



Connecticut's Health Insurance Marketplace

Finance Subcommittee Meeting Cost Allocation Between AHCT and DSS

August 19, 2013

- With the goals of “No Wrong Door” and Integrated Eligibility the need to allocate costs between AHCT and DSS is clear
- The ratios used in cost allocation should evolve as:
 - the Exchange transitions from start-up to operations
 - the system development life cycle changes and
 - ACA components such as Medicaid expansion come to fruition
- The objectives of cost allocation is almost always the same
- The manifestation of cost allocation changes and evolves

- Key role in managing resources
- Important component of budgets for shared service vendors
- Achieves a reasonable representation of each agency's economic consumption of shared resources
- Facilitates attaining goals of AHCT and DSS of “No Wrong Door” and Integrated Eligibility
- Comply with regulatory requirements and guidelines, i.e., OMB Circular A-78

- Four cost pools to group costs with common characteristics
- User populations of service consumption
- Servicing Vendor contracts to be allocated
- Uncertainty of user population uptake of services

Cost Allocation Process - Establish 4 Cost Pools

➤ Maintenance & Operations

➤ Driver: Population/Shared Service

1. Assess the Projected User Population
2. Identify the Services that are Shared

Volume Based
Cost Pool 1

➤ Design, Development and Implementation (DDI)

- DSS 28.53%/AHCT 71.47%

➤ Driver: Population/System Function Points/Programs

1. Assessment of the User Population
2. Identification of System Functions and Function Points
3. Allocating Function Points to Programs Population

Development
Based
Cost Pool 2

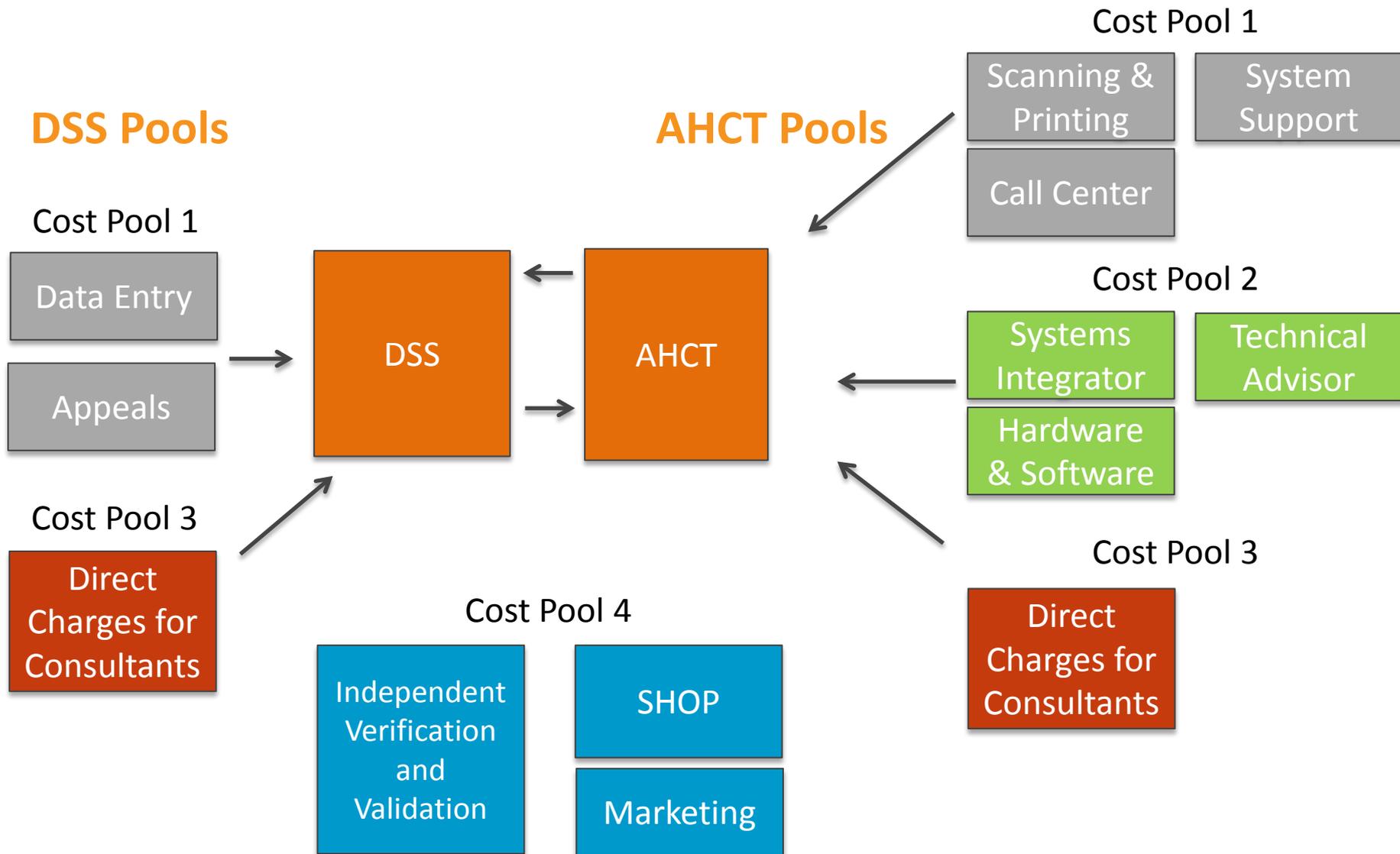
➤ One Agency holds a contract for the sole benefit of another Agency

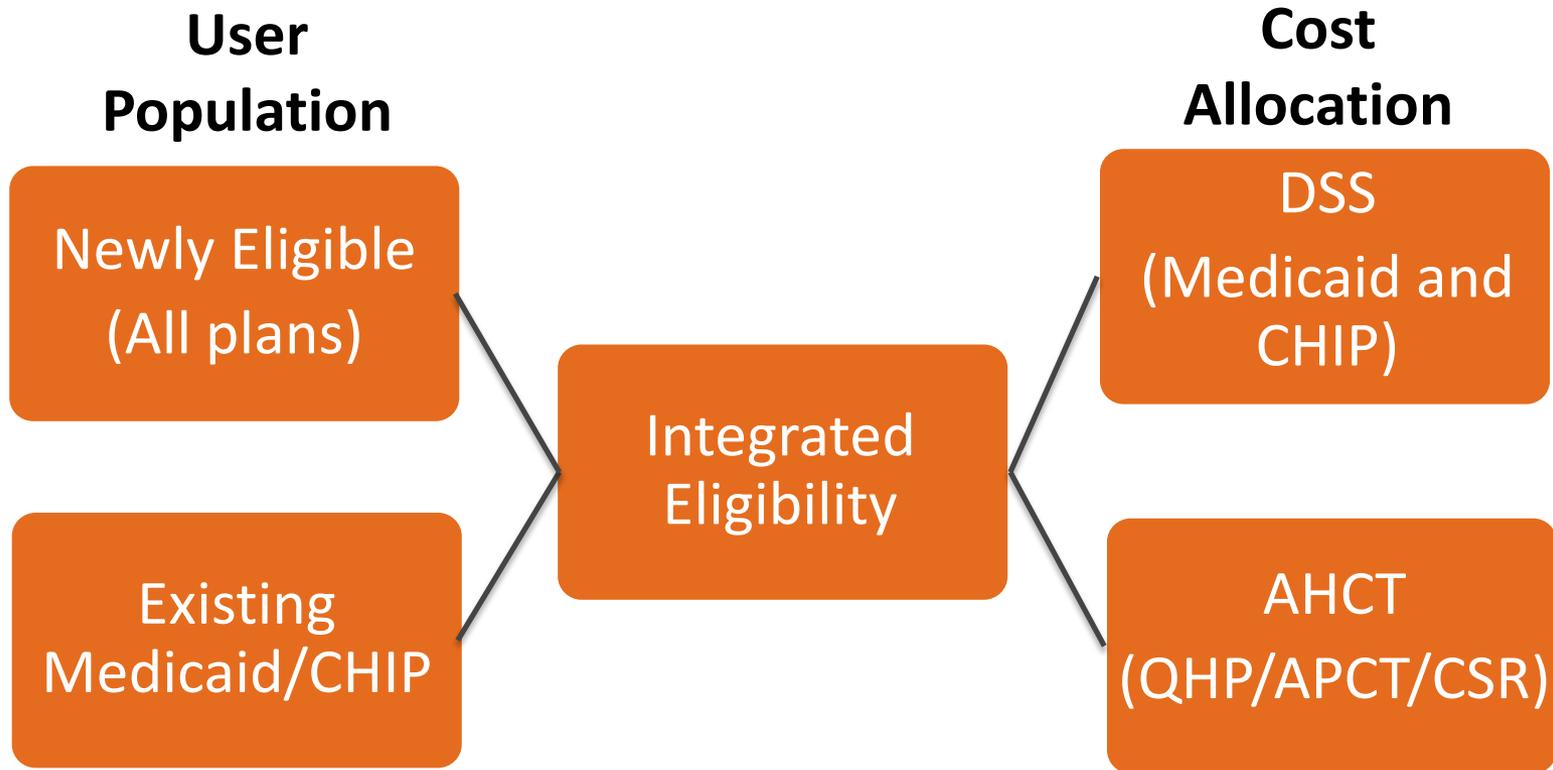
100% to
Either Party
Cost Pool 3

➤ Service benefits the Agency holding the Contract

No Allocation
Cost Pool 4

Cost Allocation Process





- Mercer, LLC: Health Insurance Exchange Planning Report – 2008-2009 Current Population Survey Data
- Thomson Reuters: Contracted 2012 Study of CT User Populations using proprietary Insurance Coverage Estimates (ICE) tool, modeling techniques, and multiple sources of insurance coverage data such the 2010 U.S. Census and the American Community Survey (ACS)

Cost Allocation Process - Shared Service Vendors

| Vendors | 2014 Allocable Contract Value |
|-------------|-------------------------------|
| Xerox | \$ 12.1M |
| Maximus | \$ 8.5M |
| Sir Speedy | \$.2M |
| Scan Optics | \$.6M |

Maintenance and Operations Costs Allocation Rationale

- The initial user population estimates for the AHCT Marketplace web portal, DSS's legacy Eligibility Management System, and later IES were based on the expected use of on-line web applications during the systems life cycles
- As AHCT web portal and integrations efforts developed, assumptions required change:
 - Higher reliance on paper application processing
 - Less reliance on web portal adoption
- Allocation approach was adjusted to reflect more users utilizing non-web channels
 - Primarily driven by Medicaid Redetermination Paper/non-Paper split estimated to be 60%/40%

Maintenance and Operations Costs Allocation

| Population | Medicaid Recipients Subject to Redetermination | ½ Year 04/01/14 to 09/30/14 | Non-Paper 40% Paper 60% (Redeterminations) | Newly Eligibles | Total Population | Allocation |
|----------------------------|--|-----------------------------|--|-----------------|------------------|------------|
| Medicaid Redeterminations | 496,342 | 248,171 | 99,268 | | 99,268 | |
| Medicaid Newly Eligibles | | | | 42,469 | 42,469 | |
| TOTAL MEDICAID | | | 99,268 | 42,469 | 141,757 | 56% |
| | | | | | | |
| Total AHCT Newly Eligibles | | | | 108,016 | 108,016 | 44% |
| TOTAL POPULATION | | | 99,268 | 150,485 | 249,753 | |

Resulting cost allocation process:

- All maintenance and operations costs will have a DSS/ AHCT allocation ratio of 56% /44%
- The go-live date of this process is October 1st
- Some maintenance and operations costs will begin prior to October 1st
- DSS and AHCT will engage in quarterly reconciliations
- Includes goal of settling any financial difference resulting from the anticipated user population uptake being materially different from actual uptake
- First quarterly reconciliation will be for the quarter ended March 31, 2014
- Best effort to meet a reasonable date for the March 31st reconciliation
- DSS/AHCT acknowledge that with the first open enrollment lasting 6 months culminating on March 31st, 1st quarter reconciliation may not be possible

- ✓ Revision to MOA
- ✓ Monitor results