

**Consolidated Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/04/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

**Agencies:** Health Insurance Exchange (03/04/13)  
 Health Dept (03/01/13)  
 Minnesota Management & Budget (03/04/13)  
 Legislature (03/01/13)  
 Commerce (03/04/13)

Administration Dept (03/01/13)  
 Human Services Dept (03/04/13)  
 Legislative Audit Commission (03/01/13)  
 Enterprise Technology Office (03/04/13)

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Net Expenditures</b>					
General Fund	0	1,841	2,618	3,280	3,133
Human Services Dept		1,841	2,618	3,280	3,133
Legislature	0	0	0	0	0
Misc Special Revenue Fund		7,863	28,644	57,411	60,783
Human Services Dept		250			
Health Insurance Exchange		7,613	28,644	57,411	60,783
Other Misc Special Revenue Fund	0	45	966	1,902	1,930
Health Dept	0	0	457	903	903
Commerce			493	999	1,027
Legislative Audit Commission		45			
Administration Dept			16		
<b>Revenues</b>					
General Fund		25	25	25	25
Commerce		25	25	25	25
Misc Special Revenue Fund		22,177	48,569	51,234	59,261
Human Services Dept		250			
Health Insurance Exchange		21,927	48,569	51,234	59,261
Other Misc Special Revenue Fund	0	45	966	1,902	1,930
Health Dept	0	0	457	903	903
Commerce			493	999	1,027
Legislative Audit Commission		45			
Administration Dept			16		
<b>Net Cost &lt;Savings&gt;</b>					
General Fund	0	1,816	2,593	3,255	3,108
Human Services Dept		1,841	2,618	3,280	3,133
Commerce		(25)	(25)	(25)	(25)
Legislature	0	0	0	0	0
Misc Special Revenue Fund		(14,314)	(19,925)	6,177	1,522
Human Services Dept		0			
Health Insurance Exchange		(14,314)	(19,925)	6,177	1,522
Other Misc Special Revenue Fund	0	0	0	0	0
Health Dept	0	0	0	0	0
Commerce			0	0	0
Legislative Audit Commission		0			
Administration Dept			0		
<b>Total Cost &lt;Savings&gt; to the State</b>	0	(12,498)	(17,332)	9,432	4,630

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalent</b>					
Misc Special Revenue Fund		3.00	41.50	84.50	86.00
Human Services Dept		3.00			
Health Insurance Exchange			41.50	84.50	86.00
Other Misc Special Revenue Fund	0.00	0.00	13.99	18.22	18.22
Health Dept	0.00	0.00	4.36	8.72	8.72
Commerce			9.50	9.50	9.50
Administration Dept			0.13		

<b>Total FTE</b>	0.00	3.00	55.49	102.72	104.22
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**Consolidated EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KERSTIN LARSON  
Date: 03/04/13 Phone: 651-201-8045

**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/04/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local	X	
Fee/Departmental Earnings	X	
Tax Revenue		X

**Agency Name:** Health Insurance Exchange

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
Misc Special Revenue Fund		7,613	28,644	57,411	60,783
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
Misc Special Revenue Fund		7,613	28,644	57,411	60,783
<b>Revenues</b>					
Misc Special Revenue Fund		21,927	48,569	51,234	59,261
<b>Net Cost &lt;Savings&gt;</b>					
Misc Special Revenue Fund		(14,314)	(19,925)	6,177	1,522
<b>Total Cost &lt;Savings&gt; to the State</b>		(14,314)	(19,925)	6,177	1,522

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
Misc Special Revenue Fund			41.50	84.50	86.00
<b>Total FTE</b>			41.50	84.50	86.00

## **Bill Description**

HF5 – 8E establishes the Minnesota Insurance Marketplace.

**Section 1** specifies that the classification and sharing of data is governed by section 62V.06

**Section 2** creates the title of the act

**Section 3** provides definitions of board, health benefit plan, health carrier, individual market, insurance provider, Minnesota Insurance Marketplace, navigator, public health care program, and small group market.

**Section 4** creates the Minnesota Insurance Marketplace as a board and defines duties. Requires legislative audits on the Marketplace. Requires the board to reimburse the legislative auditor for costs associated with reports requested by the Legislative Audit Commission regarding duplication of services.

**Section 5** describes the governance structure of the Minnesota Insurance Marketplace.

**Section 6 subdivision 1** describes the responsibilities of the Minnesota Insurance Marketplace including employing personnel, establishing a budget, seeking and accepting funds, contracting for the receipt of goods and services, entering into information sharing agreements, taking other actions required to implement and administer its responsibilities, and establishing policies and procedures.

**Section 6 subdivision 2** establishes funding for the operations of the Minnesota Insurance Marketplace and authorizes the Marketplace to collect revenue up to defined maximums.

**Section 6, subdivision 3** authorizes the commissioner of Minnesota management and budget, in consultation with the commissioner of commerce, to establish minimum standards for certifying insurance producers who may sell plans through the Marketplace and defines certain training requirements for certification. Defines producer compensation establishment processes through health carriers, reporting of compensation and other incentives for insurance producers by carriers and insurance producers responsibilities if they sell plans in the Marketplace.

**Section 6 subdivision 4** establishes policies and procedures for navigators, in-person assistants and call center including training standards.

**Section 6 subdivision 5** establishes health carrier participation requirements.

**Section 6 subdivision 6** authorizes the board to conduct hearings, appoint hearing officers, and recommend final orders to appeals of Marketplace determinations, except those determinations where a state agency hearing is available through section 256.045.

**Section 6 subdivision 7** requires the board to establish and maintain agreements with the Office of Enterprise Technology, Department of Human Services, Commerce and Health.

**Section 6, subdivision 8**, prohibits the board from bearing insurance risk or entering into any agreement with health care providers to pay claims. States that this subdivision does not prohibit the board from providing insurance to its employees.

**Section 7** states that definitions under the Government Data Practices Act in chapter 13.02 apply. Defines individual and participant. Specifies the classification, status and permitted use of government data held or obtained by the marketplace on individuals, employees and employers that use the marketplace. Classifies data for insurance producers, navigators or in person assistants applying for certification. Provides limits to the board in accessing non public data. Prohibits the marketplace from selling data.

**Section 8** states that all funds received by the Marketplace must be deposited in a dedicated account in the special revenue fund and are appropriate to the Marketplace.

**Section 9** requires the Marketplace to submit a report to the legislature by January 15 of each year on the performance of the Marketplace operations and on meeting the Marketplace responsibilities and an accounting of budget activities. Requires the marketplace to publish administrative and operational costs of the Exchange on a Web site to educate consumers on costs.

**Section 10** exempts the board from review and sunset under chapter 3D.

**Section 11** clarifies that Minnesota citizens are not required to participate in the Marketplace

**Section 12** authorizes the Commissioner of Management and Budget to exercise all responsibilities of the Marketplace until the board has established bylaws, policies and procedures as required under the Act.

**Section 13** authorizes the commissioner of commerce, in consultation with the board of the Minnesota Comprehensive Health Association, to develop and implement the phase out and eventual termination of coverage provided by MCHA, beginning no sooner than January 1, 2104

**Section 14** states that the Act is effective the day following enactment. Health benefit plan coverage through the Marketplace is effective January 1, 2014.

### **Assumptions**

This fiscal note displays potential fiscal impacts for high, medium and low enrollment scenarios; the cover sheet reflects the high enrollment scenario.

**Sections 1 to 3** have no fiscal impact.

**Section 4, subdivision 1** – assume activities included in fiscal estimates for Section 6.

**Section 4, subdivision 2** – assumes costs to reimburse the legislative auditor are funding with federal grant funds.

**Section 5 Subdivisions 1-11, 13** – no costs

**Section 5, Section 12** – Assume per diem costs of board covered with general administrative costs outlined for operations of the Marketing place in Section 6.

**Section 6, subdivision 1(b) 1** – the following assumptions are made for the operational budget estimates of the Exchange.

### **Federal Funding**

It is assumed that federal funds are available to plan, design, develop and operate the Marketplace and perform other functions associated with the Marketplace outlined in section 6 through December 31, 2014. Total development and initial operating funds available through these federal grants in calendar 2014 are estimated at \$150 million. Through January 18, 2013, the Minnesota Health Insurance Exchange has applied for and received \$110 million in federal funds. It is assumed that an additional \$40 million will be applied for and received in fiscal year 2014. A recent award of \$39 million and future application of \$40 million are included in the Governor's base budget and therefore the costs are not reflected in this fiscal note.

It is assumed that this funding would be transferred to the Marketplace under section 11 for Marketplace design and development purposes.

### **Business Operations**

It is assumed that the Marketplace will establish a business operating structure as outlined in Minnesota's Blueprint submission for State Based Exchanges including senior management staff, administrative support, legal support, appeals, financial management, quality measurement and reporting, eligibility and enrollment, SHOP, customer service, communications, stakeholder relations and navigator/broker business areas. It is also assumed these operating structures meet the needs of activities outlined in Section 6.

It is assumed that the Marketplace will establish an information technology operational structure as outlined in Minnesota's Blueprint submission for State Based Exchanges including IT staff to support and maintain the IT infrastructure as well as necessary IT maintenance and support contracts, software, hardware, and licenses to ensure the technologies developed for the Health Insurance Exchange continue under the Marketplace.

**Section 6, Subdivision 1 (b) 2** – no additional revenues are assumed under this provision.

**Section 6 Subdivision 2 -**

Section 6, subdivision 2 allows the board to collect or retain up to 3.5 percent of premiums for individual and small group benefit plans sold through the Marketplace but no more than 25% of the 2012 MCHA assessment in CY 2014, 50% of the MCHA assessment in CY 2015 and 100% of the 2012 MCHA assessment in CY 2016 or the rate of inflation in FY 2016 plus participation growth whichever is less. The 2012 MCHA assessment is assumed to be \$161 million. It is assumed the board will set the CY 2014 rate at 3.5%.

Participation estimates assume a growth in participation between CY 15 and CY 16 from 24% in low enrollment scenario to 29% in the high enrollment scenario. Inflation rate is assumed to be 1.64% in FY 16 and 1.84% in FY 17 based on the November 2012 Forecast.

The following assumptions on participation and premiums are used to estimate premium revenue beginning in FY 2015.

**Participation**

Participation estimates are based on 2016 participation estimates from Jon Gruber (Health Economist) and Bela Gorman (Health Actuary). Initial estimates for 2016 participation were provided in April 2012 from Dr. Gruber and were updated in January 2013. Table 1 reflects the enrollment estimates from Dr. Gruber. Both scenarios assume the state does not implement a Basic Health Plan and the state has a Maintenance of Effort to cover children up to 275% in the Medicaid program. Reductions to enrollment based on the risk assumptions outlined above for Section 4, subdivision 2 are not included in the enrollment assumptions.

For cost allocation purposes (**Section 6, Subdivision 7**), it is assumed the Marketplace will utilize the April 2012 enrollment scenario for allocation to Medicaid for grant activities for grants applied for and/or received prior to January 2013. The revised participation estimates will be used for cost allocation for new grant applications.

**Table 1 – Estimated Marketplace Participation, 2016**

	April 2012 Estimate		January 2013 Estimate	
	Total individuals	Estimated Exchange Enrollment	Total individuals	Estimated Exchange Enrollment
Tax Credit Recipients	280,000	280,000	370,000	370,000
Enrollees in Firms < 50 Receiving Tax Credit	70,000	70,000	33,000	33,000
Non-Tax Credit Recipients in Reform Market	120,000	60,000	160,000	80,000
Enrollees in Firms < 50 Not Receiving Tax Credit	350,000	90,000	393,000	98,000
Enrollees in Firms 50-99	120,000	30,000	99,000	24,000
Public Insurance Enrollees	700,000	700,000	690,000	690,000
Total Exchange Enrollment	1,640,000	1,230,000	1,745,000	1,295,000
Percent Public Enrollment (Total)		56.91%		53.28%
Percent Public Enrollment (Individuals Only)		67.31%		60.53%

In order to project enrollment estimates for 2014 and 2015, a budget model was utilized to create low, medium and high participation rate assumptions. For example, the model assumes that in 2014, 40% of the 370,000 individual's eligible for a subsidy estimated to participate in the Exchange in 2016 will participate in 2014. (370,000 x 40% = 148,000). For small businesses it is assumed that firms over 50 will not participate in the Marketplace in calendar year 2014. These assumptions are outlined in Table 2. Highlighted cells in the table reflect the estimates for 2016 from the Gruber-Gorman Report.

**Table 2 – Enrollment Participation Rate Assumptions for the Exchange and Resulting Enrollment Estimates**

	2014			2015			2016		
	Low	Med	High	Low	Med	High	Low	Med	High
Individual – Subsidy	40.00%	50.00%	60.00%	50.00%	70.00%	90.00%	60.00%	80.0%	100.00%
Individual – non	10.00%	20.00%	30.00%	20.00%	40.00%	50.00%	20.0%	50.00%	50.0%

subsidy									
Small Group	2.50%	5.00%	7.50%	5.00%	10.00%	15.00%	7.50%	15.00%	29.52%
Medicaid	90.00%	90.00%	90.00%	100.00%	100.00%	100.00%	100.0%	100.00%	100.0%
Members (end of year)									
Individual – Subsidy	148,000	185,000	222,000	185,000	259,000	333,000	222,000	296,000	370,000
Individual – non subsidy	16,000	32,000	48,000	32,000	64,000	80,000	32,000	80,000	80,000
Small Group	13,125	26,250	39,375	26,250	52,500	78,750	39,375	78,750	155,000
Medicaid	621,000	621,000	621,000	690,000	690,000	690,000	690,000	690,000	690,000

To finalize enrollment estimates, member months need to be calculated. The model allows for the use of fast, medium or slow take up rates for calendar 14. Based on a the Health insurance Exchange Finance Workgroup discussion the model inputs for the fast rate was chosen and then modified to reflect higher take-up rates during the open enrollment months.

**Table 3 – Model Take up rate estimates**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	25.0%	25.0%	18.0%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
2015	60.9%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%

For calendar year 2016 the model assumes full year enrollment for prior year participants and an average of 9.5 months enrollment for new participants. This matches the models for 2014 to 2015.

Based on the take up rate assumptions in Table 3, member months are calculated. Table 4 shows the model output for member month estimates.

**Table 4 – Member month estimates**

	2014			2015			2016		
	Low	Med	High	Low	Med	High	Low	Med	High
Individual	1,493,631	1,976,329	2,459,027	2,435,181	3,567,093	4,543,900	2,955,500	4,379,500	5,307,500
Sm. Group	119,536	239,072	358,608	294,578	579,791	866,422	439,688	879,375	1,669,375
Total	1,613,167	2,215,401	2,817,635	2,729,759	4,146,884	5,410,322	3,395,188	5,258,875	6,976,875
Medicaid	5,323,765	5,323,765	5,323,765	7,794,475	7,794,475	7,794,475	8,280,000	8,280,000	8,280,000

**Average premium - Individuals**

The Gruber/Gorman analysis estimates the average individual premium without the Affordable Care Act Reforms would be \$3,900. The analysis further estimates the 2016 premium impact for individuals prior to advance premium tax credits would be an increase between 15% and 29% due to the Affordable Care Act reforms depending on risk mix, implementation of a BHP and changes in the Minnesota Comprehensive Health Association participation.

It is assumed that a Basic Health plan will not be implemented and the MCHA program will be phased out over three years aligning with current MCHA Board recommendations. Based on these assumptions, a 23% increase in premiums or an average premium of \$4,797 by 2016 is estimated. The model takes the estimated 2016 rate and backs off 5.5% each year for 2015 and 2014 (assumes 5.5% premium growth per year). The 5.5% trend is based on average increases in individual premiums from 2005 to 2009 from the Department of Health.

**Average premium – Small Group**

For the small group market, the model utilizes the 2009 average premium and increases it each year by 5.1% which is the average increase from 2005 through 2009 from the Department of Health. Table 5 reflects the

monthly premiums from the model. Table 6 reflects the composite premiums for the low, medium and high participation scenarios.

**Table 5 – Estimated individual and small group premiums**

	2014	2015	2016
Individual	356.99	377.76	399.75
Small Group	427.14	448.93	471.82

The model also creates a composite premium for the individual and small group market based on estimated members per plan purchase and member months. Table 6 reflects the composite premiums for the low, medium and high participation scenarios.

**Table 6 – Estimated Composite Premiums**

	2014			2015			2016		
	Low	Med	High	Low	Med	High	Low	Med	High
Composite	362.19	364.56	365.92	385.44	387.71	389.16	409.08	411.80	417.00

**Section 6, Subdivision 3** assume activities included in fiscal estimates for Section 6 subdivision 1 (staffing)

**Section 9, Subdivision 4** – assumes \$250,000 in additional funds for the current MNCAA program established under 256.962. The additional funding will be used to provide training required for certification, ongoing technical support, data tracking, and assessment of additional training needs.

**Section 6, subdivision 4 and 6**

Per member per month costs for customer service activities such as appeals, call-center and consumer support, in-person assisters (eligibility and other assistance) and premium processing are based on the PMPM costs estimates from a budget model from the Wakely Consulting group. It is assumed that 10% of the PMPM from the Model are associated with IT support and maintenance costs of the customer service activities versus transactional costs. It also assumed that activity for initial individual eligibility determinations is covered under the current Medicaid program regardless of the outcome of the eligibility determination. (An individual needs to be determined ineligible for Medicaid prior to be determined eligible for APTC).

**Section 6, Subdivision 5**

Since certification requirements are not part of the bill, it is assumed that the legislature may not adopt requirements outlined in the bill and therefore the market rules inside and outside the Marketplace may be different and could potentially result in different premium levels inside versus outside the Marketplace. With different market rules inside versus outside the Marketplace, there is a risk that premiums inside the Marketplace could be higher than premiums outside the Marketplace and thus impact the ability of the Marketplace to attract unsubsidized individuals and non-tax credit eligible small businesses. The reduction in enrollment could range from 0 to 202,000 enrollees in 2016 levels depending on the level of difference in the markets. Paragraphs (b) and (d) mitigate this potential difference and for the remaining differences it is assumed that the Marketplace will establish certification requirements so the risk of negative enrollment impact is further mitigated, therefore no enrollment impact is assumed.

**Section 6, Subdivision 7, (a) 1.**

It is assumed that the agreement with Office of Technology has no additional costs beyond the costs outlined for the operations of the Marketplace. Costs for the Department of Administration will be transferred from the Marketplace to the department.

**Section 6, subdivision 7 (a) (2)  
Revenue - Allocation to Medicaid**

Section 6, subdivision 7, (a) 2 authorizes to board to establish and maintain an agreement with the commissioner of human services for cost allocation and services regarding eligibility determinations and enrollment for public health care programs and other services. It is assumed that the Marketplace will cost allocate to the Medicaid program based on participation ratios between the public and private program participants in the Marketplace for allowable Medicaid costs. It is assumed that eligible costs would include all operating costs except appeals, small business health options program (SHOP), premium billing and collection, and customer service (eligibility assistance, call centers and notices). These costs would not be allocated because it is assumed that Medicaid



would continue to operate these functions directly and costs for providing these services to Medicaid enrollees would not flow through the Marketplace.

For cost allocation purposes, it is assumed the Marketplace will utilize the April enrollment scenario for allocation to Medicaid for grant activities for grants applied for and/or received prior to January 2013 (see Table 1 above). The revised participation estimates will be used for cost allocation for new grant applications covering activities through calendar year 2014. For future years, allocation is assumed to be based on the phased in participation ratios.

**Section 6, Subdivision 7, (a) 3**

Section 6, subdivision 7, (a) 3 authorizes the board to establish and maintain agreements with the commissioners of commerce and health for services regarding enforcement of the Marketplace certification requirements for health benefit plans offered through the Marketplace. It is assumed that cost associated with those activities will be part of the Marketplace costs.

**Sections 7, 8, 10, 11 and 12** have no fiscal impact

**Section 9** – It is assumed costs associated with the report are within the operating budget of the Exchange as outlined under staffing structures.

**Section 13** – it is assumed that the MCHA program will be phased out over three years.

**Other Assumptions**

It is also assumed that the Marketplace will develop a cost allocation plan (CAP) versus an indirect cost plan, therefore only statewide indirect costs are assumed in the fiscal note. Statewide indirect costs are assumed at 1% of total costs.

The bill no longer contains exemptions from 16E. Without the 16E exemptions, the Marketplace is at risk of not being able to respond quickly to business operation needs to meet service delivery expectations. Additional information technology procurement requirements may limit options for the board in pursuing business solutions for customer services, which may impact the customer service and negatively impact participation. The impact would be on the enrollment of non-subsidized individuals and non-tax credit eligible small business. The impact could range from 0 to 202,000 enrollees depending on the level of difference in the markets resulting from the selection criteria. The ability for the marketplace to mitigate the risk is not in control of the Marketplace board, therefore the risk is higher than the risk outlined in other sections of the bill that have similar potential impacts (section 6, subdivision 5). If private market participation is lessened, the low or medium scenario of the Exchange is more likely. This would mean a higher Medicaid share of the Marketplace costs and a higher premium withhold percentage.

**Expenditure and/or Revenue Formula**

**Section 6, subdivision 1**

**Marketplace operations-staff and general administration**

It is assumed the Marketplace will employ up to 86 FTE once fully established. This includes 57 program staff and 29 IT staff. Costs through calendar year 2014 are included in the Governor's base budget and therefore not included here, however the Medicaid share of costs beginning in FY 2014 are included. Costs are based on existing state classifications. Comparable salary levels for other state Exchanges are higher and reflect levels between the public and private sectors. Under this bill the board shall establish compensation structures for managerial staff for review by MMB and approval by the legislature; as such salary levels for managerial staff are likely underestimated.

Other states' compensation structures include managerial staff salaries that are in average 50% higher than those reflected in this fiscal note (senior level managers would be more than 50% and mid-level manager would be less than 50%). If Minnesota's state based exchange were to be comparable to other state based exchanges, the annual personnel costs could be as much as \$1 million higher than reflected in this fiscal note, depending on the compensation structure the board adopts.

The Marketplace will have senior management positions including, an Executive Director, Chief Operating Officer, Public Relations Officer, Chief Financial Officer, General Counsel, Senior Policy Administrator, Chief Project Management Officer and Chief Security Officer.

**Table 7 Senior Management Positions**

Position	FY 14	FTE	FY 15	FTE	FY 16	FTE	FY 17
Exchange Director	NA	1	\$54,195	1	\$108,390	1	\$108,390
Operating Director	NA	1	\$54,195	1	\$108,390	1	\$108,390
Public Relations Officer (business development director)	NA	1	\$54,195	1	\$108,390	1	\$108,390
Financial Director	NA	1	\$54,059	1	\$108,117	1	\$108,117
General Counsel	NA	1	\$51,380	1	\$102,761	1	\$102,761
Senior Policy Administrator	NA	1	\$43,053	1	\$86,106	1	\$86,106
Chief Project Management Officer	NA	1	\$46,163	1	\$92,325	1	\$92,325
Chief Security Officer	NA	1	\$54,195	1	\$108,390	1	\$108,390
<b>Total</b>	<b>NA</b>	<b>8</b>	<b>\$411,435</b>	<b>8</b>	<b>\$822,870</b>	<b>8</b>	<b>\$822,870</b>

The Marketplace will create office support units for administrative support, program integrity, finance, human resources, and other general administration activities.

**Table 8 - General Administrative Support Positions**

Position	FY 14	FTE	FY 15	FTE	FY 16	FTE	FY 17
Executive Assistant		1	\$26,207	1	\$52,413	1	\$52,413
Administrative Assistant		2	\$50,149	2	\$100,298	2	\$100,298
Internal Audits/Program Integrity	NA	1	\$39,876	1	\$79,752	1	\$79,752
Business Managers - Procurement	NA	1	\$39,876	1	\$79,752	1	\$79,752
Business Manager - HR	NA	1	\$39,876	1	\$79,752	1	\$79,752
Business Manager Budget	NA	1	\$39,876	1	\$79,752	1	\$79,752
Business Manager – Grants/Reporting		1	\$39,876	1	\$79,752	1	\$79,752
Accounting Director	NA	1	\$39,876	1	\$79,752	1	\$79,752
Accounting/billing and collection	NA	4	\$106,530	5	\$319,590	6	\$319,590
<b>Total</b>		<b>13</b>	<b>\$422,142</b>	<b>14</b>	<b>\$897,548</b>	<b>15</b>	<b>\$950,813</b>

The Marketplace will create business areas for Appeals, Quality, Measurement and Reporting, Individual Eligibility and Enrollment, Small Business (SHOP), Customer Service, Communications, Stakeholder Relations and Navigator Broker activities.

**Table 9 - Business Operation Positions**

Position	FY 14	FTE	FY 15	FTE	FY 16	FTE	FY 17
<b>Appeals</b>							
Appeals Process Development Manager		1	\$43,053	1	\$86,106	1	\$86,106
Appeals Hearing Officers		2	\$136,514	4.5	\$307,157	5	\$341,285
Paralegals /Appeals Assistant		1	\$25,621	1	\$51,242	1	\$51,242
<b>Quality Measurement and Reporting</b>							
Measurement & Reporting Director		1	\$51,380	1	\$102,761	1	\$102,761
Business Analyst - Measurement and Reporting		1	\$37,505	1	\$75,010	1	\$75,010
Health Services Data analyst		1	\$37,505	1	\$75,010	1	\$75,010
Carrier Business Representatives		2	\$72,390	2	\$144,780	2	\$144,780
<b>Eligibility (public and Commercial)</b>							
Public Program Operations Director		1	\$47,845	1	\$95,690	1	\$95,690

Business Analyst - Individual Eligibility and Assistance Policy		1	\$37,505	1	\$75,010	1	\$75,010
Individual Customer Service Reps		2	\$72,390	2	\$144,780	2	\$144,780
<b>SHOP</b>							
SHOP Operations Director		1	\$47,845	1	\$95,690	1	\$95,690
Business Analyst - Small Employer Operations and Assistance - Policy		1	\$37,505	1	\$75,010	1	\$75,010
Small Employer Business Developers		2	\$72,390	2	\$144,780	2	\$144,780
<b>Customer Service</b>							
Consumer Services Director		1	\$47,845	1	\$95,690	1	\$95,690
Customer Service Training Developers		3	\$121,173	3	\$242,346	3	\$242,346
<b>Communications</b>							
Communications & Marketing Director		1	\$47,845	1	\$95,690	1	\$95,690
Web Analyst		1	\$36,195	1	\$72,390	1	\$72,390
Customer Service/Public Relations		1	\$36,195	1	\$72,390	1	\$72,390
Communications Analyst - Advertising		1	\$36,195	1	\$72,390	1	\$72,390
<b>Stakeholder Relations Coordinator</b>							
		1	\$47,845	1	\$95,690	1	\$95,690
<b>Navigator Broker</b>							
Navigator/Broker Program Director		1	\$47,611	1	\$95,221	1	\$95,221
Broker/Navigator Business Developers		3	\$108,585	3	\$217,170	3	\$217,170
Broker/Navigator licensing and certification/metrics and payments		1	\$36,195	1	\$72,390	1	\$72,390
Total		33	\$1,285,132	33.5	\$2,604,393	34	\$2,638,522

The Marketplace will create an Information Technology support unit to support maintenance and oversight of the information technology systems of the Marketplace.

**Table 10- Information Technology Positions**

Position	FY 14	FTE	FY 15	FTE	FY 16	FTE	FY 17
Chief Information Officer		1	\$64,091	1	\$128,182	1	\$128,182
Administrative Assistant		1	\$25,075	1	\$50,149	1	\$50,149
Information Technology Director		1	\$54,195	1	\$108,390	1	\$108,390
IT Project Director/Project Manager		1	\$51,380	1	\$102,761	1	\$102,761
Database Administrator		1	\$49,506	1	\$99,012	1	\$99,012
Program Developer		2	\$88,694	2	\$177,388	2	\$177,388
Systems Administrator		4	\$197,054	4	\$394,108	4	\$394,108
System Administrator		2	\$98,527	2	\$197,054	2	\$197,054
Network Administrator		1	\$49,264	1	\$98,527	1	\$98,527
Security Administrators		1	\$49,264	1	\$98,527	1	\$98,527
Database Administrator		1	\$49,264	1	\$98,527	1	\$98,527
Database Administrator		1	\$49,264	1	\$98,527	1	\$98,527
Integration Administrator		2	\$98,527	2	\$197,054	2	\$197,054
Integration Administrator		2	\$61,579	2	\$123,159	2	\$123,159
IT Interface Communications Administrator		1	\$49,264	1	\$98,527	1	\$98,527
Web Administration		1	\$49,264	1	\$98,527	1	\$98,527
Storage Administration		1	\$49,264	1	\$98,527	1	\$98,527
Identity Management Administration		1	\$49,264	1	\$98,527	1	\$98,527

Identity Management Administration		1	\$49,264	1	\$98,527	1	\$98,527
System Admin Unit Supervisors		3	\$147,791	3	\$295,581	3	\$295,581
<b>Total</b>		<b>29</b>	<b>\$1,379,791</b>	<b>29</b>	<b>\$2,759,581</b>	<b>29</b>	<b>\$2,759,581</b>

**Table 11 - Position Summary**

Position	FY 14	FTE	FY 15	FTE	FY 16	FTE	FY 17
Executive Office		8	\$411,435	8	\$822,870	8	\$822,870
Support Services		13	\$422,142	14	\$897,548	15	\$950,813
Business Operations		33	\$1,285,132	33.5	\$2,604,393	34	\$2,638,522
Information Technology Director		29	\$1,379,791	29	\$2,759,581	29	\$2,759,581
<b>Total</b>		<b>83</b>	<b>\$3,498,499</b>	<b>84.5</b>	<b>\$7,084,392</b>	<b>86</b>	<b>\$7,171,786</b>
Fringe 31.8 percent			\$1,112,523		\$2,252,837		\$2,280,628
<b>Total</b>			<b>\$4,611,022</b>		<b>\$9,337,229</b>		<b>\$9,452,414</b>

**General Administrative Costs**

- FY 15 FTEs are assumed at .5 FTE for each position to reflect costs covered in calendar year 2014 and under the federal grant.
- Assume \$500 per FTE per FY for supplies
- Assume \$100 per FTE per year for Enterprise Licensing costs
- Assume \$1200 per FTE for miscellaneous costs such as communication services, printing, network, etc.)
- Assume staff development costs of \$375 per FTE
- Assume replace 28 computers per year on a three year replacement cycle. Costs \$1300 per computer
- Assume rent of \$312,000 per year based on 13000 square feet at \$24 per square foot.
- Assume printer rental costs of \$3000 per year
- Assumes Data Center Hosting Fee costs of \$240,000 per year
- Assumes training for security on new technologies installing at the Department of Human Services
  - 8 seats at \$5000 per seat, beginning in FY 16 (FY 15 costs part of federal grants)
- Assumes \$15,000 annual costs for role-based training for developers and administrators beginning in FY 16 (FY 15 costs part of federal grants)
- Assumes 8 outstate trips for 4 staff over each year and three overnight trips in state for 4 staff as well as travel reimbursement for board members. Total annual travel is estimated at \$39,428. The total is the amount requested annually in the federal grants. Spending for travel has been slightly above this request but it is assumed will be reduced due to reduced need for grantee meetings.

**Table 12 - General Administrative Costs Summary**

	FY 14	FY 15	FY 16	FY 17
Supplies		\$20,750	\$42,250	\$43,000
Enterprise License Agreements		\$4,150	\$8,450	\$8,600
Miscellaneous Costs		\$49,800	\$101,400	\$103,200
Staff Development		\$15,562	\$31,688	\$32,250
Computer Replacement Costs		\$36,400	\$36,400	\$36,400
Rent		\$156,000	\$312,000	\$312,000
Printer rental		\$1500	\$3000	\$3000
Data Center Hosting Fees		\$120,000	\$240,000	\$240,000
Security Training			\$40,000	\$40,000
Role-based training			\$15,000	\$15,000
Travel		\$19,714	\$39,428	\$39,428
<b>Total General Administrative Costs</b>		<b>\$423,876</b>	<b>\$869,616</b>	<b>\$872,878</b>

**Information Technology - Infrastructure**

Federal grant funds will be used to set up the development, testing and production environments of the Marketplace. This includes purchase of hardware, software, licenses and installation services. Ongoing

maintenance, updates and license renewals are based on a 30% of the software costs and 25% of the hardware costs. Based on current and estimated purchases, an annual IT infrastructure maintenance cost of \$6,990,241 is estimated. In addition, annual licensing costs for the Marketplace on line tool is estimated at \$3,367,200 based on current agreements. The Marketplace will need to continue annual licensing and maintenance agreement on purchased software and hardware for the information technology infrastructure and the Marketplace tool. Most of the purchases will occur in October each year, therefore the FY 15 costs will be part of CY 14 and will be covered by federal grant funds.

**Table 13 – Information Technology Infrastructure**

	FY 14	FY 15	FY 16	FY 17
Infrastructure			\$6,990,241	\$6,990,241
Market Place Tool			\$3,367,200	\$3,367,200
Total			\$10,357,441	\$10,357,441

**Consultant/Contracting Needs**

It is assumed the Marketplace will need to enter into annual professional service contracts or license agreements for the following activities:

- Quality Rating System – Annual analysis of data for the quality rating system
- Annual Training – training development and training for navigators, brokers, counties, customer services, etc.
- Attorney General
- Marketing/Outreach – continued outreach reach through advertisements, direct mail, social media and promotions.
- Communication materials

**Table 14 – Contracting/Consulting**

	FY 14	FY 15	FY 16	FY 17
Quality Rating Systems		\$350,000	\$350,000	\$350,000
Annual Training		\$50,000	\$100,000	\$100,000
Attorney General		\$75,000	\$150,000	\$150,000
Marketing/Outreach		\$1,500,000	\$3,000,000	\$3,000,000
Communication Materials		\$10,000	\$20,000	\$20,000
Total		\$1,985,000	\$3,620,000	\$3,620,000

**Section 6, Subdivision 4 and 6  
Customer Service**

Section 6, subdivision 4 requires the board to establish a procedures for ongoing operation of a navigator program, in-person assister program (IPA), call center and customer service operations. Without operational definitions of these programs, the cost for these services are based on the budget model from the Wakely Consulting group. In addition costs for appeals and premium processing are also estimated using the budget model.

The budget Model produces a per member per month (PMPM) cost for In Person Assisters/Navigators (including eligibility determination, enrollment, outreach and education activities for both subsidized and unsubsidized groups), Customer Service (including call centers and notices), Appeals and Premium Billing. The PMPM costs include systems develop and support costs. The estimates assume the Marketplace is able to current infrastructures for Medicaid for similar services and therefore have a reduced PMPM costs as the Marketplace leverages current infrastructures.

Therefore Medicaid enrollment estimates were utilized for this purpose in the Model with the exception of Premium Billing PMPMs. It is assumed that any Medicaid costs for these services would not flow through the Exchange. It assumed that activity for initial individual eligibility determinations performed by counties is covered under the current Medicaid program regardless of the outcome of the eligibility determination, therefore not part of

the estimates. (An individual needs to be determined ineligible for Medicaid prior to be determined eligible for APTC). It is also assumed that 10% of the PMPM costs in the Model are for already accounted for technology infrastructure.

**Table 15 – Customer Service Budget Model**

	2014			2015			2016		
	Low	Med	High	Low	Med	High	Low	Med	High
PMPM from Budget Model assuming Medicaid participation (except for Premium Billing)									
IPA/Nav Eligibility	\$1.68	\$1.64	\$1.60	\$1.69	\$1.63	\$1.59	\$1.64	\$1.58	\$1.54
IPA/Nav - Other	\$0.61	\$0.59	\$0.58	\$0.59	\$0.57	\$0.56	\$0.58	\$0.56	\$0.54
Customer Service	\$2.18	\$2.13	\$2.08	\$2.19	\$2.11	\$2.06	\$2.13	\$2.05	\$2.00
Appeals	\$0.31	\$0.31	\$0.30	\$0.32	\$0.30	\$0.30	\$0.31	\$0.30	\$0.29
Premium Billing	\$1.86	\$1.54	\$1.35	\$1.62	\$1.31	\$1.16	\$1.44	\$1.18	\$1.04
Assume 90% for transaction costs and 10% covered with IT and support costs covered elsewhere (also combined Eligibility and Navigators)									
IPA /Nav Eligibility	\$1.51	\$1.47	\$1.44	\$1.52	\$1.47	\$1.43	\$1.47	\$1.42	\$1.38
IPA /Nav- Other	\$0.55	\$0.53	\$0.52	\$0.53	\$0.52	\$0.50	\$0.52	\$0.50	\$0.49
Customer Service	\$1.96	\$1.91	\$1.87	\$1.97	\$1.90	\$1.85	\$1.91	\$1.85	\$1.80
Appeals	\$0.28	\$0.28	\$0.27	\$0.28	\$0.27	\$0.27	\$0.28	\$0.27	\$0.26
Premium Billing	\$1.68	\$1.38	\$1.22	\$1.46	\$1.18	\$1.04	\$1.29	\$1.07	\$0.94
Annual cost estimates									
IPA/Nav Eligibility	\$2,435,550	\$3,265,395	\$4,067,010	\$4,144,551	\$6,081,609	\$7,732,733	\$5,007,697	\$7,480,109	\$9,660,574
IPA/Nav - Other	\$883,119	\$1,184,017	\$1,474,679	\$1,459,024	\$2,140,936	\$2,722,188	\$1,762,881	\$2,633,256	\$3,400,854
Customer Service	\$3,160,638	\$4,237,536	\$5,277,800	\$5,378,424	\$7,892,165	\$10,034,844	\$6,498,538	\$9,707,012	\$12,536,623
Appeals	\$455,504	\$610,704	\$760,624	\$775,126	\$1,137,400	\$1,446,198	\$936,554	\$1,398,952	\$1,806,749
Premium Billing	\$2,706,759	\$3,065,299	\$3,423,839	\$3,985,321	\$4,897,462	\$5,627,837	\$4,393,194	\$5,600,744	\$6,543,922

For FY 15 costs are assumed to be half of calendar 15 projections, FY 16 are assumed to be half of CY 15 and half of CY 16 projections and FY 17 is presume to be half of CY 16 and half of CY 17 estimates.

**Table 16 - Customer Service – High participation estimate**

	FY 14	FY 15	FY 16	FY 17
In-person Assisters/Navigators - Eligibility		\$3,866,366	\$8,696,653	\$9,660,574
In-person Assisters/Navigators - Other		\$1,361,094	\$3,061,521	\$3,400,854
Customer Service		\$5,017,422	\$11,285,734	\$12,536,623
Appeals		\$723,099	\$1,626,473	\$1,806,749
Premium Billing		\$2,813,919	\$6,085,879	\$6,543,922
		\$13,781,900	\$30,756,261	\$33,948,722

**Table 17 Customer Service – Medium participation estimate**

	FY 14	FY 15	FY 16	FY 17
In-person Assisters/Navigators - Eligibility		\$3,040,805	\$6,780,859	\$7,480,109
In-person Assisters/Navigators - Other		\$1,070,468	\$2,387,096	\$2,633,256
Customer Service		\$3,946,082	\$8,799,588	\$9,707,012
Appeals		\$568,700	\$1,268,176	\$1,398,952
Premium Billing		\$2,448,731	\$5,249,103	\$5,600,744

		\$11,074,786	\$24,484,822	\$26,820,071

**Table 18 - Customer Service – Low participation estimate**

	FY 14	FY 15	FY 16	FY 17
In-person Assisters/Navigators - Eligibility		\$2,072,275	\$4,576,124	\$5,007,697
In-person Assisters/Navigators - Other		\$729,512	\$1,610,953	\$1,762,881
Customer Service		\$2,689,212	\$5,938,481	\$6,498,538
Appeals		\$387,563	\$855,840	\$936,554
Premium Billing		\$1,992,661	\$4,189,257	\$4,393,194
		\$7,871,223	\$17,170,655	\$18,598,863

For calendar year 2016, the IPA/Navigator program is estimated at just over \$13 million in the high enrollment scenario. These funds may be used as education and outreach grants and/or for compensation for specific activities such as eligibility, enrollment and other assistance. Assuming that 25% of individuals and 75% of small businesses utilize brokers, approximately 366,000 individuals or employees may utilize IPA/Navigator services in calendar year 2016 (high enrollment scenario). This calculates to \$35 per person served for the IPA/Navigator Program (similar results for all scenarios). It is unlikely that every one of these individuals and employees would utilize IPA/Navigator services. As stated in the assumptions, county activity for initial individual eligibility determinations will be covered under the current Medicaid program regardless of the outcome of the eligibility determination. (An individual needs to be determined ineligible for Medicaid prior to be determined eligible for APTC).

It is also likely that some of the IPA/Navigator services will include broad outreach and education efforts which would have a lower per member cost than other activities such as individual assistance for enrollment or managing account changes. If one-third of individuals and employees utilize IPA/Navigator services, this would result in \$105 per person on average (similar results for all scenarios).

**Section 6, Subdivision 2 - Revenue – Premium Withhold**

Section 6, subdivision 2 allows the board to collect or retain up to 3.5 percent of premiums for individual and small group benefit plans sold through the Marketplace but no more than 25% of the 2012 MCHA assessment in CY 2014, 50% of the MCHA assessment in CY 2015 and 100% of the 2012 MCHA assessment in CY 2016 or the rate of inflation in FY 2016 plus participation growth whichever is less. The 2012 MCHA assessment is assumed to be \$161 million. It is assumed the board will set the CY 2014 rate at 3.5%.

Participation estimates assume a growth in participation between CY 15 and CY 16 from 24% in low enrollment scenario to 29% in the high enrollment scenario. Inflation rate is assumed to be 1.64% in FY 16 and 1.84% in FY 17 based on the November 2012 Forecast.

Based on estimated participation, estimated costs and revenue caps, the percentage retained in calendar year 2015 and 2016 ranges from 1.65 to 2.5%

**Table 19 – Premium Withhold**

	2014			2015			2016		
	Low	Med	High	Low	Med	High	Low	Med	High
Individual	1,493,631	1,976,329	2,459,027	2,435,181	3,567,093	4,543,900	2,955,500	4,379,500	5,307,500
Sm. Group	119,536	239,072	358,608	294,578	579,791	866,422	439,688	879,375	1,669,375
Total	1,613,167	2,215,401	2,817,635	2,729,759	4,146,884	5,410,322	3,395,188	5,258,875	6,976,875
January to June	651,088	894,155	1,137,222	1,326,635	1,994,983	2,596,502	1,620,102	2,503,770	3,310,907
July to December	962,079	1,321,246	1,680,413	1,403,124	2,151,901	2,813,820	1,775,086	2,755,105	3,665,968
Composite Premium	\$362.19	\$364.56	\$365.92	\$385.44	\$387.71	\$388.80	\$409.08	\$411.80	\$415.85

Estimated Percent	3.50%	3.50%	3.50%	2.50%	2.25%	1.75%	2.40%	2.00%	1.65%
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**Table 20 - Estimated Revenue – High Enrollment Scenario with caps**

	FY 14	FY 15	FY 16	FY 17	Total CY
CY 14 (cap \$40 million)	\$14,564,469	\$21,521,148			\$36,085,616
CY 15 (cap \$80 Million)		\$17,666,656	\$19,145,292		\$36,811,948
CY 16 (Cap CY2015 +growth + inflation)			\$22,717,914	\$25,154,185	\$47,872,099
CY 17 (Cap CY 2016 +growth + inflation)				\$25,154,185	\$50,308,370
Total	\$14,564,469	\$39,187,803	\$41,863,206	\$50,308,370	

**Table 21 - Estimated Revenue – Medium Enrollment Scenario with caps**

	FY 14	FY 15	FY 16	FY 17	Total CY
CY 14 (cap \$40 million)	\$11,408,990	\$16,858,467			\$28,267,457
CY 15 (cap (80 Million)		\$17,403,348	\$18,772,231		\$36,175,580
CY 16 (Cap CY2015 +growth + inflation)			\$20,621,156	\$22,691,162	\$43,312,318
CY 17 (Cap CY 2016 +growth + inflation)				\$22,691,162	\$45,382,324
Total	\$11,408,990	\$34,261,815	\$39,393,388	\$45,382,324	

**Table 22 - Estimated Revenue – Low Enrollment Scenario with caps**

	FY 14	FY 15	FY 16	FY 17	Total CY
CY 14 (cap \$40 million)	\$8,253,512	\$12,195,786			\$20,449,298
CY 15 (cap (80 Million)		\$12,783,570	\$13,520,625		\$26,304,195
CY 16 (Cap CY2015 +growth + inflation)			\$15,906,180	\$17,427,816	\$33,333,996
CY 17 (Cap CY 2016 +growth + inflation)				\$17,427,816	\$34,855,632
Total	\$8,253,512	\$24,979,357	\$29,426,805	\$34,855,632	

**Section 6, subdivision 7 (2)  
Revenue – Medicaid Allocation**

For cost allocation purposes, it is assumed allocation will be based on enrollment ratios between public and private market enrollees. The Marketplace will utilize the April 2012 enrollment scenario (see Table 1) for allocation to Medicaid for grant activities for grants applied for and/or received through January 2013. The revised participation estimates will be used for cost allocation for new grant applications covering activities through calendar year 2014 and ongoing operational costs. Based on the ratios and the high, medium and low participation rate estimates in the budget model, the following rates will apply for grant activities and post grant activities:

**Table 23 – Medicaid Allocation under Grants**

	FY 14 – July to December	FY 14 – January to June and FY 15 July to December		
		Low	Medium	High
IT system development and maintenance activity associated with Individual eligibility	67.31%	79.11%	74.11%	69.70%
IT systems development and maintenance activity associated with non-MAGI health care	100.00%	100.00%	100.00%	100.00%



eligibility				
IT system development and maintenance activity associated with all participants	56.91%	77.81%	71.85%	66.75%
IT system development and maintenance activity associated with SHOP and premium aggregation	0.00%	0.00%	0.00%	0.00%
IT infrastructure development, maintenance and support	42.14%	46.81%	50.47%	54.75%

**Table 24 – Medicaid Allocation - Post Grant Activity**

	CY 15 – July to December			CY 16		
	Low	Med	High	Low	Med	High
IT system development and maintenance activity associated with Individual eligibility	76.07%	68.11%	62.56%	73.09%	64.73%	60.53%
IT systems development and maintenance activity associated with non-MAGI health care eligibility	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
IT system development and maintenance activity associated with all participants	73.94%	64.76%	58.39%	70.17%	60.28%	53.28%
IT system development and maintenance activity associated with SHOP and premium aggregation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
IT infrastructure development, maintenance and support and program operations that benefit Medicaid enrollees (eligibility, enrollment, plan management, stakeholder relations, and navigators)	53.12%	46.74%	42.30%	50.54%	43.69%	39.09%

It is assumed that costs associated with the senior management and administrative support would be allocated to program cost centers based on FTE rates. The following tables reflect estimated Medicaid costs based on the allocations described in the above two tables for high, medium and low participation rates for each fiscal year. Appeal, small business health options program and other customer service activities would not be allocated to Medicaid under the assumption these activities for the Medicaid program would not flow through the Marketplace or the activity is not impacted by Medicaid (small business).

**Table 25 - Estimated Medicaid Allocation**

	FY 14	FY 15	FY 16	FY 17
<b>High enrollment scenario</b>				
Grant Activity	\$7,362,859	\$6,658,251		
Post Grant Activity		\$2,722,986	\$9,371,103	\$8,952,573
<b>Total</b>	<b>\$7,362,859</b>	<b>\$9,381,237</b>	<b>\$9,371,103</b>	<b>\$8,952,573</b>
<b>Medium enrollment scenario</b>				
Grant Activity	\$7,463,426	\$7,133,072		
Post Grant Activity		\$2,963,422	\$10,461,808	\$9,980,669
<b>Total</b>	<b>\$7,463,426</b>	<b>\$10,096,494</b>	<b>\$10,461,808</b>	<b>\$9,980,669</b>
<b>Low enrollment scenario</b>				
Grant Activity	\$7,580,110	\$7,684,082		
Post Grant Activity		\$2,937,174	\$11,911,912	\$11,510,381
<b>Total</b>	<b>\$7,580,110</b>	<b>\$10,621,257</b>	<b>\$11,911,912</b>	<b>\$11,510,381</b>

**Section 4, Subdivision 2 and Section 6, Subdivision 7 (a) 3 – Other Agency Costs**

The Marketplace will include the funding of costs for other agencies that are associated with the Marketplace beginning in calendar year 2015. Cost prior to calendar year 2015 are included in the federal grants for the development of the Marketplace.

**Table 26 - Other Agency Cost Summary**

	FY 14	FY 15	FY 16	FY 17
Department of Commerce	\$0	\$493,318	\$998,774	\$1,026,799
Department of Administration	\$0	\$16,000	\$0	\$0
Minnesota Department of Health	\$0	\$457,000	\$903,000	\$903,000
Minnesota Department of Human Services	\$250,000	\$0	\$0	\$0
<b>Total</b>	<b>\$250,000</b>	<b>\$966,318</b>	<b>\$1,901,774</b>	<b>\$1,929,799</b>

**SUMMARY SECTION** – The following tables reflect a summary of potential costs and revenues based on the high, medium and low enrollment scenarios outlined in the fiscal note. FTEs for FY 15 are shown at 50% of the total FTEs for FY 2015 since the fiscal note only reflect costs beginning in calendar year 2015 (last half of fiscal year 2015, with costs prior to calendar year 2015 included in the base budget. Please note that the allocation to Medicaid under the grant is listed separately for costs through calendar 2014 (first half of FY 2015). Medicaid costs beginning in calendar year 2015 are included in the summary expenditure totals, with total Medicaid costs reflected in the revenue section.

**Table 27– Summary - High Enrollment Scenario**

Premium Withhold

CY 14 – 3.5%

CY 15 – 1.75%

CY 16 - 1.65%

CY 17 – 1.65%

	FY 14	FY 15	FY 16	FY 17
Personnel – Table 11		\$4,611,022	\$9,337,229	\$9,452,414
Support Costs – Table 12		\$423,877	\$869,616	\$872,878
Contract Costs – Table 14		\$1,985,000	\$3,620,000	\$3,620,000
IT Infrastructure Costs – Table 13			\$10,357,441	\$10,357,441
Customer Service – Table 16		\$13,781,900	\$30,756,261	\$33,948,722
Other Agencies – Table 26	\$250,000	\$966,318	\$1,901,774	\$1,929,799
SW Indirect (1%)		\$217,521	\$568,423	\$601,813
Medicaid Cost Associated with grant activity – Table 25	\$7,362,859	\$6,658,251		
<b>Total Costs</b>	<b>\$7,612,859</b>	<b>\$28,643,889</b>	<b>\$57,410,744</b>	<b>\$60,783,067</b>
Medicaid Allocation Tables 25	\$7,362,859	\$9,381,237	\$9,371,103	\$8,952,573
<b>Net Costs</b>	<b>\$250,000</b>	<b>\$19,262,652</b>	<b>\$48,039,641</b>	<b>\$51,830,493</b>
Premium Withhold - Table 20	\$14,564,469	\$39,187,803	\$41,863,206	\$50,308,370
<b>Balance</b>	<b>\$14,314,469</b>	<b>\$19,925,152</b>	<b>(\$6,176,434)</b>	<b>(\$1,522,123)</b>
<b>Cumulative Balance</b>		<b>\$34,239,620</b>	<b>\$28,063,186</b>	<b>\$26,541,063</b>
<b>FTE</b>		<b>41.5</b>	<b>84.5</b>	<b>86</b>

**Table 28 – Summary - Medium Enrollment Scenario**

Premium Withhold

CY 14 – 3.5%

CY 15 – 2.25%  
 CY 16 – 2.00%  
 CY 17 – 2.00%

	FY 14	FY 15	FY 16	FY 17
Personnel – Table 11		\$4,611,022	\$9,337,229	\$9,452,414
Support Costs – Table 12		\$423,877	\$869,616	\$872,878
Contract Costs – Table 14		\$1,985,000	\$3,620,000	\$3,620,000
IT Infrastructure Costs – Table 13		\$0	\$10,357,441	\$10,357,441
Customer Service – Table 17		\$11,074,786	\$24,484,822	\$26,820,071
Other Agencies – Table 26	\$250,000	\$966,318	\$1,901,774	\$1,929,799
SW Indirect (1%)		\$190,610	\$505,709	\$530,526
Medicaid Cost Associated with grant activity – Table 25	\$7,463,426	\$7,133,072		
Total	\$7,713,426	\$26,384,684	\$51,076,590	\$53,583,129
Medicaid Allocation Tables 28	\$7,463,426	\$10,096,494	\$10,461,808	\$9,980,669
Net Costs	\$250,000	\$16,288,191	\$40,614,782	\$43,602,460
Premium Withhold - Table 21	\$11,408,990	\$34,261,815	\$39,393,388	\$45,382,324
Balance	\$11,158,990	\$17,973,625	(\$1,221,395)	\$1,779,864
Cumulative Balance		\$29,132,615	\$27,911,220	\$29,691,085
FTE		41.5	84.5	86

**Table 29 – Summary - Low Enrollment Scenario**

Premium Withhold  
 CY 14 – 3.5%  
 CY 15 – 2.5%  
 CY 16 – 2.40%  
 CY 17 – 2.40%

	FY 14	FY 15	FY 16	FY 17
Personnel – Table 11		\$4,611,022	\$9,337,229	\$9,452,414
Support Costs – Table 12		\$423,877	\$869,616	\$872,878
Contract Costs – Table 14		\$1,985,000	\$3,620,000	\$3,620,000
IT Infrastructure Costs – Table 13		\$0	\$10,357,441	\$10,357,441
Customer Service – Table 17		\$7,871,223	\$17,170,655	\$18,598,863
Other Agencies – Table 26	\$250,000	\$966,318	\$1,901,774	\$1,929,799
SW Indirect (1%)		\$158,574	\$432,567	\$448,314
Medicaid Cost Associated with grant activity – Table 25	\$7,580,110	\$7,684,082		
Total	\$7,830,110	\$23,700,097	\$43,689,281	\$45,279,709
Medicaid Allocation Tables 25	\$7,580,110	\$10,621,257	\$11,911,912	\$11,510,381
Net Costs	\$250,000	\$13,078,840	\$31,777,369	\$33,769,327
Premium Withhold - Table 22	\$8,253,512	\$24,979,357	\$29,426,805	\$34,855,632
Balance	\$8,003,512	\$11,900,517	(\$2,350,564)	\$1,086,305
Cumulative Balance		\$19,904,028	\$17,553,464	\$18,639,769
FTE		41.5	84.5	86

## **Long-Term Fiscal Considerations**

N/A

### **Local Government Costs**

MA is administered by county human service agencies, with a very small number of exceptions administered at MinnesotaCare Operations. For calendar year 2011, county expenses for administration of Health Care programs eligibility are displayed below.

Personnel:	\$83,284,525
Non-personnel:	\$14,943,327
<b>TOTAL:</b>	<b>\$98,227,852</b>

County agencies fund their eligibility operations with county funds, but receive 50% federal reimbursement for Medicaid operations. The county costs above reflect gross county costs, prior to the 50% federal reimbursement.

The ACA and its provisions will bring additional individuals into the Medical Assistance, which will require new and additional effort by counties. However, the ACA simplifies Medical Assistance, which will reduce the effort by counties. The new eligibility systems being developed as part of the creation of the Marketplace will allow individuals to perform more self-service, which should, over time, reduce the counties' work load.

The counties will have flexibility in deciding their role in processing eligibility and case management functions associated with premium tax credits under the in-person assister program. Funding for the counties' work on premium tax credits will initially be funded through federal funding and through operational funding in the longer term.

### **References/Sources**

State based Exchange Federal Blueprint <http://mn.gov/commerce/insurance/topics/medical/exchange/public-education-outreach/index.jsp>

Dr Jonathan Gruber and Bela Gorman: Analysis of ACA and Exchange Impact on Minnesota  
<http://mn.gov/commerce/insurance/images/ATF-2013-01-11GruberGormanUpdatePresentation.pdf>

Minnesota Department of Health: Trends and Variations in Health Insurance Coverage (January 2011)

NAIC data source – State Interface Technology Enhancement (Department of Commerce)

Minnesota County Human Service Cost Report

FN Coord Signature: BARB JUELICH

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### **EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KERSTIN LARSON

Date: 03/04/13 Phone: 651-201-8045

**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/04/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Human Services Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
General Fund		1,841	2,618	3,280	3,133
Misc Special Revenue Fund		250			
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
General Fund		1,841	2,618	3,280	3,133
Misc Special Revenue Fund		250			
<b>Revenues</b>					
Misc Special Revenue Fund		250			
<b>Net Cost &lt;Savings&gt;</b>					
General Fund		1,841	2,618	3,280	3,133
Misc Special Revenue Fund		0			
<b>Total Cost &lt;Savings&gt; to the State</b>		1,841	2,618	3,280	3,133

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalent</b>					
Misc Special Revenue Fund		3.00			
<b>Total FTE</b>		3.00			

## **Narrative for HF 0005-8E**

### **Bill Description**

HF5 establishes the Minnesota Insurance Marketplace.

Sections 1-3: Defines relevant terms, and addresses data sharing, titles the bill "Minnesota Insurance Marketplace Act" and codifies the Minnesota Insurance Marketplace in new chapter 62V.

Section 4: Establishes the Minnesota Insurance Marketplace to facilitate the selection and purchase of health plan coverage for individuals and small businesses. It will also provide access to premium tax credits, public health care programs, and certificates of exemption from the individual insurance mandate. The Marketplace is subject to existing state law regarding open meetings with certain exceptions. The Marketplace is also exempt from certain administrative and procurement requirements of state law.

Section 5: Establishes a seven-member board of directors for the Marketplace. Six of the board members will be appointed by the governor with advice and consent from the legislature. The commissioner of Human Services or a designee will be the seventh member. Defines the terms, conflict of interest, acting chair, first meeting, supervision, chair, officers, vacancies, removal, meetings, quorum, compensation and advisory committees.

Section 6: Specifies the responsibilities and powers of the Marketplace. Those powers include:

- Establishing a budget;

- Obtaining grants and loans from public and private sources;

- Establishing operating policies, procedures and funding by retention of 3.5 percent of premiums with limited annual growth not to exceed the rate of inflation after accounting for year to year enrollment changes beginning in 2016;

- Establishing certification requirements for and certifying health plans offered through the Marketplace;

- Establishing a navigator and assister program under Minn. Stat. section 256.962 (a statute that is currently used to provide application assistance for individuals applying for Minnesota public health care programs); counties and tribes may serve as assisters; for calendar year 2014, the commissioner of human services shall ensure that the program provides application assistance for both qualified health plans offered through the Marketplace and public health care programs.

- Conducting appeal hearings and recommending final orders related to any Marketplace determination, except (in subdivision 6, paragraph (d)) for those appeals that the Department of Human Services (DHS) is required to hear under Minn. Stat. section 256.045

- Establishing and maintaining an agreement with the chief information officer of the Office of Enterprise Technology for information technology services that ensure coordination with exchange enrollment public health care programs.

- Establishing and maintaining an agreement with the commissioner of human services for cost allocation and services regarding eligibility determinations and enrollment for MAGI public health care programs.

- Establishing interagency agreements to transfer funds to other state agencies for their costs related to implementing and operating the Marketplace, excluding any cost allocable to Medical Assistance.

Section 7: Defines, applicability, general data classifications, application, data sharing, notice and disclosures, summary data, audit trail as it applies to data practices. Sale of data is prohibited.

Section 8: Funds received by the Marketplace must be deposited in a dedicated account.

Section 9: The Marketplace must submit an annual report to the Legislature regarding its performance and its budget activities.

Section 10: Clarifies that the authorizing legislation contains no sunset, and that the board is not subject to the Minnesota Sunset Act.

Section 11: Specifies nothing infringes on the right of a Minnesota citizen not to participate in the Marketplace.

Section 12: The commissioner of management and budget will carry out the responsibilities of the Marketplace until the Marketplace board of directors establishes bylaws and operating policies and procedures.

Section 13: The commissioner of commerce has the authority to develop and implement a plan to phase-out health coverage provided under the Minnesota Comprehensive Health Association. This phase-out will begin no sooner than January 1, 2014.

Section 14: States the law is effective upon enactment. Coverage through the exchange begins on January 1, 2014.

**Assumptions**

Section 6, Subdivision 4 - DHS assumes \$250,000 in additional funds in FY14 for the current MNCAA program established under 265.962. This program currently provides application assistance for Minnesota Health Care Programs at community organizations across the state. This provision would expand those responsibilities to include application assistance for qualified health plans sold through the Marketplace. Three FTE (10 MAPE) will be added to provide training, certification and technical support to MNCAA organizations. There is no assumption of federal financial participation included in these funds.

Section 6, subdivision 7, paragraph 2 requires the Minnesota Insurance Marketplace (“Marketplace”) board to establish and maintain an agreement with the Commissioner of Human Services for cost allocation and services regarding eligibility determinations and enrollment for public health care programs and other services. It is assumed that “public health care programs” refers to Medical Assistance, which is Minnesota’s Medicaid program. This portion of the fiscal note only addresses costs under the agreement regarding eligibility and enrollment functions; it does not cover other Medicaid (Medical Assistance) program expenditures.

This analysis assumes that the Marketplace will cost allocate to the Medicaid program, based on participation ratios between the public and private program participants in the Marketplace, for allowable Medicaid costs. This fiscal note uses recently updated participation estimates for 2016 (which the Minnesota Health Insurance Exchange received from Dr. Jonathan Gruber and Bela Gorman) to develop the estimates of required state share funding that are included in the following section. (Note: Using updated participation estimates results in a different and slightly higher calculation of state fiscal impact than is included in the Governor’s January 22, 2013 budget recommendations for DHS.)

This fiscal note assumes that the legislature would only appropriate the state share of these cost-allocated Medicaid costs to DHS. This analysis also assumes that the appropriations to DHS would be transferred into and spent out of the DHS major systems account in the special revenue fund.

**Expenditure and/or Revenue Formula**

The fiscal information in this section and on the cover sheet reflects the high enrollment scenario that is detailed in the Health Insurance Exchange’s narrative of the consolidated fiscal note.

Guidelines from the federal Centers for Medicare and Medicaid Services proscribe different levels of federal funding for various activities associated with the Medicaid program’s interaction with the Marketplace. Based on analysis of which of the Medicaid-related activities associated with the Marketplace are most appropriately classified as development costs vs. operating costs, the fiscal impact has been calculated using a blended rate for the state share costs.

State share of Medicaid allocatable cost in the Health Exchange:

	<u>FY 14</u>	<u>FY 15</u>	<u>FY 16</u>	<u>FY 17</u>
Total Medicaid Costs	\$7,362,859	\$9,381,237	\$9,371,103	\$8,952,573
Portion w/ 75% FFP	\$7,362,859	\$6,658,251	\$0	\$0
Federal Share	\$5,522,144	\$4,993,689	\$0	\$0
State Share	\$1,840,715	\$1,664,563	\$0	\$0

Portion w/ 65% FFP	\$0	\$2,722,986	\$9,371,103	\$8,952,573
Federal Share	\$0	\$1,769,941	\$6,091,217	\$5,819,173
State Share	\$0	\$953,045	\$3,279,886	\$3,133,401

Total Federal Share	\$5,522,144	\$6,763,630	\$6,091,217	\$5,819,173
Total State Share	\$1,840,715	\$2,617,608	\$3,279,886	\$3,133,401

DHS Fiscal Summary (\$ in 000's)						
Fund	BACT	Description	FY2014	FY2015	FY2016	FY2017
GF	11	State Share of Medicaid-Allocated Costs	\$1,841	\$ 2,618	\$ 3,280	\$ 3,133
200	13	Admin - MNCAA Support Staff (3 FTE)	\$250			
REV2	13	Special Revenue Fund HIX Interagency Agreement	(\$250)			
		Total Net Fiscal Impact	\$1,841	\$ 2,618	\$ 3,280	\$ 3,133
200	13	FTE	3.0	0.0	0.0	0.0

**Long-Term Fiscal Considerations**

The Medicaid allocated costs reflected in this fiscal note are ongoing.

**Local Government Costs**

**References/Sources**

Agency Contact Name: Patrick Hultman 651-431-4311  
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**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KERSTIN LARSON  
 Date: 03/04/13 Phone: 651-201-8045



**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/04/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local		X
Fee/Departmental Earnings	X	
Tax Revenue		X

**Agency Name:** Commerce

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
Other Misc Special Revenue Fund			493	999	1,027
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
Other Misc Special Revenue Fund			493	999	1,027
<b>Revenues</b>					
General Fund		25	25	25	25
Other Misc Special Revenue Fund			493	999	1,027
<b>Net Cost &lt;Savings&gt;</b>					
General Fund		(25)	(25)	(25)	(25)
Other Misc Special Revenue Fund			0	0	0
<b>Total Cost &lt;Savings&gt; to the State</b>		(25)	(25)	(25)	(25)

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
Other Misc Special Revenue Fund			9.50	9.50	9.50
<b>Total FTE</b>			9.50	9.50	9.50

## **Bill Description**

Section 1 - states that chapter 62V may be cited as the "Minnesota Insurance Marketplace Act."

Section 2 – titles this chapter as the Minnesota Insurance Marketplace Act".

Section 3 - defines the following terms: board, health benefit plan, health carrier, individual market, insurance producer, Minnesota Insurance Marketplace, navigator, public health care program and small group market.

Section 4 - creates the Minnesota Insurance Marketplace and specifies application of other laws. Exempts the Marketplace from chapters 16B (Administration) and 16C (State Procurement) , except for certain provision in 16C related to procuring professional technical services, call center services, service contracts, and procurement of services from small businesses. The Marketplace is specified to have the following duties: promote innovation, competition, value, market participation, affordability, meaningful choices, health improvement, care management and portability of health benefit plans; facilitate and simplify the comparison, choice, enrollment, and purchase of health benefit plans for individuals purchasing in the individual market through the Minnesota Insurance Marketplace and for employees and employers purchasing in the small group markets through the Minnesota Insurance Marketplace; and assist employers with access to small business health insurance tax credits and to assist individuals with access to health care programs, premium assistance tax credits and cost-sharing reductions, and certificates of exemption from individual responsibility requirements; and facilitate the integration and transition of individuals between public health care programs and health benefit plans in the individual market.

Section 5 - describes the governance structure of the Minnesota Insurance Marketplace. This section describes that the Marketplace is governed by a board of directors with 7 members. This section describes the appointment process, terms, conflict of interest specifications, election of officers, vacancy appointment process, removal meeting schedules, and compensation for board members. Members of the Board are appointed by the Governor with the advice and consent of the Senate and the House of Representatives to 4 year terms.

Section 6 – specifies the responsibilities and powers of the Minnesota Insurance Marketplace. This section requires the Minnesota Insurance Marketplace to implement and operate in accordance with this chapter and applicable state and federal law. Subjects the board authority to employment and delegation authority set out in chapters 43A and 179A. Section further establishes operating funding, insurance producer compensation, policy and procedures for navigator, in-person assisters and call center, health carrier requirements, appeals, consulting agreements, rulemaking in first year and thereafter. Provides for the commissioner of management and budget, in consultation with the commissioner of commerce, to establish minimum standards for certifying insurance producers who may sell health benefit plans through the Minnesota Insurance Marketplace. Provides that the commissioner of commerce shall administer the certification and training of insurance producers. Prohibits insurance producers from discouraging the small group market from choosing to offer employees a defined contribution type of group health benefit plan. Requires insurance producers to disclose to prospective purchasers the health carriers for which the insurance producer is authorized to sell health benefit plans through the exchange.

Section 7 – outlines data gathering and sharing of the Minnesota Insurance marketplace.

Section 8 – outlines funds received by the Minnesota Insurance Marketplace.

Section 9 – requires reporting to the legislature by January 15, 2015, and each January 15 thereafter.

Section 10 – outlines that the board and its advisory committees shall not expire.

Section 11 – makes clear a Minnesota [citizen] has the right not to participate in the Minnesota Insurance Marketplace.

Section 12 - outlines the transition of authority from the Commissioner of Management and Budget until the Board has met requirements to properly transfer authority to the board.

Section 13 – specifies that the Commissioner of Commerce, in consultation with the board of directors of the Minnesota Comprehensive Health Association has the authority to determine the need for and to implement the eventual appropriate termination of coverage provided by the Minnesota Comprehensive Health Association.

Section 14 – establishes the effective date as the day following enactment.

**Assumptions**

General Assumptions

It is assumed that the increased costs will not begin until January 1, 2015 because these activities are covered under the existing federal health exchange grant. Costs will reflect 6 months of activity in FY15 and the costs will be on-going. All costs are shown as special revenue fund expenditures with an off-setting revenue. The resources to fund the proposal will come from the 3.5% assessment on premiums sold on the exchange and will be an interagency payment for services from the Health Exchange.

Enforcement Division

This bill would prospectively impact the regulatory responsibilities of the Minnesota Department of Commerce. In particular, it will increase the compliance and enforcement responsibilities of the Minnesota Department of Commerce by increasing the scope of regulated conduct and number of regulated entities and individuals. Further it expands the opportunities for fraud and other inappropriate or deceptive practices, both civil and criminal. This will result in an increased need for proactive enforcement in the form of examinations and also an increased need for compliance audits and investigations to respond to an increase in the number of complaints. With the establishment of the Minnesota Insurance Marketplace the following assumptions are made:

1. Compliance audits of entities or natural persons will be necessary to ensure they are acting in compliance with the laws and regulations enforced by the Department of Commerce.
2. Investigations of persons will be necessary in response to complaints that allege violations of laws and regulations enforced by the Department of Commerce including complaints of inappropriate sales activity, improper enrollment practices, improper compensation arrangements and other inappropriate activity as well as entities' or individuals' misrepresentations.
3. As uninsured persons move to being insured in the Minnesota Insurance Marketplace, fraudulent selling of health plans, discount medical cards, and limited benefit plans as certified health plans within the health exchange space will occur. Such fraudulent activity may be perpetrated against both natural persons as well as small businesses.
4. Some licensed insurance producers will attempt to or will engage in inappropriate cross-selling and misrepresentation in regards to the Minnesota Insurance Marketplace and other insurance and investment products that they sell.
5. Compliance audits of insurers regarding the use of their products within the Minnesota Insurance Marketplace both legitimately and illegitimately as described above will be necessary.
6. Other violations of the Minnesota Insurance Marketplace and Minnesota insurance laws will occur.

These assumptions are based upon the understanding the Minnesota Insurance Marketplace is large in scale affecting many parts of the health insurance industry and will have a significant impact on the existing marketplace and regulatory scheme relating to health care insurance. They are also based upon the Department of Commerce's prior experience in the health care marketplace which indicates that compliance audits/investigations are often lengthy and complex. The need for additional resources is based on assumptions of the number of entities and individuals engaged in navigator programs, in-person assister programs, call centers, and other customer service programs. DHS currently has contracts with 54 organizations that serve as MNCAAs. The assumptions are also based on estimates of the number of individual and group enrollees in 2015 and 2016. The addition of 5 investigators will allow the Department of Commerce to conduct approximately 125-150 compliance audits/investigations on average per year to monitor compliance and respond to complaints related to this new program. The Department also anticipates hearing costs for those investigations that are not resolved informally. Based on current hearing rates for its other programs, the Department estimates two investigations will require a formal hearing per month with the cost of \$2,500 per hearing on average.

FTE	FY15	FY16
Investigator	4.00	4.00
Supervisor - Enforcement	.50	.50

Investigator - IFD	1.00	1.00
Analyst - IFD	.50	.50

OAH Hearings 24/year 24/year

Implementation of the Exchange marks a very large change for the insurance industry and also the way in which health care is consumed. The Department assumes it will need to address for consumer (both individual and employers) education that it would coordinate with the Minnesota Insurance Market Place education activities. The Department anticipates costs for printed materials, implementation of a 1-800 hotline, a fraud information website, public education events, and fraud prevention advertising. These costs are expected to begin in FY14 and will be on-going costs. The advertising cost will be spread across FY14 and FY15 and then will be discontinued. The existing federal grant will cover the FY14 costs of \$146,000 and ½ of the total FY15 costs of \$125,500.

Licensing Unit

Section 6 (62V.05, subdivision 4) grants the board the ability to establish policies and procedures for the ongoing operation of a navigator program and an in-person assister program within 30 days of enactment. It is assumed that the board will eventually establish qualification standards for navigators and in-person assisters that mirror those currently in place for insurance producer licensure.

It is also assumed that the majority of navigators will be business entities, which do not have pre-license education, pre-license examination, and continuing education requirements. The number of business-entity navigators is assumed to be fewer than 100. It is additionally assumed that most in-person assisters will either be business entities or be individuals who are already licensed as insurance producers. Taken together, these assumptions lead to the conclusion that the Licensing Division will be able to administer its responsibilities under this bill using current staff resources, systems, and procedures. As a result, it is anticipated that the bill will not result in any fiscal impact to the Licensing Division.

Insurance Division

Estimation of the participation levels of the Exchange is challenging. Currently we expect 6 to 10 insurers to participate in the Exchange by FY15. Initial indications are that each participant will have 4 to 10 products to verify annually. We have selected the high end of the range for both participation and product filings and therefore expect approximately 100 annual filings. Assuming the same approximate allocation between HMOs and Indemnity carriers that is currently in the marketplace and we would estimate 70 indemnity products and 30 HMO products. Commerce has received between 145 to 263 major medical form filings annually for the last 3 years to put these estimates in perspective.

Internal estimates are that it takes one policy form analyst 16 to 24 hours from start to finish to review a policy form filing. Commerce selected 24 hours in order to address the complexity of new and yet to be determined requirements. Reviewing the 70 indemnity filings would yield 1,680 hours annually. However the flow of this work is likely to occur within a 4 month period. Considering a 40 hour work week during that time requires 2.65 FTE policy form analysts to timely review and ensure quality health products are available for the exchange. Accordingly, we expect the need for 2 new FTE policy form analysts to be dedicated for the Exchange and expect to reallocate other personnel during peak periods. Filing fees are \$125 per filing and this revenue would be on-going because major medical plans are typically re-filed on an annual basis.

In addition, to the form review a rate review must be conducted for all filings. Commerce is under an interagency contract to perform rate reviews for all HMO and Indemnity products. Accordingly, the starting point is 100 annual filings. It takes approximately 10 hours to complete a rate review. Reviewing the 100 annual filings would yield 1,000 hours annually or .5 FTE. Accordingly, we expect .5 FTE rate analyst to be dedicated to the Exchange and expect to reallocate other personnel during peak periods. For revenue, we receive \$125 for each filing, in addition to the \$125 shown above for form filing. Therefore, the revenue associated with 100 filings per year is \$25,000 annually with \$12,500 from both form and rate filings.

**Expenditure and/or Revenue Formula**

Enforcement Division:

Description	FTE	Fund	FY14	FY15	FY16	FY17
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Civil Investigator	5	2001	\$0	\$234,654	\$483,457	\$498,067
Enforcement Supervisor	.5	2001	\$0	\$27,439	\$56,551	\$58,278
Analyst	.5	2001	\$0	\$23,466	\$48,346	\$49,807
Office of Admin Hearings			\$0	\$30,000	\$60,000	\$60,000
1-800 hotline		2001	\$0	\$6,000	\$12,000	\$12,000
Fraud Prevention Advertising		2001	\$0	\$7,500	\$0	\$0
Fraud Prevention staff	1	2001	\$0	\$46,931	\$96,691	\$99,613
Total Expenditures			\$0	\$375,990	\$757,045	\$777,765
From 3.5% prem. assessment		2001	\$0	\$375,990	\$757,045	\$777,765

Insurance Division:

**Expenditures**

Description	FTE	Fund	FY14	FY15	FY16	FY17
Policy Form Analyst	2	2001	\$0	\$93,862	\$193,383	\$199,227
Rates Review Analyst	.5	2001	\$0	\$23,466	\$48,346	\$49,807
Total Expenditures			\$0	\$117,328	\$241,729	\$249,034

**Revenue**

Description	Fund	FY14	FY15	FY16	FY17
Policy Form Filings	1000	\$12,500	\$12,500	\$12,500	\$12,500
Rates Review Filings	1000	\$12,500	\$12,500	\$12,500	\$12,500
From 3.5% prem. assessment	2001	\$0	\$117,328	\$241,729	\$249,034
Total Revenue		\$25,000	\$142,328	\$266,729	\$274,034

**Totals**

Description	FTE	Fund	FY14	FY15	FY16	FY17
Enforcement Division	7	2001	\$0	\$375,990	\$757,045	\$777,765
Insurance Division	2.5	2001	\$0	\$117,328	\$241,729	\$249,034
Total Expenditures	9.5		\$0	\$493,318	\$998,774	\$1,026,799
Rate and Form Filing		1000	\$25,000	\$25,000	\$25,000	\$25,000
From 3.5% prem. assessment		2001	\$0	\$493,318	\$998,774	\$1,026,799
Total Revenue			\$25,000	\$518,318	\$1,023,774	\$1,051,799

**Long-Term Fiscal Considerations**

The costs are on-going.

**Local Government Impact**

N/A

**References/Sources**

N/A

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**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

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**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/01/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Legislative Audit Commission

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
Other Misc Special Revenue Fund		45			
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
Other Misc Special Revenue Fund		45			
<b>Revenues</b>					
Other Misc Special Revenue Fund		45			
<b>Net Cost &lt;Savings&gt;</b>					
Other Misc Special Revenue Fund		0			
<b>Total Cost &lt;Savings&gt; to the State</b>					

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

HF 5-8E sec. 4, subd. 2, requires the Minnesota Insurance Marketplace to be reviewed by the legislative auditor under Minnesota Statutes 3.971 once each year or less frequently as the legislative auditor’s funds and personnel permit.

Additionally, sec. 4, subd.2, requests the Legislative Audit Commission to direct the legislative auditor to report on any duplication of services that occurs within state government as a result of the creation of the Minnesota Insurance Marketplace by March 1, 2014. The board shall reimburse the legislative auditor for any costs incurred in the creation of this report.

Finally, sec. 7, subd. 8(b), does not limit the authority of the legislative auditor to access data needed to conduct audits, evaluations, or investigations of the Minnesota Insurance Marketplace.

**Assumptions**

This bill requires the Minnesota Insurance Marketplace to be reviewed by the Office of the Legislative Auditor (OLA). If review is conducted, it would be done by reprioritizing OLA’s existing resources and would not require additional staff or funds.

Additionally, if directed by the Legislative Audit Commission to report on any duplication of services that occurs within state government as a result of the creation of the Minnesota Insurance Marketplace, OLA would bill the board for the cost and have it appropriated to OLA’s general fund account. The cost of this evaluation would depend on the scope, but would probably be in the range from \$40,000 to \$60,000.

**Expenditure and/or Revenue Formula**

N/A

**Long-Term Fiscal Considerations**

None

**References/Sources**

James Nobles, Legislative Auditor

FN Coord Signature: ERIC JACOBSON

Date: 03/01/13 Phone: 651-296-4720

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MICAH INTERMILL

Date: 03/01/13 Phone: 651-201-8044



**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/01/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Administration Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
Other Misc Special Revenue Fund			16		
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
Other Misc Special Revenue Fund			16		
<b>Revenues</b>					
Other Misc Special Revenue Fund			16		
<b>Net Cost &lt;Savings&gt;</b>					
Other Misc Special Revenue Fund			0		
<b>Total Cost &lt;Savings&gt; to the State</b>					

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
Other Misc Special Revenue Fund			0.13		
<b>Total FTE</b>			0.13		

## **Bill Description**

HF0005.8E establishes the Minnesota Insurance Marketplace. The following provisions relate to the Department of Administration (Admin).

Section 1 amends Minn. Stat. section 13.7191 of the Minnesota Government Data Practices Act, making a technical cross reference to section 62V.06 (classification and sharing of data of the Minnesota Insurance Marketplace).

Section 4 creates 62V.03 (Minnesota Insurance Marketplace Establishment). Subd. 2(c) states board meetings of the Minnesota Insurance Marketplace (Marketplace) are subject to the Open Meeting Law, Chapter 13D. Meetings regarding certain types of compensation or contract negotiations may be closed. Meetings discussing trade secret information or data described under 62V.06 are closed.

Section 4, Subd. 2(d) of the bill exempts the Minnesota Insurance Marketplace (Marketplace) from chapters 16B (Department of Administration) and 16C (State Procurement), with the exception of 16C.16. However, the Minnesota Insurance Marketplace, in consultation with the commissioner of administration, shall implement policies and procedures to establish an open and competitive procurement process for the Minnesota Insurance Marketplace that, to the extent practicable, conforms to the principles and procedures contained in chapters 16B and 16C. In addition, the Minnesota Insurance Marketplace may enter into an agreement with the commissioner of administration for other services.

Section 6 requires the board to provide public notice in the State Register.

Section 7 creates 62V.06 (Data Practices). This section states the Minnesota Insurance Marketplace is subject to the Minnesota Government Data Practices Act, Chapter 13. Certain data maintained or submitted to the Marketplace are classified as private on individuals or nonpublic not on individuals. Subd. 5 provides for circumstances when private or nonpublic data may be shared outside the Marketplace. Subd. 6 requires the Marketplace to provide data subjects with notice of rights on handling of genetic information and a records retention policy. Subd. 7 allows summary data to be derived from nonpublic data. Subd. 8 limits access to private or nonpublic data to only individuals with explicit authority from the board. Subd. 9 prohibits the board from selling any data.

## **Assumptions**

The commissioner of administration (Admin) will implement his responsibilities through the state's central procurement office, the Materials Management Division (MMD).

The bill will require the Marketplace and MMD to develop policies and procedures independent of existing statutes and rules. The policies and procedures must balance the potentially conflicting objectives of open and competitive procurement with what is practicable for the Marketplace.

Creating and overseeing the use of these policies and procedures will require resources not currently available in MMD. MMD will need to employ an individual with high-level experience in procurement and contracts. The individual will also require the ability to facilitate consensus among stakeholders with divergent interests.

Although rules are normally required when agency decisions affect the rights of or procedures available to the public, the bill has exempted the Marketplace from Chapter 14 (Administrative Procedure). The lack of a clear and unambiguous legal framework for the Marketplace's procurement processes could increase risks of litigation.

Elements of this individual's work would include the following:

- Developing an understanding of the Marketplace and its unique procurement needs.
- Developing mutually acceptable policies and procedures with the Marketplace.
- Determining how the small business requirements of Chapter 16C.16 will be effectively integrated into the new policies and procedures.
- Educating stakeholders regarding the policies and procedures developed.
- Ongoing review and consultation regarding the Marketplace's solicitations, evaluation protocols, and contract terms and conditions.
- Conducting fact-finding regarding any alleged unfair specifications, conflicts of interest, or other

procurement improprieties.

- Assisting the Marketplace and the Office of the Attorney General with any challenges or litigation involving the policies and procedures.
- Negotiating any service level agreements between the Marketplace and Admin for other services.

Because of the priority status of the Marketplace initiative and the need to accomplish significant work in a prescribed time frame, it is assumed that activities must begin as soon as possible. Consequently, the position has been shown as effective April 1, 2013.

This bill will not have a fiscal impact on Admin's Information Policy Analysis Division (IPAD). IPAD provides technical expertise and answers questions on the Minnesota Government Data Practices Act (Minnesota Statutes Chapter 13) and Open Meeting Law (Minn. Stat. Chapter 13D). IPAD would use existing resources if there is an increase in questions on the data practices/open meeting law language contained in the bill.

Admin is responsible for the *State Register*. The *State Register* publishes public information based upon customer's requests. It is projected that the number of billable pages will not change due to the requirement in this bill. Therefore, no impact is expected on subscriptions to the *State Register*.

**Expenditure and/or Revenue Formula**

Admin anticipates providing procurement services to Marketplace between April 1, 2013 and June 30, 2015. Most of the procurement costs will be covered by federal implementation grants already received by the State of Minnesota or anticipated to be received during calendar year 2013, and will cover activities through December 31, 2014.

The costs covered by the federal grants are included in the table below but not identified in the expenditure and revenue table for this fiscal note. The costs identified in the expenditure and revenue table include procurement activities for a .25 FTE between January 1, 2014 and June 30, 2014.

The position is estimated at the top of the range of an Acquisition Management Specialist. For the first 6 months, the position is .5 FTE and then is decreased to .25 FTE.

**New Expenses\***

<b>Expense</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
1 Acquisition Management Specialist**	\$ 12,398	\$ 28,189	\$ 21,315
Office set up	\$ 4,000	0	0
Rent in the Administration Building – 225 square feet at \$20.25 per square foot	\$ 1,139	\$ 4,556	\$ 4,556
Communications and IT support	\$ 465	\$ 1,860	\$ 1,860
Supplies, other expenses including computer purchase	\$ 5,450	\$ 450	\$ 450
Memberships and training; insurance		\$ 4,000	\$ 4,000
<b>Total</b>	<b>\$ 23,452</b>	<b>\$ 39,055</b>	<b>\$ 32,181</b>

\* Admin will enter into an interagency agreement with Marketplace to cover 6 months of expenses, beginning January 1, 2015 and continuing through June 30, 2015

\*\*Assumes function begins April 1, 2013

**Long-Term Fiscal Considerations**

It is unknown how long the position would be needed. The work effort would presumably be heaviest as the Marketplace is being established and in its first year of operation. Admin anticipates that costs beyond FY 2015 would be minimal and comparable to those of other executive branch agencies.

**Local Government Impact**

Unknown

**References/Sources**

Kent Allin, Director  
Materials Management Division  
651 201-2400

Agency Contact Name: Kent Allin 651-201-2400  
FN Coord Signature: LENORA MADIGAN  
Date: 02/28/13 Phone: 651-201-2563

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MICAH INTERMILL  
Date: 03/01/13 Phone: 651-201-8044

**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/04/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Minnesota Management & Budget

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
-- No Impact --					
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
-- No Impact --					
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
-- No Impact --					
<b>Total Cost &lt;Savings&gt; to the State</b>					

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

House file 5, the eighth engrossment, establishes the Minnesota Insurance Marketplace.

Section 6, subdivision 1, requires the board to operate the Minnesota Insurance Marketplace according to M.S. 62V.05 created in this bill, and applicable state and federal law. The board is required to submit to the commissioner of MMB their compensation plan for review and comment. This section has no fiscal impact.

Section 12 requires the commissioner of MMB to exercise all authorities and responsibilities created in this bill under new M.S., sections 62V.03 and 62V.05 until the Minnesota Insurance Marketplace satisfies the requirements outlined in M.S. 62V.05, subdivision 1, paragraph d. These requirements will have no additional fiscal impact on MMB.

**Assumptions**

For the reasons noted above, House file 5, the eighth engrossment, has no fiscal impact on MMB.

**Expenditure and/or Revenue Formula**

**Long-Term Fiscal Considerations**

**Local Government Impact**

**References/Sources**

Agency Contact Name: Dennis Munkwitz (651) 201-8004  
FN Coord Signature: DENNIS MUNKWITZ  
Date: 02/28/13 Phone: 651-201-8004

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KATHARINE BARONDEAU  
Date: 03/04/13 Phone: 651-201-8026

**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/04/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State		X
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Enterprise Technology Office

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
-- No Impact --					
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
-- No Impact --					
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
-- No Impact --					
<b>Total Cost &lt;Savings&gt; to the State</b>					

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

This bill requires the Health Care Exchange (HIX) to:

- 1) Establish the Minnesota Insurance Marketplace;
- 2) Prescribe the Minnesota Insurance Marketplace’s powers and duties;
- 3) Provide for legislative appointments;
- 4) Appropriate money for when the HIX federal grant funding ends on 12/31/2014
- 5) Requires the board to establish and maintain agreements with the Office of Enterprise Technology, and the Departments of Human Services, Commerce and Health.

**Assumptions**

MN.IT Services<sup>1</sup> (MN.IT) has worked with the HIX Program and the other agency partners to identify information technology (IT) expenditures related to the requirements of this bill. Any IT fiscal impact is included in the HIX Program and the Departments of Health, Commerce, Human Services, and Administration’s fiscal notes.

1. Laws of Minnesota 2011, First Special Session chapter 10, article 4 mandates the consolidation of Minnesota executive branch information technology (IT) under the State Chief Information Office (CIO) and transfers the authority for and the management of IT resources – dollars, people and assets -- to the Office of Enterprise Technology.

**Expenditure and/or Revenue Formula**

There is no fiscal impact to MN.IT Services other than what is contained in the agency fiscal notes.

**Long-Term Fiscal Considerations**

None

**Local Government Impact**

N/A

**References/Sources**

N/A

FN Coord Signature: JULIE FREEMAN  
Date: 03/04/13 Phone: 651-201-1191

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: KATHARINE BARONDEAU  
Date: 03/04/13 Phone: 651-201-8026



**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/01/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Legislature

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
General Fund	2	2	2	2	2
<b>Less Agency Can Absorb</b>					
General Fund	2	2	2	2	2
<b>Net Expenditures</b>					
General Fund	0	0	0	0	0
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
General Fund	0	0	0	0	0
<b>Total Cost &lt;Savings&gt; to the State</b>					

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

HF 5-8E establishes a Minnesota Insurance Marketplace which is governed by a seven member board of directors. The board has the power to employ staff. The compensation plan that governs the director and managerial staff will be submitted to the Legislative Coordinating Commission (LCC) and the Legislature for approval under MS 3.855 except that MS 15A.0815, subd 5 (c) will not apply.

The board will submit to the Legislature a report of the performance of the Marketplace operations, meeting responsibilities and an accounting of the budget activities. The report is due each year by January 15 each year beginning in 2015.

**Assumptions**

We assume:

- 1) The Subcommittee on Employee Relations (SER) will need to meet once a fiscal year on an ongoing basis to approve the compensation plan. If the meeting occurs during the interim, SER legislative members are eligible for reimbursement of expenses incurred from participating in the subcommittee meetings. The LCC will absorb the cost.
- 2) SER member meeting participation costs include: per diem (\$86 senators, \$66 representatives), \$84 round trip mileage (76 miles average), and lodging for half of the legislative members (\$100 senators, \$115 representatives).
- 3) The LCC will continue to provide administrative and fiscal services to the SER.
- 4) The review of the Marketplace operations report will not have a substantial fiscal impact on the legislature.

**Expenditure and/or Revenue Formula**

	FY14	FY15	FY16	FY17
SER Legislative Member Meeting Participation Cost	2,000	2,000	2,000	2,000
<b>LCC Absorbed Cost</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>	<b>(2,000)</b>
<b>Net Cost</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Long-Term Fiscal Considerations**

Cost will be ongoing in the future. LCC will absorb cost.

**Local Government Costs**

N/A

**References/Sources**

Greg Hubinger, Legislative Coordinating Commission  
Jim Greenwalt, Minnesota Senate  
Jim Reinholdz, Minnesota House of Representatives

FN Coord Signature: DIANE HENRY-WANGENSTEEN  
Date: 03/01/13 Phone: 651-296-1121

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: MICAH INTERMILL  
Date: 03/01/13 Phone: 651-201-8044

**Fiscal Note – 2013-14 Session**

**Bill #:** H0005-8E **Complete Date:** 03/01/13

**Chief Author:** ATKINS, JOE

**Title:** MINN INSURANCE MARKETPLACE ACT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local		X
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Health Dept

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Expenditures</b>					
Other Misc Special Revenue Fund	0	0	457	903	903
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
Other Misc Special Revenue Fund	0	0	457	903	903
<b>Revenues</b>					
Other Misc Special Revenue Fund	0	0	457	903	903
<b>Net Cost &lt;Savings&gt;</b>					
Other Misc Special Revenue Fund	0	0	0	0	0
<b>Total Cost &lt;Savings&gt; to the State</b>					

	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>
<b>Full Time Equivalents</b>					
Other Misc Special Revenue Fund	0.00	0.00	4.36	8.72	8.72
<b>Total FTE</b>	0.00	0.00	4.36	8.72	8.72

## **Bill Description**

Section 6 of the bill, which establishes the responsibilities and powers of the board of the Minnesota Insurance Marketplace, contains a number of provisions that will have a fiscal impact on the Department of Health (MDH).

**Section 6 subdivision 1, paragraph (b), clause (5)** describes the responsibilities of the board, including employing personnel, establishing a budget, accepting funds, contracting for the receipt of goods and services, and entering into information sharing agreements with state and federal agencies.

**Section 6 subdivision 2** authorizes the board to collect up to 3.5 percent of premium revenue on health benefit plans sold through the Marketplace to fund the operations of the Minnesota Insurance Marketplace.

**Section 6 subdivision 7, paragraph (a), clause (3)** requires the board to establish and maintain agreements with the Departments of Commerce and Health for services related to enforcement of certification requirements for health benefit plans offered through the Minnesota Insurance Marketplace. The board may also enter other agreements with the Departments of Health or Commerce for other services.

## **Assumptions**

MDH will provide services to the Marketplace between now and December 31, 2014, including regulatory oversight of provider networks through network adequacy and service area reviews; developing and beginning to implement a framework for evaluating the effectiveness of the Marketplace and its impact on Minnesotan's health, health care and the state's health insurance markets; participating in workgroups and advisory committees; and assisting in the development of the Marketplace's Provider Display module. The costs for those activities will be covered by federal implementation grants already received by the State of Minnesota or anticipated to be received during calendar year 2013, and covering activities through the end of calendar year 2014 therefore these costs are not included in this fiscal note.

The version of the bill that this fiscal note is being written for is silent on a number of significant policy issues with potential fiscal impact, including whether risk adjustment will be done at the state or federal level after the first year of Marketplace operation, the specific types of public and nonpublic data that may need to be exchanged and shared with the Marketplace and for what purposes data may be used, the types of activities that may be conducted by the Marketplace over time, the need for any ongoing monitoring of the impact of the Marketplace on the health insurance market, or consumer-driven enhancements to the Provider Display module beyond December 31, 2014. As such, we assume no fiscal impact for MDH in those areas. *However, if future versions of this bill define a role for the Marketplace or MDH on these or other policy or regulatory issues, there could be a significant fiscal impact for MDH that will need to be included in future fiscal notes.*

This fiscal note assumes that additional costs to the Department of Health related to implementing this legislation will be covered by the revenue collected by the Marketplace in Section 6, subdivision 2, to pay for the cost of operating the Exchange.

**Section 6, subdivision 1, paragraph (b), clause (5)** of the bill extends to the board of the Marketplace the power to enter into information-sharing arrangements with, among other entities, state governments. MDH assumes that the Marketplace will continue to require access to MDH's data on provider performance and rely on MDH's expertise in the further development or enhancement of the Provider Display module of the Marketplace. While future refinements to the bill may include clearer definitions of the type of data that may be needed by the Marketplace, no costs associated with other data sharing requirements are included here.

This fiscal note assumes that MDH will incur costs for the following ongoing activities related to maintaining and further expanding the provider display:

- Preparing files of quality and provider peer grouping data for loading into the provider display module and validating the accuracy of data submitted and loaded by the Marketplace.
- Providing technical assistance to Marketplace IT staff or contractors during the load process and in support of linking data to providers identified in the Marketplace's network data.
- Providing content and measurement expertise to the ongoing process of improving the display of existing and new performance measures.
- In support of these activities, MDH will be incurring staff expenses for a portion of the time of several existing FTEs with various types of expertise. Required staff time will total approximately 0.36 FTE in

FY15 and 0.72 FTE in FY16 and beyond. Costs will total approximately \$46,000 in FY15 and \$92,000 in FY2016 and beyond.

**Section 6, subdivision 7, paragraph (a), clause (3)** of the bill permits the Marketplace to contract with MDH to carry out enforcement of Minnesota Insurance Marketplace certification requirements. For the purposes of this fiscal note, we assume that the Marketplace will contract with MDH to provide the following ongoing regulatory activities in the following areas beginning January 1, 2015. At this time, information upon which to base a precise estimate of the numbers of issuers or filings that will exist in the Marketplace is not available. For the purposes of this fiscal note, we believe that the projections we have included are reasonable.

- **Network adequacy reviews:** review the proposed geographic areas to determine if they have been chosen without regard to racial, ethnic, language, health status related factors, or would otherwise exclude high utilizing, high cost or medically underserved populations.

MDH assumes this activity will require review of 10 issuers, each of whom will submit 10 filings per year. Each review will take MDH staff 80 hours. MDH will need 1.92 FTE in FY2015 (January 1, 2015 – June 30, 2015) and 3.85 FTE to complete these reviews in FY2016 and FY2017.

- **Service area reviews:** review the proposed provider networks to determine if they include essential community providers and are sufficient in number and types of providers to assure that all services, including mental health and chemical dependency services will be accessible without unreasonable delay.

MDH assumes this activity will require review of 10 issuers, each of which will submit 5 service area filings per year. Each review will take MDH staff 24 hours. MDH will need 0.29 FTE in FY2015 (January 1, 2015 – June 30, 2015) and 0.58 FTE to complete these reviews in FY2016 and FY2017.

- **Partial-county service area reviews:** review any proposed service area that is smaller than one county to determine if serving a smaller area is necessary, nondiscriminatory and in the best interest of the qualified individuals and employers.
- MDH assumes this activity will require review of 10 issuers, each of whom will submit 5 partial-county service area filings per year. Each review will take MDH staff 24 hours. MDH will need 0.29 FTE in FY2015 (January 1, 2015 – June 30, 2015) and 0.58 FTE to complete these reviews in FY2016 and FY2017.
- MDH assumes the following additional staff will be required to support these activities:
  - FY2015: 0.25 FTE manager; 0.50 FTE supervisor; 0.25 FTE ITS4 (application support); 0.50 OAS (administrative support).
  - FY2016 and FY2017: 0.50 FTE manager; 1.00 FTE supervisor; 0.50 FTE ITS4 (application support); 1.00 OAS (administrative support).
  - Additional expenses for supplies and equipment totaling \$10,000/year and indirect expenses totaling \$79,000 in FY2015 and \$156,000 in SFY2016 and SFY2017 are assumed.

For the purposes of this fiscal note, MDH assumes it will not be regulating issuers for Quality Assurance issues that currently apply to certified Health Maintenance Organizations. If these oversight duties are added, MDH will need additional resources.

**Expenditure and/or Revenue Formula**

**Section 6, Subd. 1 (5)**

EXPENDITURES	SFY13	SFY14	SFY15	SFY16	SFY17
Salary and Fringe Benefits	0	0	37	75	75
Other Operating Costs	0	0	0	0	0

Grants	0	0	0	0	0
Administrative Services	0	0	0	0	0
OR Indirect Cost	0	0	9	18	18
<b>TOTAL EXPENSES</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>92</b>	<b>92</b>

**Section 6, Subd. 7(a)(3)**

EXPENDITURES	SFY13	SFY14	SFY15	SFY16	SFY17
Salary and Fringe Benefits	0	0	323	645	645
Other Operating Costs	0	0	10	10	10
Grants	0	0	0	0	0
Administrative Services	0	0	0	0	0
OR Indirect Cost	0	0	79	156	156
<b>TOTAL EXPENSES</b>	<b>0</b>	<b>0</b>	<b>411</b>	<b>811</b>	<b>811</b>

**Long-Term Fiscal Considerations**

None

**Local Government Impact**

None

**References/Sources**

N/A

Agency Contact Name: Dave Greeman (651 201-5235)  
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**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: SUSAN MELCHIONNE  
 Date: 03/01/13 Phone: 651-201-8035