business rules from core programming; and to make business rules available in both human and machine readable formats. The Commonwealth’s will also make applicable business rules available to the HHS data repository.

The system demonstrated that it meets all directives supplied by CMS within the Modularity condition. The system design adopts application architecture standards prescribed by MITA and promotes modular design through the development of open application programming interfaces (APIs), service oriented design, use of a layered architecture, and requires a solution design that employs an isolated rules engine. The Commonwealth addresses CMS requirements for systems design using a mature System Development Lifecycle and through technical requirements that required the vendors to propose a proven

systems development methodology that conforms to the Commonwealth's Microsoft Solution Framework methodology standard.

### **MITA Condition**

KHBE and DMS commit to undergoing a MITA self-assessment within 12 months from the date that the MITA version 3.0 is published. At that time KHBE will provide CMS with a MITA Maturity Model Roadmap that addresses goals and objectives, as well as key activities and milestones, covering a five year outlook for the IT solution. This document will be updated on an annual basis. Additionally, KHBE has developed a concept of operations and business process model for the different business functions to advance alignment of the State's capability maturity with the MITA Maturity Model (MMM). KHBE will work to streamline and standardize operational approaches and business workflows to minimize customization demands on technology solutions and optimize business outcomes.

The system design adopts and requires a MITA - based layered application architecture, and promotes alignment with MITA maturity models for business, technical, and information architectures. In addition to MITA maturity alignment, the Commonwealth's system requirements promote and require adherence to relevant MITA standards derived from the MITA standards reference model.

### **Industry Standards Condition**

KHBE will align and incorporate industry standards to promote reuse, data exchange, and the reduction of administrative burden on insurers and applicants. Industry standards have been identified and incorporated in the requirements gathering phase and will continue during the design, development and testing phases.

The Commonwealth has performed detailed, due diligence to promote and ensure compliance against the CMS Industry Standards condition. The creation of the federal compliance checklist used to perform the assessment provides extensive, itemized coverage at a granular level of all relevant industry standards identified from the CMS Seven Conditions, CCHIO IT Guidance, and MITA framework for Medicaid and Exchange eligibility and enrollment systems. The assessments provided the Commonwealth's commitment to design and obtain a system that adheres to prevalent industry standards.

KHBE will also have risk and mitigation strategies in place to address potential failures to comply.

### **Leverage Conditions**

KHBE will support multi-state efforts and regional or multi-state solutions when cost effective, and will seek to support and facilitate such solutions. KHBE solution uses commercially available off-the-shelf solutions for the E&E system and is pursuing a service-based strategy for the PBM.

The CMS Leverage conditions are satisfied and reinforced through the Commonwealth's functional and technical requirements, and respectively through further analyses conducted for shared services and product leveraging opportunities. The Commonwealth's completion of a *Product Leverage Analysis*, provides evidence of the Commonwealth's intent to identify and consider for leverage other state solutions and components, or at the very least, the lessons learned from those efforts, where feasible and aligned with the Commonwealth's strategic goals and interests. Similarly, the Commonwealth's completion of an *Analysis of Shared Services with the Exchange* provides adequate evidence the Commonwealth has established requirements for a solution that, where appropriate, will leverage existing

Commonwealth assets, as well as open source, cloud-based, or COTS offerings. These actions also represent a concerted effort by the Commonwealth to leverage existing in-house Medicaid technologies through sharing and retirement opportunities. The solution satisfies the de-duplication of technology that is aimed at reducing the total cost of ownership to the Commonwealth and efficient usage of federal funds required for initial development of the KHBE.

### **Business Results Condition**

KHBE will focus on results and strive for IT systems that support and enable effective and efficient business processes, producing and communicating the intended operational results with a high degree of reliability and accuracy. Along with this focus on performance, KHBE will provide a 21<sup>st</sup> century customer experience that includes the ability for customers to submit and manage interactions with KHBE, DCBS, and DMS through the web and to self-manage and monitor their accounts and histories electronically. The system will afford customers with the option to select their preferences for communications by email, text message, mobile devices or phones.

KHBE will ensure their customers and others interacting with and using the system have the opportunity to provide feedback pertaining to accessibility, ease of use, and appropriateness of determinations. Additionally, KHBE will consider the development of state specific measures to complement federal indicators and measures when they become available with regard to functional and non-functional standards.

The solution will deliver the Commonwealth a customer centric solution which highlights the 21<sup>st</sup> century customer experience that CMS expects. The system meets all requirements and directives under the CMS Business Results Condition by offering comprehensive capabilities to public citizens and business partners through the following set of features: a public self-service portal, accessibility through multiple access channels, Exchange partner access features, and automated interfaces to support real-time eligibility and determination. The solution is expected to meet all business needs as desired by CMS, with an emphasis placed on customer experience and reliable system performance.

### **Reporting Condition**

KHBE will promote program evaluation through transaction data reports and performance information that contributes to program evaluation and continuous improvement in business operations, transparency, and, accountability. KHBE will support the use of reports that are automatically generated through open interfaces to designated federal repositories, with appropriate audit trails, as they become available.

The system's capabilities to gather and report operational and business data will enable the Commonwealth to completely fulfill CMS requirements and directives for the Reporting condition. The system enables the Commonwealth to quickly and accurately assess performance of the system and its programs through the use of canned dashboard reports and ad-hoc reporting features satisfied through the system's requirements for full-featured business intelligence and reporting capabilities. The system feature interfaces to support the generation and submission of federally mandated reports required by HHS through electronic interfaces and to satisfy federal reporting requirements for ongoing program evaluation and transparency.

## **Interoperability Condition**

KHBE is committed to a high degree of interaction and interoperability in order to maximize value and minimize burden and costs on providers, beneficiaries, and other stakeholders. KHBE will work in concert with the DMS to share business services and technology investments in order to produce a seamless and efficient customer experience.

DMS is also committed to the use of appropriate architecture and standardized messaging and communications protocols in order to preserve the ability to efficiently, effectively, and appropriately exchange data with other participants in the health and human services enterprise.

The system's service oriented application architecture is designed to provide seamless integration of the HBE solution with both external and internal business partners and associates as required by the CMS Interoperability condition. The system's design meets CMS requirements for seamless and coordinated interaction with other state and federal agencies; public health assistance programs; community organizations and business partners (including Navigators, In Person Assistors and Agents); and third-party external entities interacting with the HBE. The system requirements include interoperable open standards-based access channels that include web user interfaces, web services, batch interfaces, and APIs enabling the HBE functions to be accessed by each stakeholder using widely accepted and adopted standards.

## **7. Organizational Structure**

### **Description of ability to oversee multiple grant funding streams**

Budgetary and fiscal controls within the Commonwealth begin with the authorization of a biennial budget. Statutory requirements for budget and financial administration are established by the General Assembly. The General Assembly convenes in regular session every two years. Appropriations for the operation of each branch of government for the succeeding two years are contained in bills enacted by the General Assembly during its regular session.

Primary responsibility for administering the fiscal affairs of the Commonwealth is vested within the Finance and Administration Cabinet. The Finance and Administration Cabinet promulgates policies and procedures for fiscal management, which are used by other state agencies. The Finance and Administration Cabinet prepares financial reports for each branch of government. All disbursements must be approved by the Finance and Administration Cabinet and are paid by the State Treasurer.

The Cabinet for Health and Family Services (CHFS) is one of the state agencies that use the fiscal management policies and procedures created by the Finance and Administration Cabinet. CHFS is the primary state agency responsible for the development and operations of human services, income supplementation, health, and other related services, including all related federal programs in which the state elects to participate. The Office of the Kentucky Health Benefit Exchange is organized as an office within CHFS, per Executive Order 2012-587. The CHFS prepares budgets on both an organization and program basis. Each of these budget units must stay within budgetary limitations established by the executive management of CHFS, in accordance with appropriations made by the General Assembly.

The Office of the Kentucky Health Benefit Exchange, like other state agencies and as an office within the CHFS, will use the Commonwealth of Kentucky's Enhanced Management Administrative Reporting

System (eMARS) to maintain budgetary and fiscal control over its organization components and programs. All financial reports prepared by CHFS are supported by data contained in the eMARS Accounting System, and/or by manual records maintained by CHFS. The eMARS system is designed to support the accounting policies mandated by state law and by the Finance and Administration Cabinet. This accounting system consists of both manual and automated procedures and is designed to account for costs by fund, account, appropriation, organization location, function, program, and object. The Office of Administrative and Technology Services also performs cash management functions for the CHFS. State and Federal Funds are drawn by the Office in accordance with applicable regulations.

The CHFS currently manages over 200 grants worth over \$6 billion. Grant expenditures are recorded per each grant by the account designations described above, and reported to the federal government as prescribed. Expenditures are limited to those items permissible under state and federal regulations, and grant requirements, as applicable. Federal participation is claimed for only the specific costs allowable under individual grants or applicable regulations. All receipts, transfers, and disbursements must be recorded and reported by the accounting systems in compliance with Generally Accepted Accounting Principles (GAAP). Financial records of CHFS are audited by the Kentucky State Auditor under the guidelines of OMB Circular A-133. Federal auditors from the various agencies that fund programs also perform periodic audits of the financial records applicable to specific programs.

## **8. Coordination with federal Government**

The Commonwealth will continue to engage other agencies in Exchange activities. In particular, DMS, DCBS, KDOI through workgroups, JAD sessions, and committee meetings. Furthermore, KHBE and other agency staff attend nearly all webinars and conferences held by CCIIO and CMCS, which involve participation by other federal departments. The Commonwealth has also participated in a planning review session and two design review sessions with CCIIO. The Commonwealth participates in a “Deloitte Group” call with the federal government to discuss implementation efforts and to discuss areas of reuse, sharing and collaboration. The KHBE staff has also aligned leads with their counterparts at the federal level to discuss ongoing topics and issue. It is expected that the Commonwealth will continue these activities throughout the implementation process. As discussed within this grant request, the KHBE has several MOUs will state agencies and they will be relying on these agencies to perform several Exchange functions, and therefore the Commonwealth recognizes the need for coordinated engagement with the federal government.

## **9. Reuse, Sharing, and Collaboration (non-IT)**

The KHBE was created by an Executive Order and established within the Cabinet for Health and Family Services. Therefore, as part of the KHBE’s commitment to reuse, Kentucky intends to assess and leverage existing state resources and best practices, wherever practicable, to ensure suitable programs and systems are in place to provide high-quality customer assistance for KHBE participants. The following are intended areas of reuse, sharing and collaboration currently identified but not limited to:

- Reuse of existing assets and procurement policies
- leveraging existing vendor contracts to accelerate implementation,
- Memorandum of Understandings with the Kentucky Department of Insurance, Department for Community Based Services and Department for Medicaid Services

- Personnel laws and regulations stated in KRS Chapter 018A00 and Title 101 of the Kentucky Administrative Regulations.
- Call center program designs already established by DMS and KDOI
- Leverage existing budget and financial plan management programs

## **10. Financial Integrity**

Kentucky's Governor issued an Executive Order in July 2012 establishing the Kentucky Office of Health Benefit Exchange (KHBE) as a state agency that is housed within the Kentucky Cabinet for Health and Family Services (CHFS.) Therefore, the KHBE financial transactions will be governed by existing Commonwealth procurement and financial procedures established by the Kentucky Finance Cabinet - Office of the Controller pursuant to Kentucky Administrative Regulations 200 KAR 5:021. Kentucky adheres to the financial standards of the Generally Accepted Accounting Principles (GAAP) which are the standards adopted by the National Council on Governmental Accounting and Financial Accounting Standards Board. In addition, the Kentucky State Auditor audits financial records for CHFS under the guidelines of OMB Circular A-133.

The manual of policies and procedures related to financial administration incorporated in Kentucky Administrative Regulations 200 KAR 5:021 that Kentucky Finance Cabinet and therefore KY state agencies follow address Material and Procurement Services as well as Statewide Accounting Services. The existing procedures assure that KHBE will have high quality internal control standards for financial integrity.

The Cabinet for Health and Family Services also has an internal Office of Policy and Budget (OPB) which reports directly to the cabinet Secretary regarding department budgets and financial matters as well as a Division of General Accounting (DGA) and a Division of Procurement Services (DPS) located in the Office of Administrative and Technology Services which works under the overarching policies established by the Finance Cabinet and specifically supports and oversees the CHFS procurement and accounting functions to ensure compliance with state and federally approved procurement and accounting guidelines. DGA prepares the CHFS Comprehensive Annual Financial Report and CHFS Cost Allocation Plan; manages grants, payments, travel reimbursement and cash receipts; performs audits and provides eMARS security and cost distribution and payroll updates. DPS provides oversight and monitoring of procurement activities and is responsible for the acquisition of goods and non-professional services for all CHFS entities.

The Office of Kentucky Health Benefit Exchange financial activity is tracked in the Commonwealth of Kentucky's statewide accounting system, called eMARS, which stands for enhanced Management and Administrative Reporting System.

Additionally, the Office of Kentucky Health Benefits Exchange has a Division of Financial and Operations Administration which will have responsibilities specific to the KHBE program related financial functions and will coordinate with the appropriate authorities and agencies as necessary.

## 11. Implementation Challenges

Challenge	Mitigation Strategy
<b>Timeline:</b> With the October 1, 2013 initial open enrollment date quickly approaching, Kentucky has an ambitious schedule	Kentucky selected an implementation vendor with a pre-configured offering and significant health insurance exchange experience. As needed, Kentucky will remain flexible during the first release to minimize risk to the schedule (recognizing that further customization and enhancements can come in later releases).
<b>Change Management:</b> With the implementation of the KHBE, the existing business processes of the Department of Community Based Services (DCBS) will change and expand to cover the full array of health and family services offered in the Kentucky.	Contracted with Accenture to analyze existing DCBS processes and to develop process improvement and organizational structure recommendations to support a new customer base of individual insurance purchasers and a phased technical transition from KAMES to KHBE. The Commonwealth will work closely with the integration vendor as training is developed and planned.
<b>Coordination:</b> The coordination and technical integration across three or four state agencies and the federal government will be a challenge.	Continue the existing communication and collaboration across agencies in weekly meetings and conference calls. Continue to involve OATS other CHFS agencies such as DMS and DCBS as the KHBE is designed, built, and tested, and the Exchange is implemented. Increase communication with federal agencies as the project progresses, seeking further mitigation assistance when needed.

## 12. SHOP

As mentioned above, the Commonwealth is making progress in the development of the SHOP exchange. The SHOP Subcommittee, which includes representation from employers, insurers, and providers, has held several meetings since the creation of subcommittees through Executive Order. The subcommittee is tasked with recommending policy and procedures to support an effective small group marketplace. All subcommittee recommendations are sent to the Advisory Board for consideration. To date, the SHOP subcommittee has discussed the following topics:

- **Small Group Employer Definition:** Current Kentucky Insurance regulation defines the small group market to be 2 – 50 employees. The SHOP subcommittee recommends maintaining this definition in and out of the SHOP exchange market.
- **Participation Requirement:** Current industry standard participation rate requirements in the Kentucky small group market is 75 percent. To maintain a level playing field, the SHOP subcommittee will recommend 75 percent be the participation rate for the SHOP Exchange.
- **Employer Choice Option:** To limit adverse employee selection, the SHOP subcommittee will recommend that if an employer would like to choose more than one metallic plan, they may only choose “touching metallic” tiers. For example, an employer could not offer a bronze and a gold plan; but could offer platinum and gold.

- **Annual Employer/Employee Election Period:** Per 155.725 (c) and (e), the subcommittee is considering timing options for SHOP enrollment that provides employees and employers ample time to make health care decisions and Carriers time to process enrollment.

The Education/Outreach, Navigators/Agents, and Qualified Health subcommittees are also addressing SHOP market related topics including customer support and outreach and maintaining a level playing field inside and outside the SHOP Exchange.

Customer support for employers and employees will be delivered for the SHOP in several ways. The KHBE Contact Center and portal will serve as the gateway for customer service. Specific issues or complaints that cannot be resolved by the contact center would be seamlessly routed to a second tier of support within the KHBE or to a vendor. The contact center will have staff specializing in SHOP to handle issues specific to the Exchange, such as employer eligibility. Additionally, in Kentucky, agents, play a vital role in facilitating the purchase of coverage in the small group health insurance market; as such Agents are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 KHBE Finally, the commonwealth will consider and refine the role of Navigators and In-Person Assisters in supporting employers and employees within the SHOP, during the design of those programs.

The KHBE is in the midst of Joint Application Design (JAD) sessions with their implementation vendor. These JAD sessions include SHOP related functions such as employer eligibility, data verification, employee eligibility, shopping and enrollment. JAD sessions are also being conducted to support the financial components of the SHOP including premium aggregation, invoicing, payment processing and reconciliation.

**F. Work plan**

For details regarding the work plan and system implementation project plan, please see Appendix D.1: *Work plan and Appendix D.2: System Implementation Project Plan.*

**G. Budget Narrative**

For details regarding the budget narrative, please see Appendix E: *Budget Narrative.*

**H. Additional Letters of Agreement and/or Description(s) of Proposed/Existing Project**

This activity is not applicable to Kentucky.

**I. Descriptions for Key Personnel & Organizational Chart**

For details regarding the key personnel and the organizational chart, please see Appendix F: *Key Personnel and Organizational Chart.*

**J. Cost Allocation Methodology Appendix**

For details regarding the cost allocation methodology, please see Appendix G: *Cost Allocation Methodology.*

**K. Documentation Supporting Eligibility of Applicant**

The Commonwealth is submitting *Appendix H: Supporting Documentation* to demonstrate completion of the eligibility criteria defined in Section III.1 of the funding opportunity.

- Appendix A: KHBE Executive Order**
- Appendix B: Sustainability Plan**
- Appendix C: Operating Model**
- Appendix D.1: Work plan**
- Appendix D.2: System Implementation Project Plan**
- Appendix E: Budget Narrative**
- Appendix F: Key Personnel & Organizational Chart**
- Appendix G: Cost Allocation Methodology**
- Appendix H: Supporting Documentation**