

**Minnesota Budget Narrative
Grant 1-HBEIE1100068-01-00
Revised June 21, 2012**

Updated for Revised Budget and Cost Allocation

Minnesota is proposing to update their cost allocation formulas and current Establishment Grant budgets based on updated Exchange enrollment estimates and grant budget IT needs identified since the original grant applications for the following grants:

- 1 - HBEIE110068-01-00 – awarded August 15, 2011,
- 1 - HBEIE120107-01-00 – awarded February 22, 2012

Minnesota is proposing to use the most recent enrollment estimates provided by Dr. Jon Gruber of MIT and Bela Gorman of Gorman Actuarial. The revised estimates were received by Minnesota in April of 2012 and are would replace prior estimates for the August grant that used information from the Minnesota Department of Health and for the February Grant that used preliminary numbers from Dr. Gruber and Bela Gorman.

Budget amounts for the two grants are also being updated for IT infrastructure needs based on cost information identified since the original budget.

Total Budget Request

A. Salaries and Wages

Personnel

Total	\$1,157,338
Exchange Establishment Grant	\$1,099,543
Medicaid Cost Allocation	\$57,803
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Position Title	Annual	Time	Months	Amount Requested
Exchange Director	\$108,390	100%	12 months	\$108,390
Chief Information Officer	\$108,390	100%	6 months	\$54,195
Chief Operating Officer	\$108,390	100%	12 months	\$108,390
Chief Financial Officer	\$108,117	100%	15 months	\$136,106
General Counsel	\$100,746	100%	9 months	\$75,560

IT Project Director	\$100,746	100%	12 months	\$100,746
Commercial Operations Director	\$93,814	100%	13 months	\$101,998
Public Program Operations Director	\$93,814	100%	14 months	\$110,635
Measurement & Reporting Director	\$100,746	100%	14 months	\$120,583
Communications & Marketing Director	\$93,814	100%	13 months	\$99,025
Project Manager	\$84,418	100%	12 months	\$84,418
Executive Assistant	\$51,386	100%	13 months	\$57,292

Justification

Change from original Budget

Due to delays in hiring staff, salary savings are being used to extend salary and fringe benefit costs to December 31, 2012 for all staff included in this grant. Overall net change is \$1,301 from the original budget for this grant. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Below are brief position descriptions for each of the proposed full-time Exchange staff. More detailed descriptions can be found in the “Descriptions of Key Personnel and Organizational Chart” section.

All salary funds will be allocated across the grant period based on hire dates. Staff will work to build on the efforts undertaken as part of Planning Grant activities to develop detailed work plans and budget estimates and work on related milestones.

Job Descriptions

- Exchange Director: The Exchange Director is the Chief Executive Officer of the Exchange and is responsible for the entirety of Exchange activities, working closely with Exchange staff, Commissioners of State agencies, and the Advisory Task Force to define and execute its mission and responsibilities.
- Chief Information Officer: The Chief Information Officer is responsible for leading the successful implementation of all information technology functions of the Exchange, including working with contractors on the design and development of an IT integration architecture and requirements that facilitate interaction with partnered systems.
- Chief Operating Officer: The Chief Operating Officer is responsible for establishing operational priorities and managing the operational aspects of an Exchange including commercial and public program operations, measurement and reporting, and communications and marketing. This position is responsible for ensuring program integration between the Exchange and various State Agencies including the Departments of Commerce, Human Services, and Health. This position is specifically responsible for work plan development and execution for HHS milestones related to the areas of

program integration, assistance, appeals, complaints, and notifications, health benefit plan certification, call center services, quality rating systems, risk adjustment, Navigator program provisions, outreach and education, and small employer functions.

- Chief Financial Officer: The Chief Financial Officer will provide strategic direction for the financial operation of the Exchange. The Chief Financial Officer will also ensure compliance with HHS financial monitoring and reporting activities and develop detailed work plans and budget estimates through 2014 related to HHS milestones for financial management, program integrity activities to prevent waste, fraud, and abuse, and upfront and ongoing Exchange financing mechanisms, including cost allocation between Medicaid and Exchange funding streams.
- General Counsel: The General Counsel is responsible for providing legal counsel and providing legal services on a variety of matters pertaining to the Exchange and its programs and operations, including compliance with State and Federal laws and review and negotiation of all contracts.
- IT Project Director: The IT Project Director is responsible for working with contractors to develop work plans and budget estimates to implement the design and development of an IT integration architecture and associated requirements. The IT Project Director is specifically responsible for managing IT implementation timelines and compliance with HHS SDLC stage gate reviews including: Project Start-Up Review, Architecture Review, Project Baseline Review, Preliminary Design Review, Detailed Design Review, Final Detailed Design Review, Pre-Operational Readiness Review, and Operational Readiness Review.
- Commercial Operations Director: The Commercial Operations Director is responsible for coordinating, developing, and implementing strategy for commercial operations related to the Exchange and managing Exchange and commercial integration issues. The Commercial Operations Director serves as the liaison between the Exchange and the Minnesota Departments of Commerce and Health for the individual and small group markets. This position is specifically responsible for work plan development and execution for HHS milestones related to the commercial areas of program integration, individual and employer assistance, appeals, complaints, and notifications, health benefit plan certification, call center services, Navigator program provisions, and small employer functions.
- Public Program Operations Director: The Public Programs Operations Director is responsible for coordinating, developing, and implementing strategy for public program operations related to the Exchange and managing Exchange and public program integration issues. The Public Programs Operations Director serves as the liaison between the Exchange and the Minnesota Department of Human Services. This position is specifically responsible for work plan development and execution for HHS milestones related to the public program areas of program integration including eligibility and enrollment for public health care programs and potentially social service programs, assistance, appeals, and complaints, call center services, and Navigator program provisions.
- Measurement and Reporting Director: The Measurement and Reporting Director is responsible for the design, development, and reporting of quality rating systems for the Exchange including cost, quality, and customer satisfaction. This position is also responsible for issues pertaining to data sources, methods, and operational functions for conducting risk adjustment. This position is

specifically responsible for ensuring coordination in these areas between the Minnesota Departments of Commerce, Human Services, and Health.

- **Communications and Marketing Director:** The Communications and Marketing Director is responsible for developing and implementing strategies and work plans for communications, marketing, and stakeholder outreach and engagement efforts to market the Exchange and educate Minnesotans about the benefits of the Exchange. This position is also responsible for coordinating communications and outreach activities with the Minnesota Departments of Commerce, Human Services, and Health.
- **Project Manager:** The Project Manager is responsible for coordinating all work plans and timelines associated with the Exchange and ensuring that all grant reporting responsibilities are met. The Project Manager is also responsible for tracking all relevant Federal and State legislation, guidance, and proposed rules, and coordinating appropriate Minnesota Exchange responses.
- **Executive Assistant:** The Executive Assistant is responsible for providing administrative support to the Exchange Director, all Exchange staff, and the Advisory Task Force.

B. Fringe Benefits

Total	\$361,451
Exchange Establishment Grant	\$343,070
Funding Other than Establishment Grant	\$18,381
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Due to delays in hiring staff, salary savings are being used to extend salary and fringe benefit costs to December 31, 2012 for all staff included in this grant. Based on actual fringe through April 2012 and 31.8% of projected total salaries through December 2012s. This represents a decrease of \$6,996 from original grant. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

All fringe benefit dollars will be allocated across the grant budget period based on hire dates.

C. Consultant Costs

Minnesota is not requesting any Level-One grant funding for consultant costs at this time.

D. Equipment

Total	\$67,600
Exchange Establishment Grant	\$65,599
Funding other than Establishment Grant	\$2,001
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Item Requested	How Many	Unit Cost	Total Amount
Computer workstation	12	\$1,300	\$15,600
Phone	12	\$200	\$2,400
Blackberry	12	\$200	\$2,400

Printer/copier	2	\$600	\$1,200
Office furniture	12	\$2,500	\$30,000
Conference room chairs	16	\$500	\$8,000
Conference room table	1	\$5,000	\$5,000
Conference room communications equipment	1	\$3,000	<u>\$3,000</u>
Total			\$67,600

Justification

No change in total from original grant. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Computer, phone, Blackberry, and office furniture to be purchased for 12 new full-time Exchange staff. Printer/copier and conference room furniture and equipment to be shared by Exchange staff. Funding for equipment will be spent in the first quarter of the grant period.

E. Supplies

Total	\$60,400
Exchange Establishment Grant	\$58,158
Funding other than Establishment Grant	\$2242
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

<u>Description</u>	<u>Total Amount</u>
General office supplies (\$250 x 12 months x 12 staff)	\$36,000
Communications materials	\$10,000
Microsoft Windows (\$100 x 12 staff)	\$1,200
Microsoft Office (\$500 x 12 staff)	\$6,000
Annual maintenance Enterprise license (\$100 x 12 staff)	\$1,200
Microsoft Project (\$300 x 12 staff)	\$3,600
Adobe Dreamweaver (\$400 x 2 staff)	\$800
Adobe Professional (\$500 x 2 staff)	\$1,000
Audio visual editing software (\$200 x 2 staff)	\$400
SFTP – secure file transfer tool (\$100 x 2 staff)	<u>\$200</u>
Total	\$60,400

Justification

No change in total from original grant. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid..

General office supplies will be used by staff members to carry out daily activities including pens, paper, copy costs, etc. Communication supplies will be used to print stakeholder engagement materials. Microsoft Office will be used to document activities, process reports, etc. Annual maintenance costs cover required State maintenance for all State software. Microsoft Project will be used to coordinate and manage grant activities. Adobe Dreamweaver will be used to manage website communications. Adobe Professional will be used to create, edit and share PDFs for stakeholder and other office communications. Audio visual software will be used to edit audio and video tools for presentations and stakeholder communications. Secure file transfer tool will be used ensure secure website management

and development. Supply costs will be equally split between all four quarters of the grant period, with the exception of software costs which will be spent in the first quarter.

F. Travel

Total	\$39,429
Exchange Establishment Grant	\$39,429
Funding other than Establishment Grant	\$0
Sources of Funding	Exchange Level-One Establishment Grant

Description	Cost
In-State Travel	\$4,709
Out-of-State Travel	<u>\$34,720</u>
Total	\$39,429

In-State Travel	Cost
6 trips of 1 day per diem x \$35/day x 2 people	\$420
6 trips of 2 days per diem x \$35/day x 2 people	\$840
6 nights lodging x \$150 x 2 people	\$1,800
Mileage reimbursement:	
St. Paul to Albert Lea = 196 miles round trip x \$0.51 x 2 trips	\$200
St. Paul to Brainerd = 276 miles round trip x \$0.51 x 2 trips	\$282
St. Paul to Duluth = 302 miles round trip x \$0.51 x 2 trips	\$308
St. Paul to Moorhead = 488 miles round trip x \$0.51 x 2 trips	\$498
St. Paul to St. Cloud = 150 miles round trip x \$0.51 x 2 trips	\$153
St. Paul to Willmar = 204 miles round trip x \$0.51 x 2 trips	<u>\$208</u>
In-State Total	\$4,709

Justification

No change from original grant.

Exchange staff will hold stakeholder meetings throughout the State. The Communications and Marketing Director and one additional staff member will hold one meeting a month in various locations around the State, six of which will be in Greater Minnesota. In-State travel funds will be equally split between all four quarters of the grant period.

Out-of-State Travel	Cost
\$500 airfare x 8 trips x 4 people	\$16,000
3 days per diem x \$35/day x 8 trips x 4 people	\$3,360
2 night's lodging x \$200 per night x 8 trips x 4 people	\$12,800
\$80 Ground transportation x 8 trips x 4 people	<u>\$2,560</u>
Out of State Total	\$34,720

Justification

No change from original grant.

Four members of Minnesota's Exchange staff will travel for HHS quarterly grantee meetings. Four Exchange staff will also travel to four Exchange related meetings including the UX Strategy Session in September 2011 and meetings of the NAIC, NASHP, and Academy Health. Out-of-State travel funds will be equally split between all four quarters of the grant period.

G. Other

Total	\$108,494
Exchange Establishment Grant	\$103,614
Funding other than Establishment Grant	\$4,880
Sources of Funding	Exchange Level-One Establishment Grant and Enhanced Federal Medicaid Match

Description	Cost
Rent for office space	
\$500 per month x 12 months x 12 staff	\$72,000
Meeting room rental	
\$100 per meeting x 18 Advisory Task Force meetings	\$1,800
\$100 per meeting x 12 Stakeholder meetings	\$1,200
Reimbursements for 4 Advisory Task Force members to travel to meetings	
1 night lodging x \$150 x 2 members x 18 meetings	\$5,400
18 trips x 1 day per diem x \$35 a day x 2 people	\$1,260
18 trips x 2 day per diem x \$35 a day x 2 people	\$2,520
Average of 270 miles round trip x \$0.51 x 18 meetings x 4 members	\$9,914
Communication services	
\$100 x 12 months x 12 staff	<u>\$14,400</u>
Total	\$108,494

Justification

No change in total from original grant. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Rent for office space is to house the 12 full-time Exchange staff. Meeting room rental fee is to rent meeting room to hold 18 Advisory Task Force meetings and monthly Stakeholder meetings. Advisory Task Force reimbursement for hotel and/or mileage and per diem for eligible Task Force members to attend Task Force meetings per Minnesota Statutes §15.014. Communication services costs cover monthly phone and Blackberry service plan charges. The above mentioned costs will be equally split between all four quarters of the grant period.

H. Contractual Costs

Total	\$4,755,857
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Description	Cost
Market analysis	\$240,000
Project Management Consultation	\$35,525
Account Administration Module	\$3,154,268
Provider display module	<u>\$1,326,064</u>
Total	\$4,755,857

Market Analysis (no change)

- Name of contractor: Saltier Mitchell
- Method of selection: RFP
- Period of performance: Quarters 3 of the grant period

- Scope of work: Conduct marketing research to assist in the development of options and cost estimates for public education, outreach, and marketing efforts to inform consumers about the Exchange.
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$240,000

Justification

No change from original budget

Contract work for this activity will take place in the third quarters of this grant period. Market analysis research will build upon the work conducted under the Planning Grant related to Business Operations and marketing and outreach activities for an Exchange. Activities under the contract include a statewide consumer survey, an employer/business survey and consumer/business focus groups and key informant interviews.

Project Management Consultation

- Name of contractor: Minnesota Management and Budget
- Method of selection: Interagency Agreement
- Period of performance: Quarters 3 of the grant period
- Scope of work: Review current project management plans, organizational structures and operations and offer recommendations on future operational structures for the Exchange
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$35,525

Justification

This is a new contract for the budget. Contract work for this activity will take place in the third quarters of this grant period. Minnesota Management and Budget, Management Analysis Division will assist the Exchange in reviewing project management needs, organizational options and project planning.

Provider Display and Account Administration Module

- Name of contractor: RFP
- Method of selection: RFP
- Period of performance: Quarters 3 and 4 of the grant period plus extension request
- Scope of work: Development of a provider display module under the recently released RFP to provide early information and decision-making assistance to individuals and small businesses plus a portion of the costs for the development of an account administration module. The balance of the request for the account administration module and other modules are included in a grant 1-HBEIE120107-01-00
- Method of accountability: Weekly meetings between Exchange staff and contractors and weekly progress reports from contractors as described in part D of the Proposal to Meet Program Requirements section of this grant application.
- Budget request: \$4,480,3230

Justification

The revised budget represents an increase of \$1,780,330 from original budget for the Provider Display Module and an Internal Integrator. See summary table at the end of this narrative for a description of the changes between Exchange Establishment Grant and Medicaid.

Funding is requested for the development of the provider display module recently released by Minnesota in an RFP to provide early information and decision-making assistance to individuals and small businesses and the account administration module. The provider display module encompasses functions related to the display of health care provider cost and quality information to assist individuals, employers, and employees in making decisions to choose high quality, low-cost health care providers and associated health benefit plans. This module will display and integrate information from Minnesota’s Provider Peer Grouping System, which will provide information on composite measures of health care provider cost and quality for hospitals and clinics. Funding is also requested for a portion of the development costs for the account administration module in the revised budget for HBEIE120107-01-00.

I. Total Direct Costs **\$6,655,569**

J. Indirect Costs

Total indirect costs: **\$263,231**
 The rate is 14% and is computed on the following direct cost base:

Personnel	\$162,027 (14% x \$1,157,338)
Fringe	\$50,603 (14% x \$361,451)
Travel	\$5,520 (14% x \$39,429)
Supplies	\$8,456 (14% x \$60,400)
Equipment	\$9,464 (14% of 67,000, assume purchasing under \$5000)
Other	\$15,189 (14% x \$108,494)
Contracts	<u>\$11,973</u> (14% of the first \$25,000 of each contract x 2 contracts)
Total	\$263,231

Total direct and indirect =

Total direct	\$6,550,567
Total indirect	<u>\$263,233</u>
Total direct and indirect	\$6,813,800

Indirect costs will be equally spent throughout all four quarters of the grant period plus extension request.

Budget Request by Core Area

Core Area: Governance

- Total cost \$641,798
- Percent of cost that is fixed and/or variable
 - Fixed: \$34,000 = 5%
Includes equipment costs
 - Variable: \$607,798 = 95%
Includes everything except equipment costs

- Amount of cost by object class code
 - Salaries and wages \$325,660
 - Fringe benefits \$101,708
 - Equipment \$34,000
 - Supplies \$17,200
 - Travel \$34,720
 - Other \$49,694
 - Contractual costs \$0
 - Indirect \$78,817
- Amount of costs being requested by Exchange Establishment Grant \$641,798
- Amount of cost being requested by other source \$0
- Assumptions or other narrative
 - Personnel costs include salaries Exchange Director, General Counsel, Project Manager and Executive Assistant
 - Fringe benefits include costs for Exchange Director, General Counsel, Project Manager and Executive Assistant
 - Equipment costs include computers, phones, Blackberries, and office furniture for Exchange Director, General Counsel, Project Manager and Executive Assistant and equipment shared by all Exchange staff.
 - Supplies include general office supply and software costs for Exchange Director, General Counsel, Project Manager and Executive Assistant
 - Travel costs include out-of-State travel for required HHS meetings and other Exchange meetings including UX Strategy Session and meetings of the NAIC, NASHP and Academy Health.
 - Other costs include communication services and monthly rent for office space for Exchange Director, General Counsel, Project Manager and Executive Assistant, and meeting room rental and applicable reimbursement for Advisory Task Force meetings.
 - Indirect costs include 14% of salaries, fringe, supplies, travel and other costs and 5.18% of equipment costs.

Core Area: Stakeholder Consultation

- Total cost \$6,737
- Percent of cost that is fixed and/or variable
 - Fixed: \$0 = 0%
Includes equipment costs
 - Variable: \$6,737 = 100%
Includes everything except equipment costs
- Amount of cost by object class code
 - Salaries and wages \$0
 - Fringe benefits \$0
 - Equipment \$0
 - Supplies \$0
 - Travel \$4,709
 - Other \$1,200
 - Contractual costs \$0
 - Indirect \$827
- Amount of costs being requested by Exchange Establishment Grant \$6,737

- Amount of cost being requested by other source \$0
- Assumptions or other narrative
 - Travel costs include in-State travel expenses (per diem, lodging and mileage) and room rental for Communications and Marketing Director and one other staff member to travel to six Stakeholder meetings in various parts of the State.
 - Indirect costs include 14% of travel costs.

Core Area: Program Integration

- Total cost \$353,219
- Percent of cost that is fixed and/or variable
 - Fixed: \$8,400 = 2%
Includes equipment costs
 - Variable: \$344,819 = 98%
Includes everything except equipment costs
- Amount of cost by object class code
 - Salaries and wages \$212,633
 - Fringe benefits \$66,408
 - Equipment \$8,400
 - Supplies \$8,000
 - Travel \$0
 - Other \$14,400
 - Contractual costs \$0
 - Indirect \$43,378
- Amount of costs being requested by Exchange Establishment Grant \$353,219
- Amount of cost being requested by other source \$0
- Assumptions or other narrative
 - Personnel costs include salaries for Public Program Operations Director and Commercial Operations Director.
 - Fringe benefits include costs for Public Program Operations Director and Commercial Operations Director.
 - Equipment costs include computers, phones, Blackberries, and office furniture for Public Program Operations Director and Commercial Operations Director.
 - Supplies include general office supply and software costs for Public Program Operations Director and Commercial Operations Director.
 - Other costs include communication services and monthly rent for office space for Public Program Operations Director and Commercial Operations Director.
 - Indirect costs include 14% of salaries, fringe, supplies and other and 5.18% of equipment costs.

Core Area: Business Operations

- Total cost \$840,131
- Percent of cost that is fixed and/or variable
 - Fixed: \$12,600 = 2%
Includes equipment costs
 - Variable: \$827,531 = 98%
Includes everything except equipment costs
- Amount of cost by object class code
 - Salaries and wages \$327,998

- Fringe benefits \$102,438
- Equipment \$12,600
- Supplies \$23,200
- Travel \$0
- Other \$21,600
- Contractual costs \$275,535
- Indirect \$76,771
- Amount of costs being requested by Exchange Establishment Grant \$840,131
- Amount of cost being requested by other source \$0
- Assumptions or other narrative
 - Personnel costs include salaries for Chief Operating Officer, Measurement and Reporting Director and Communications and Marketing Director.
 - Fringe benefits include costs for Chief Operating Officer, Measurement and Reporting Director and Communications and Marketing Director.
 - Equipment costs include computers, phones, Blackberries, and office furniture for Chief Operating Officer, Measurement and Reporting Director and Communications and Marketing Director.
 - Supplies include general office supply and software costs for Chief Operating Officer, Measurement and Reporting Director and Communications and Marketing Director.
 - Other costs include communication services and monthly rent for office space for Chief Operating Officer, Measurement and Reporting Director and Communications and Marketing Director.
 - Contractual costs include market analysis research.
 - Indirect costs include 14% of salaries, fringe, supplies and other, a flat rate of \$3,500 per contract (1 contract) and 5.18% of equipment costs.

Core Area: Technical Infrastructure

- Total cost \$4,750,741
- Percent of cost that is fixed and/or variable
 - Fixed: \$4,488,732= 95%
Includes equipment costs and provider display/account administration module costs
 - Variable: \$262,009 = 5%
Includes everything except equipment costs and provider display module costs
- Amount of cost by object class code
 - Salaries and wages \$154,941
 - Fringe benefits \$48,390
 - Equipment \$8,400
 - Supplies \$8,000
 - Travel \$0
 - Other \$14,400
 - Contractual costs \$4,480,332
 - Indirect \$36,278
- Amount of costs being requested by Exchange Establishment Grant \$2,105,011
- Amount of cost being requested by other source \$2,645,730
- Assumptions or other narrative
 - Personnel costs include salaries for Chief Information Officer and IT Project Director.
 - Fringe benefits include costs for Chief Information Officer and IT Project Director.

- Equipment costs include computers, phones, Blackberries, and office furniture for Chief Information Officer and IT Project Director.
- Supplies include general office supply and software costs for Chief Information Officer and IT Project Director.
- Other costs include communication services and monthly rent for office space for Chief Information Officer and IT Project Director.
- Contractual costs include Exchange component integration and provider display module.
- Indirect costs include 14% of salaries, fringe, supplies, other, a flat rate of \$3,500 per contract (x 2 contracts) and 5.18% of equipment costs.

Core Area: Financial Management

- Total cost \$221,176
- Percent of cost that is fixed and/or variable
 - Fixed: \$4,200 = 2%
Includes equipment costs
 - Variable: \$216,976 = 98%
Includes everything except equipment costs
- Amount of cost by object class code
 - Salaries and wages \$136,106
 - Fringe benefits \$42,508
 - Equipment \$4,200
 - Supplies \$4,000
 - Travel \$0
 - Other \$7,200
 - Contractual costs \$0
 - Indirect \$27,162
- Amount of costs being requested by Exchange Establishment Grant \$221,176
- Amount of cost being requested by other source \$0
- Assumptions or other narrative
 - Personnel costs include salaries for Chief Financial Officer.
 - Fringe benefits include costs for Chief Financial Officer.
 - Equipment costs include computers, phones, Blackberry, and office furniture for Chief Financial Officer.
 - Supplies include general office supply and software costs for Chief Financial Officer.
 - Other costs include communication services and monthly rent for office space for Chief Financial Officer.
 - Indirect costs include 14% of salaries, fringe, supplies and other and 5.18% of equipment costs.

Cost Allocation Methodology

As required under section IV.5.B.vi of the Cooperative Agreements to Support Establishment of State Operated Health Insurance Exchanges, Minnesota is proposing to cost allocate the IT systems work and other applicable costs per OMB Circular A-87 between the Exchange and the Medicaid program for those activities that will benefit Medicaid. Components under Cost Allocation referenced in the IT Guidance 2.0 are included in this proposal.

For this grant application, Minnesota has proposed a budget of \$4,750,741 in the Core Area of Technical Infrastructure. This budget request for Technical Infrastructure can be broken into five parts:

1. Contract costs for Provider and a portion of Account Administration - \$4,480,332
2. Salaries, fringe, and associated indirect costs for Technical Infrastructure staff - \$231,797
3. Equipment, supplies, and administrative support costs for Technical Infrastructure staff - \$30,800
4. Indirect for non-personnel costs associated with Technology Infrastructure - \$7,812

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| a) Total Projected Costs | \$4,750,741 |
| b) Costs charged to this CCIIO grant | \$2,105,011 |
| c) Costs charged to other sources: | \$2,645,730 |
| d) Please note where the cost is via the Core Area: Technical Infrastructure | |

Estimated participation in Minnesota Health Insurance Exchange (Results from Background Research Actuarial and Economic Modeling by Dr. Jon Gruber of MIT and Bela Gorman of Gorman Actuarial)

Tax Credit Recipients	280,000
Enrollees in Firms Receiving Tax Credit	70,000
Non-Tax Credit Recipients in Reformed Individual Market	60,000
Enrollees in Firms > 50 not receiving Tax Credit	90,000
Enrollees in Firms 50-99	30,000
Public Insurance Enrollees	700,000
 Total	 1,230,000

Cost Allocation for Exchange Module Development

Minnesota is proposing to cost allocate IT costs as follows:

- Module 1 using the ratio of public enrollees to total individual enrollees (700/1040 or 67.31%)
- Modules 2, 4, 5, and 7 using the ratio of public enrollees to total participants in the Exchange (700/1,230 or 56.91%)
- Other IT contracts for Integration of Modules, IV&V, Mobile Applications and other contracted staff use the average cost allocation ratio across the modules or 42.14% (see below)
- Other Exchange IT staff costs including salaries, rent, supplies, equipment, etc use the average cost allocation ratio across the modules or 42.14% (see below)

Module 1 – Individual Eligibility and Exemption	67.31%
Module 2 – Individual Enrollment	56.91%
Module 3 – Small Employer Eligibility and Enrollment	0%
Module 4 – Health Benefit Plan and Navigator Certification and Display	56.91%
Module 5 – Provider Display	56.91%
Module 6 – Fund Aggregation and Payment	0%
Module 7 – Account Administration	56.91%

Average of Modules

42.14%

1) Contract costs for Provider Display and a portion of the Account Administration Module - \$4,480,332

This contract includes portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, Member Education, Selection, and Enrollment into Plans and Interfaces to Other Verification Sources.

- a. Total Projected Costs: \$4,480,332
- b. Costs charged to this CCIO grant: \$1,930,575
- c. Costs charged to other sources: \$2,549,757
- d. Please note where the cost is via the Core Area: Technical Infrastructure

As specified above Minnesota has developed a preliminary estimate that 56.91% of users served by the Exchange will be Medicaid-eligible. The purpose of these contracts is to develop Provider Display and Account Administration. As such, 56.91% of these contracted costs will be allocated to Medicaid.

2) Salaries, fringe, and associated indirect costs for Technical Infrastructure staff - \$231,797

These costs for Exchange Technical Infrastructure staff include portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, and Interfaces to Other Verification Sources.

- a. Total Projected Costs: \$231,797
- b. Costs charged to this CCIO grant: \$144,947
- c. Costs charged to other sources: \$86,851
- d. Please note where the cost is via the Core Area: Technical Infrastructure

As specified above, Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise of 67.31% of individuals that benefit from Module 1, 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.14%. Prior cost allocation plan, approved in the PAPD was 24.3%, effective December 31, 2011. As such, 23.4% of costs will be allocated to Medicaid for activities January through June of 2012 (or until approval, whichever is later) and 42.14% of costs beginning in July of 2012 (or upon approval, whichever is later) will be allocated to Medicaid.

3) Equipment, supplies, and other costs for Technical Infrastructure staff - \$30,800

These costs for Exchange Technical Infrastructure staff include portions of the following components under Cost Allocation referenced in the IT Guidance 2.0: Health Care Coverage Portal, Business Rules Management and Operations Systems, Interfaces to Federal Data Services Hub, and Interfaces to Other Verification Sources

- a. Total Projected Costs: \$30,800
- b. Costs charged to this CCIO grant: \$21,677
- c. Costs charged to other sources: \$9,123

d. Please note where the cost is via the Core Area: Technical Infrastructure

As specified above, Minnesota has developed a preliminary average estimate that Medicaid enrollees will comprise of 67.31% of individuals that benefit from Module 1, 56.91% of users that benefit from Modules 2, 4, 5 and 7, and 0% of users that benefit from Modules 3 and 6. The average across all Modules is 42.14%. Prior cost allocation plan, approved in the PAPD was 24.3%, effective December 31, 2011. As such, 23.4% of costs will be allocated to Medicaid for activities January through June of 2012 (or until approval, whichever is later) and 42.14% of costs beginning in July of 2012 (or upon approval, whichever is later) will be allocated to Medicaid.

4.) Indirect for non-personnel costs associated with Technology Infrastructure - \$7,812

- a. Total Projected Costs: \$7,812
- b. Costs charged to this CCIO grant: \$7,812
- c. Costs charged to other sources: \$0
- d. Please note where the cost is via the Core Area: Technical Infrastructure

Indirect costs for non-personnel items approved in the Department of Commerce cost allocation plan and part of the Technical Infrastructure costs of the Exchange will not be allocated to Medicaid.

**Minnesota Health Insurance Exchange
Revised Budget and Cost Allocation Proposal for HBEIE100068-01-00**

	Original			Revised			Difference		
	Total	Exchange	MA	Total	Exchange	MA	Total	Exchange	MA
Salaries and Wages	\$1,158,638	\$1,107,818	\$50,820	\$1,157,338	\$1,099,534	\$57,803	(\$1,301)	(\$8,284)	\$6,983
Fringe Benefits	\$368,447	\$352,286	\$16,161	\$361,451	\$343,070	\$18,381	(\$6,996)	(\$9,217)	\$2,221
Total Personnel Costs	\$1,527,085	\$1,460,104	\$66,981	\$1,518,789	\$1,442,604	\$76,185	(\$8,296)	(\$17,500)	\$9,204
Equipment	\$67,600	\$65,559	\$2,041	\$67,600	\$65,599	\$2,001	\$0	\$40	(\$40)
Supplies	\$60,400	\$58,456	\$1,944	\$60,400	\$58,158	\$2,242	\$0	(\$298)	\$298
Travel	\$39,429	\$39,429	\$0	\$39,429	\$39,429	\$0	\$0	\$0	\$0
Other	\$108,494	\$104,995	\$3,499	\$108,494	\$103,614	\$4,880	\$0	(\$1,381)	\$1,381
Contract	\$2,940,000	\$2,194,800	\$745,200	\$4,755,853	\$2,206,098	\$2,549,755	\$1,815,852	\$11,298	\$1,804,556
Indirect	\$254,105	\$244,728	\$9,377	\$263,233	\$252,568	\$10,666	\$9,126	\$7,840	\$1,289
Total Exchange	\$4,997,114	\$4,168,071	\$829,043	\$6,813,798	\$4,168,071	\$2,645,728	\$1,816,686	(\$0)	\$1,816,686