

8.0 FINANCE AND ACCOUNTING

Blueprint Application

November, 2012

8.1 Long-term operation cost, budget, and management plan

Description

As mentioned previously in blueprint section 2.0, Minnesota established a Health Insurance Exchange Advisory Task Force in 2011 to advise on design and development issues for the Exchange. A Finance work group was established under the Advisory Task Force to provide technical assistance and information on options related to the ongoing financing of a Minnesota Health Insurance Exchange. The work group's task was to develop funding mechanism options, including pros and cons and principles, to consider for financing the Minnesota Health Insurance Exchange.

The work group presented a report on October 24, 2012 to the Minnesota Exchange Advisory Task Force that included a review of funding options, preliminary budget estimates based on a budget model from Wakely Consulting Group and recommendations on transparency, accountability, flexibility and timing of any revenue source that may be utilized for the Exchange.

As mentioned above, the Finance work group reviewed a budget model for the Minnesota Health Insurance Exchange. Using that model as a reference point, the Health Insurance Exchange has been working on a more refined budget estimate for 2014 through 2016. The current estimated budget through 2016 is based on work between the Exchange and various internal and external workgroups for staffing, IT infrastructure, qualified health plan regulation and oversight as well preliminary estimates on marketing and outreach, customer service and in-person assistance/Navigators/agents/brokers.

The estimates assume a cost allocation of Medicaid eligible activities on central office staff, information technology and general administration activities based on the projected ratio of Medicaid participants to total Exchange participants. Non-Medicaid eligible activities such as SHOP, premium aggregation and QHP certification are not included in the estimated allocation. The budget projection also assumes that the Medicaid portion of operations such as customer service, eligibility and appeals is paid for by Medicaid directly and not through the Exchange. Therefore the costs reflected in the projected budget for these activities are for non-Medicaid participants.

The Finance work group also made recommendations on timing and flexibility of funding sources to account for cash flow and reserve needs as well as the need to have budget adjustment procedures in place for variances for an operating Exchange. The Exchange currently has a grant management processes in place to monitor grant budgets.

Documentation

<u>Document</u>	<u>Description</u>
8.1 Funding Options Tables	Summarized work group discussion of pros and cons of eight funding options (not including Medicaid), linking the benefits of an Exchange to the potential sources of funding; and reviewing the funding source against a set of principles of equity, neutrality to the market, transparency, flexibility and simplicity.
8.1 Finance Work Group Report to Advisory Task Force	Full report to the Advisory Task Force including funding options, review of budget model for preliminary budget estimates, as well as recommendations on transparency, accountability, flexibility and timing of any funding mechanism.
8.1 Preliminary Budget Estimates	A preliminary budget reflecting estimated staffing needs, IT infrastructure needs, plan management including Qualified Health Plan Certification and Customer Service Needs. Budget estimates reflect Minnesota’s estimated ongoing staffing, IT infrastructure and operation customer service needs.
8.1 Financial Management Plan	Outlines financial management planning and processes for the Minnesota Health Insurance Exchange.

Open Policy Decisions

Recommendations/decisions on long-term operating budget needs and funding mechanisms will be part of the 2013 legislative session discussions. Financing decisions will be completed by March 31, 2013.

Issues that will be addressed will include:

- Resource(s) to be used for long-term sustainability of the Exchange
- Implementation timelines for funding mechanisms
- Mechanisms to address budget management for cash flow, reserves and budget variances
- Policy decisions impacting operations for customer service and navigator/broker compensation.