

**Testimony before the Joint Oversight Committee on Maryland Health Benefit Exchange
February 24, 2014**

**Carolyn Quattrocki
Acting Executive Director, Maryland Health Benefit Exchange**

**Isabel FitzGerald
Secretary, Department of Information Technology**

**Joshua Sharfstein, M.D.
Secretary, Department of Health and Mental Hygiene
Chair, Maryland Health Benefit Exchange**

Summary

Thank you for the opportunity to testify today on the status and future of the Maryland Health Benefit Exchange. In our testimony, we will provide updated data and information on enrollment and exchange activities. We will also provide an update on our relationship with our prime contractor, and on the process undertaken to prepare for 2015 and the time in between the open enrollment periods.

Two weeks ago, we discussed some of the significant IT challenges still facing the site. It is important to recognize that despite these challenges, tens of thousands of Marylanders have been able to access quality and affordable health coverage in 2014. This achievement is due in large part to the tremendous effort by many across the state to help consumers work around technological obstacles.

We are committed to maintaining this effort to help as many Marylanders as possible enroll before the close of the open enrollment period on March 31. Quality and affordable coverage is available today, and we encourage all Marylanders who need coverage to visit Maryland Health Connection dot gov, or to call 1-855-642-8572 to enroll.

We will continue keep the Joint Oversight Committee and the General Assembly up to date on our plans.

Update on Enrollment and Exchange Activities

Through February 15, 2014, there have been 996,850 unique visitors to the Maryland Health Connection website.

163,856 Marylanders have created identity-verified accounts.

So far, 189,812 Marylanders either have coverage through Medicaid or have chosen to enroll in private health plans through Maryland Health Connection:

- 33,251 Marylanders have chosen to enroll in private health plans through Maryland Health Connection; and
- 156,561 Marylanders have obtained Medicaid coverage starting January 1. Of these, 95,889 Marylanders converted from the Primary Adult Care program to full Medicaid benefits.

Of note, at least week's Medicaid budget hearings, staff from Health Care for the Homeless spoke about the tremendous value of the Medicaid expansion to their ability to serve their patients' multiple needs.

We are aware that there were some individuals who would have enrolled by January 1, but were unable to do so because of technological problems with the site. We have taken a number of steps to help, including improving the site, boosting the number of call center personnel, developing manual enrollment procedures, and two other actions:

- We developed and implemented a plan for insurers to offer retroactive coverage back to January 1.
- Second, with the help of the General Assembly, we created an MHIP bridge.

Both of these steps were designed to do everything possible so that those who would like to enroll in coverage are able to do so.

Retroactive option. After outreach and inbound calls, and after removing duplicate entries, 1,333 unique households registered to explore the possibility of retroactive coverage to January 1. Follow-up phone calls found that 562 families were eligible for Medicaid, 263 declined to enroll in private coverage retroactive to January 1 -- despite having registered to explore the possibility, 74 chose to enroll in private coverage effective March 1, 133 households were not reachable despite multiple phone attempts, and four were referred directly to a carrier for unsubsidized coverage. 297 households with 444 individuals that chose to enroll in coverage through the exchange retroactive to January 1.

MHIP Bridge. As of February 21, eight Marylanders had signed up for the MHIP bridge option. Information on this option is available online at <http://www.marylandhealthinsuranceplan.net>

Other Exchange Activities. Given the limitations of the IT system, we are preparing for additional operational challenges. These include:

- helping people enroll outside of open enrollment periods, when eligible in “special enrollment” circumstances between 2014 and 2015 open enrollment periods;
- providing notices and appeals; and
- helping manage questions regarding coverage.

Many dozens of staff are addressing these challenges as we work to resolve the IT issues.

Update on Enrollment Estimates

As you may know, we had originally set the goal of enrolling 260,000 Marylanders during the first open enrollment period. That was not an arbitrary number, but rather was based on a July 2012 report prepared by the Hilltop Institute of the University of Maryland at Baltimore County.

On Friday, February 21, we received a letter from Dr. S. Hamid Fakhraei, the Director of Economic Analysis of the Hilltop Institute, and the lead author of the July 2012 report. We have attached a copy of this letter to this testimony.

The letter we received on Friday clarified and corrected the July 2012 report, and it provided a corrected estimate from that model of enrollment during the first open enrollment period. The corrected estimate is that between 165,000 and 190,000 total Marylanders are projected to enroll in both private plans by March 31 and Medicaid by the end of June 2014.

In addition, the Hilltop Institute is planning to update its model based on more recent data than what was available in July 2012.

While this correction of the July 2012 projections does not change any of the challenges we are facing, it does put the progress we have made in the face of these challenges in a more appropriate context.

Update on Prime Contractor

Last evening, at the recommendation of Secretary of the Department of Information Technology Isabel FitzGerald, the Board of the Maryland Health Benefit Exchange voted to end the role of Noridian Healthcare Solutions as the prime IT contractor for the Exchange.

On an interim basis, we will transition the role of prime IT contractor to Optum/QSSI, the general contractor that the Maryland Health Benefit Exchange board hired in December 2013.

This transition will support MHBE’s goal of enrolling as many Marylanders as possible in quality, affordable health care by the close of open enrollment on March 31. Optum/QSSI will bring

additional IT expertise to the project, and will contract with key existing subcontractors to improve and maintain the current technology underlying Maryland Health Connection in the short term. These steps will support a smooth transition.

Secretary FitzGerald is leading a review of options for Maryland Health Benefit Exchange's IT system after the close of open enrollment, and today's announcement does not affect that review.

The Exchange is preserving all rights to seek damages against Noridian and its subcontractors for problems with the IT system.

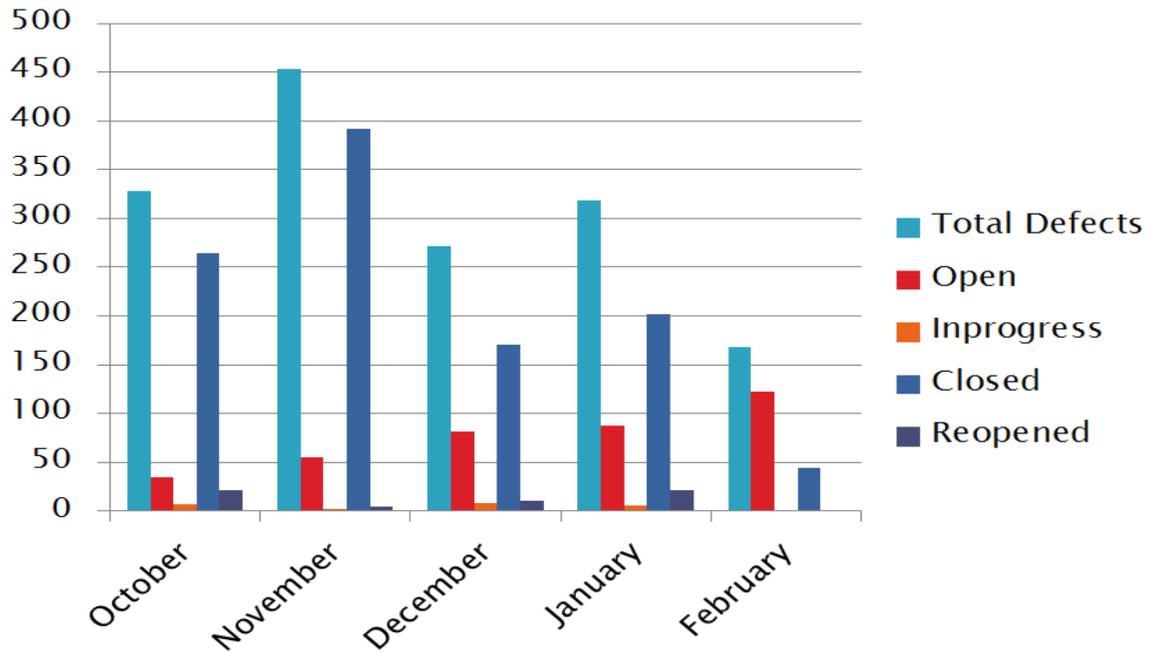
Update on Information Technology

As we testified two weeks ago, Governor O'Malley temporarily assigned the Secretary of the Department of Information Technology to take over responsibility for the IT development and day-to-day decision making for Maryland Health Connection. Secretary FitzGerald works closely and collaboratively with the Department of Health and Mental Hygiene, the Department of Human Resources and the Board of the Maryland Health Benefit Exchange in carrying out these duties and decisions.

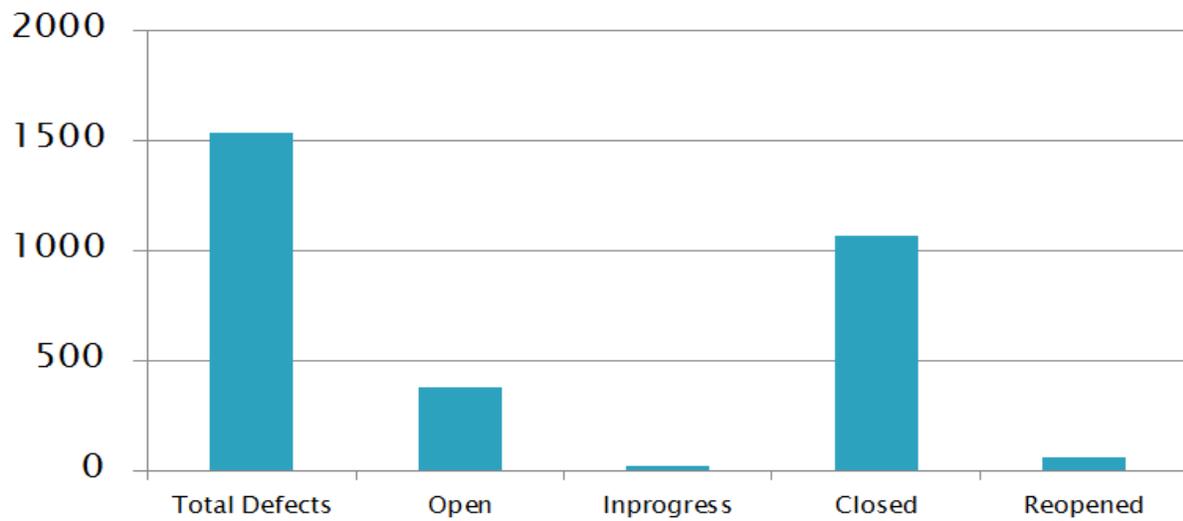
In December, Secretary FitzGerald established performance benchmarks for the Noridian team. These benchmarks were not achieved, and a decision has been made to replace Noridian as the prime contractor. The transition of the development and maintenance contracts began today, February 24th. On an interim basis, Optum will assume system integrator responsibilities for the development work and the maintenance and operation of the existing system. The majority of the core work is performed by subcontractors, and those subcontracts will be assigned to Optum.

This approach will support a smooth transition, and allow for the work to continue to progress as planned. The decision was made to make this change now to improve the quality and performance of the work being done to support open enrollment and to create the best foundation to support the changes and transition that will be required for Maryland to fully remediate its system and create a stable and sustainable system for the long-term.

In the last meeting, the committee asked for an update on the current state of the IT system. In particular a trend analysis of the defects in the current implementation, which is illustrated in the following two charts. It should be noted that these are open defects for the functionality that has currently been implemented and are not reflective of defects that may be introduced as additional functionality is added. Also, they do not reflect some of the major architectural changes that would be required for the current system to be sustainable. Defects are a fluid number during the development process.



Defect History From Oct 2013 – Feb 2014



Total Defects	Open	In progress	Closed	Reopened
1538	382	24	1072	60

We are evaluating alternatives to our present IT structure after the close of open enrollment. Working with Optum, we are actively evaluating several possibilities including:

- Adopting technology developed by another state;
- Joining a consortium of other states;
- Partnering with the federally facilitated marketplace for certain back-end services; and
- Making major fixes to overhaul our existing system.

Key factors for this decision include:

1. Evaluation of the functionality of the target system including usability, security, and underlying technology
2. Reusability and compatibility with current MHBE infrastructure including hardware and software
3. Amount of customization or retrofits that would be required to meet Maryland's needs - whether source code is adaptable or transferable including code base and any intellectual property
4. Timeline for migration or remediation
5. Rough order of magnitude for cost
6. Conversion
7. Total cost of ownership long-term
8. Whether the system delivery of key components can be completed prior to next open enrollment
9. Risks including delivery of the solution within the current time, functionality/compliance, financial constraints, and availability of skilled resources to complete the work

Conclusion

Our focus remains helping as many Marylanders as possible enroll in quality and affordable health coverage. As we move forward with longer term plans for Maryland Health Connection, we will keep the Joint Committee and General Assembly informed.

The Hilltop Institute



analysis to advance the health of vulnerable populations

University of Maryland, Baltimore County

Sondheim Hall, Third Floor
1000 Hilltop Circle
Baltimore, Maryland 21250

phone: 410-455-6854

fax: 410-455-6850

www.hilltopinstitute.org

February 21, 2014

Ms. Carolyn Quattrocki,
Interim Executive Director
Maryland Health Benefit Exchange
750 East Pratt Street, 16th Floor
Baltimore, MD 21202

Dear Ms. Quattrocki:

I am writing regarding the enrollment projections for the Maryland Health Benefit Exchange and the Medicaid expansion as presented in the Maryland Health Care Reform Simulation Model which was produced by The Hilltop Institute in July 2012 on behalf of the Maryland Health Benefit Exchange. We have identified some mis-labeling of tables and an erroneous footnote in the Model description. The purpose of this letter is to correct these issues and clarify the estimates presented in the Model.

The report as published in July 2012 estimated a total newly insured enrollment of approximately 249,000 in fiscal year 2014, including (a) 147,233 through the first open enrollment through March 31; and (b) 101,685 in Medicaid through June 30. Specifically, footnote 1 of Enrollment Projections table stated, "Health Care Reform programs start on January 2014. Medicaid enrollment data for FY 2014 correspond to 6 months of enrollments. However, Exchange enrollment reflect 'Open Enrollment' period, which is from October 2013 through March 2014."

However, this footnote was in error. The 147,233 figure actually represented the newly insured in Maryland for both the first and second Exchange open enrollment periods in 2014, and the 101,685 figure reflected the model's estimate for Medicaid enrollment through the end of calendar year 2014.

Given these estimates for calendar year 2014, a reasonable estimate of combined enrollment for Exchange and Medicaid in fiscal year 2014 would be approximately 160,000 newly covered individuals, including (a) approximately 70,000 in the Exchange through March 31, 2014 and (b) approximately 90,000 in Medicaid through June 30, 2014.

It is important to note that the simulation model projections and the estimates cited above do not include individuals who were insured immediately prior to their 2014 coverage. Some private insurers have estimated that 30,000 to 50,000 insured people who purchase coverage in the Individual Market would qualify for Federal subsidies through the Exchange. However, an unknown percentage of these individuals will actually obtain coverage through the Exchange. A broad range of estimates for the number of individuals who were previously insured prior to initiating new coverage in the Exchange might be 5,000 to 30,000. This brings the total estimate for enrollment in fiscal year 2014 to a range between 165,000 to 190,000.

Finally, The Hilltop Institute is planning to revise the current Model estimates based on more recent data and analysis of the Census Bureau's Current Population Survey. The revision will be completed in six to eight weeks.

Please contact me if I can be of further assistance in clarifying the Simulation Model estimates and assumptions.

Sincerely,

A handwritten signature in cursive script that reads "S. Hamid Fakhraei".

S. Hamid Fakhraei
Director of Economic Analysis

cc: Joshua M. Sharfstein, M.D.
Cynthia H. Woodcock