STATE OF VERMONT
LEGISLATIVE JOINT FISCAL OFFICE

Memorandum

To: Members, HROC and Joint Fiscal Committee;
        Speaker of the House, Senate President Pro Tempore
From   Stephen Klein, Catherine Benham, and Nolan Langweil
Re: Reporting on Vermont Health Connect (VHC) Implementation
Date: October 1, 2015

Context:
Section C.106.1 of Act 58 (Big Bill) of 2015 calls for an independent analysis of the Vermont Health Connect (VHC) information technology systems by the Joint Fiscal Office. [1] This analysis began in July, is repeated here, and will be again in October, and may be done "at other times that are appropriate." As in the past report, we welcome any ideas or suggestions for content in future reports.

This report provides the September 2015 analysis of the exchange activity and is based upon:
- Review of the administration reports submitted through September 23, 2015
- Independent Verification Vendor (IVV) reports through September 18 2015
- Discussions with the Administration and the Gartner Group relative to the aforementioned reporting
- Review of other analysis and reports of Exchange operations generally

The VHC has had major developmental gains from its rocky start. The major systems changes have been proceeding in accordance with plans. The major issue identified this month was that benchmark measures of customer service were not where they should be.

As the Administration indicated, the Vermont Exchange was cited in a September 2015 Government Accounting Office Report[2] of reaching operational status in three of four categories, the most of any state-based exchange.   Vermont was also identified as, through March 2015,

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[1] INDEPENDENT REVIEW OF VERMONT HEALTH CONNECT
(a) The Chief of Health Care Reform shall provide the Joint Fiscal Office with the materials provided by the Independent Verification and Validation (IVV) firms evaluating Vermont Health Connect. The reports shall be provided in a manner that protects security and confidentiality as required by any memoranda of understanding entered into by the Joint Fiscal Office and the Executive Branch. The Joint Fiscal Office shall analyze the reports and shall provide information regarding Vermont Health Connect information technology systems to the Health Reform Oversight Committee, the Joint Fiscal Committee, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate in July, September, and October 2015 and at other times as appropriate.

[2] GAO-15-527 State Health Insurance Marketplaces, September 2015 (See Table 5)

having spent the 7th most of the 17 state-based market place solutions at $71 million. Vermont has the sixth highest authorized spending capacity.[3]

Unlike many of the state-based marketplaces, Vermont has used its federal financing for an integrated exchange that serves both non-Medicaid and Medicaid populations. Some states with separate exchanges, often through independent authorities, do not include Medicaid programs. As such, the nature of Vermont's exchange and its interrelationship with Medicaid has financial implications on any potential move away from a state-based exchange to a federal exchange. The Administration is expected to release its analysis of the financial implications of moving away from the state-based exchange in the next month or so.

The Joint Fiscal Office's three reports required by C.106.1 of Act 58 are focused primarily on the operational aspects of the exchange, while the October report will take a broader look at the budgeting and ongoing cost estimates for the VHC and its relationship to other major Agency of Human Services (AHS) information technology (IT) projects that are under way.

Summary/Overview:
As of August 2015, there were 214,217 Vermonters enrolled in either Medicaid for Children and Adults (143,391) or qualified health plans (70,826). Since June, this is a 2,218 increase in Medicaid enrollment and a decrease of 1,380 in Qualified Health Plan participation. Overall, it represents a continuing increase in coverage for Vermonters. Of the 32,761 Vermonters enrolled in qualified health plans as individuals (i.e., not through an employer), nearly two-thirds (65%) of them receive financial assistance to reduce the cost of their monthly premium. The current status of the exchange will be discussed in three areas: 1) Project Scope and System Issues; 2) Timing and Schedule; and 3) Budgetary Concerns.

1. **Project Scope and System Issues**

   - As stated in July, the broad plan for AHS information technology is to create a Health and Human Services Enterprise (HSE) platform that provides the infrastructure for various projects, including: VHC, Integrated Eligibility (IE), Medicaid Management Information System (MMIS,) and the Health Information Exchange (HIE) for public health. In order for VHC to be successful, the HSE platform infrastructure must work. Since July there have been improvements to the overall system worth noting:

     o Transition of hosting from CGI to Optum has been completed. This provides the needed stability for the Release 2 changes that are discussed below. The completion of the hosting transfer will end payments to CGI. Starting in October 2015 monthly hosting fees will be paid to Optum and drop from $500,000 to $316,000. Starting January 2016 the fees drop to $300,000. Ongoing costs will be discussed further in the October report. Optum, which is the service and technical consulting arm of United Health Care, is responsible for hosting the HSE platform

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[3]The GAO report above indicates that through March 2015, states ahead of Vermont in spending, in order of spending are California, New York, Kentucky, Washington, Hawaii, and Connecticut, with Connecticut having higher spending but a lower total authorization.

as well as development and design work for the VHC. VHC gets its database services, enterprise content, and identity management from the HSE platform.

- o The major area of risk to the project is the Release 2 development which is currently under way and being tested. This is the system modification which will enable users to enter changes to data directly into the VHC system. The Administration reported on its testing experience on October 1, 2015 and indicated that after a weekend site closure Release 2 will be up for use beginning on Monday, October 5. There will be some updates subsequent to that but it is expected to be operational at that time.[4]

- Dentegra Insurance Company will not be added to the VHC environment at this time. The Administration was concerned that adding a new provider while the IT system is under development would be a problem by diverting resources from other needed work and significantly increasing workloads. The formal process and timing of adding insurers needs to be clarified.

- There are a number of additional issues with the exchange which will need to be addressed but have been postponed for the immediate time. These issues include:
  - o Treatment of small business plans under the exchange (SHOP): It is likely that this will be done in a manner to minimize both its cost and impact on the operation of the exchange. The Legislature did not fund this component of the exchange. As of yet there is no formal decision as to the approach the Administration will take.
  - o Whether or not it continues to make sense for VHC to do billing continues to be under review: Carriers are responsible for dunning, but not collections, and terminations. The State may consider a different model in which carriers perform all billing functions, and the State coordinates with them on payment of Vermont Premium Assistance and Vermont cost-sharing. The carriers and the state have agreed to delay this discussion until after 2014 and 2015 reconciliation and the performance of the current model post-system upgrades are evaluated.
- Reconciliation of 2015 payments is still under way with no clear liability yet identified. The 2014 reconciliation is completed and will be a $1.6 million pressure in budget adjustment.

2. Timing and Schedule

- The ability to do change of circumstances in-house is a critical step for VHC. Efforts to address the backlog have been increasing. Although the capacity was added at the end of May, its rollout involves training staff. The backlog has been reported as follows:
  - o May 26th -   10,272
  - o July 6th -   7,372

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[4] One of these is an October 9 upgrade. Vermont is using software for reviewing modified adjusted gross income called Exeter One Gate which will be upgraded on October 9th. This is a software package that was originally used by other exchanges but has been dropped by other states and Vermont is the sole remaining user. This software upgrade will fix some less common elements of change of circumstances.

- July 22nd -   6,509
- July 31st -   5,700
- August 20th -   3,547
- September 2nd -   3,200

- On October 1, 2015, the Administration indicated that the backlog was under 1,000 cases. There are 186 cases which have more complex issues and are being worked on between now and October 15th. Additionally there are about 125 cases a day that come up to customer service. The Administration proposed a goal that customers who report a change by the 15th of a month can expect to see that change reflected on their next bill.[5]

- There has been an increase in premium transaction errors since the May system upgrades. These are called "834" errors. The September report for August shows that the premium transaction errors continue to rise, although they may have topped out. A report update received this week indicated that the 834 errors had dropped back to 350, which still high, is a positive movement. With more cases being resolved this may be a short term phenomenon but the trajectory though August was troubling:
  - Reported 834 errors - estimates end of month
    - May   20
    - June   80
    - July   400
    - August   700
  - End of September 9/28   350[6]

- Call Center Performance measures have declined and need to improve before open enrollment begins. Much of the decline may be due to the processing of change of circumstances and the amount of staff training that is going on in the call centers. Also more staff will be brought on for open enrollment. However, the impact of recent performance issues with customer experience may be an ongoing issue, or at least leave negative impressions on plan functionality. Historical patterns indicate that Monday and Friday tend to be the heaviest days for call center usage.[7]
  - The average wait time has reached a high point exceeding last Fall's open enrollment:
    - May   12 seconds
    - June   31 seconds
    - July   72 seconds
    - August   3 minutes
    - September through 9/28/2015   90 seconds[8]
    - Last open enrollment (November 2014)   40 seconds
  - Similarly, calls answered in 30 seconds have declined to below contract standards which is 75% answered within 30 seconds. The September improvement to date is important but is still below service standards:

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[5] Governor Shumlin Press Release October 1, 2015
[6] E-mail correspondence from Sean Sheehan 9/29/2015
[7] E-mail correspondence from Sean Sheehan 9/24 2015
[8] E-mail correspondence from Sean Sheehan 9/29/2015

- May 96%
- June 84%
- July 77%
- August 61%
- September through 9/28 75%[9]
- Last open enrollment, November 2014 81%
  - o The percent of abandoned calls has also risen over the four month period
    - May 0.6%
    - June 1.5%
    - July 4.1%
    - August 10.9%
    - Last open enrollment November 2014 1.7%
- Web site usage:
  - o Web site usage has continued to increase throughout the summer. In May there were 30,926 visits and by August this had climbed to 43,975 visits. The increased usage should continue to rise as the capacity of the web site grows and the re-enrollment period begins. The system functionality with the higher usage is also an area that will need to be watched.
  - o As the usage increased, the average load time has also increased since June, with the following metrics for load time for web pages:
    - May 2.0 seconds
    - June 0.5 seconds
    - July 0.6 seconds
    - August 0.8 seconds

3. Budgetary Concerns

a. Development

- In June, the Centers for Medicare and Medicaid Services (CMS) approved the Implementation Advance Planning Document (IAPD) submitted by the Health Services Enterprise Project Management Office. This is a unit of the AHS Central Office led by Stephanie Beck who manages the HSE. With this approval came approval of all contracts through the Optum contract Amendment 6. Amendment 6 covers work for the period February 22 to June 30, 2015. However, the CMS stated that any activities completed between the execution and approval dates will be reimbursed by the Center for Medicaid and CHIP Services (CMCS) at a reduced rate (down to about 55% essentially Medicaid match). This means that Vermont will not receive expected 90/10 match money for the 65% of the project costs attributed to CMCS during that preapproval period of the project. These decisions create unbudgeted state costs. The estimate related to Amendment 6 specifically is $862,000. The total amount of lost funding because of no enhanced match could reach $2.7 million.
- Vermont has an approved Operations Advance Planning Document (OAPD) for Medicaid Eligibility and Enrollment. This will result in savings for exchange operation

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[9] E-mail correspondence from Sean Sheehan 9/29/2015

that come from the delta between our regular FMAP Global Commitment rate and 75% federal funding. The approval is through 9/30/2016 but the funding should be available for as long as the system performs eligibility activities. This approval will offset a portion of the state funds need for the exchange and its impact could be State savings in the $7–10 million range. This should provide a downward pressure on FY 2016 and ongoing exchange financing needs.

- Medicaid renewals and coverage termination, where appropriate, went through a PILOT review of those with the highest incomes. Those included in the PILOT and found not eligible or did not respond to outreach efforts were to receive notices by the end of the September and face termination by October 31, 2015. The review of all Medicaid renewals beyond the PILOT will begin with notices in October–January with a goal to have completed Medicaid renewals before open enrollment in the Fall of 2016.

b. Sustainability planning and long term costs

- State costs for ongoing operations of the various elements of the exchange may change from levels projected by the Administration early in the year. There should be better information in the September reports. For reference :

	Governor's original FY 2016 Submission	FY 2016 as passed—revised	FY 2016 Budget Adjustment	FY 2017 Budget Proposal
QHP	$ 8,084,664	$ 5,038,783	??	??
MAGI	$43,708,776	$37,339,540	??	??
State Fund Total	$27,740,501	$21,630,374	??	??
Grand Total	$51,793,501	$42,378,322	??	??

- On October 1, the Administration indicated a sustainability plan with system costs still around $42 million (but total state funds at $16 million). Of that, $5 million would be for QHP. This may be different from FY 2016 levels as FY 2016 is still in a period of system development. [10]
- Long-term costs for maintaining the exchange will be addressed more in the October report.

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[10] Numbers from comments made by Lawrence Miller at Governor's press conference, October 1, 2015