Testimony before the Joint Oversight Committee on Maryland Health Benefit Exchange
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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 through the end of the first open enrollment period on March 31, 2014. We will also provide an update on decisions for the next open enrollment period that begins in November.

When we last presented to this Joint Committee, we discussed some of the significant IT challenges still facing the site. It is important to recognize that despite these challenges, hundreds 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.

In fact, through the hard work of hundreds of consumer assistance workers and others, and the dedicated efforts of the Maryland Health Benefit Exchange staff, Maryland has exceeded the goal of 260,000 enrollments by the end of March. It will take several weeks for final numbers to be available. As of April 1, we reported 295,077 enrollments.

This accomplishment demonstrates more than anything that the Maryland Health Benefit Exchange is far more than a website. And it shows that -- despite our IT challenges, and despite the fact that we have more progress yet to achieve -- we are making important progress implementing the Affordable Care Act in Maryland. Because of the ACA: (1) insurance companies cannot deny coverage to someone if she is sick; (2) they can't drop someone if she gets sick; (3) and now, more than 295,000 Marylanders have enrolled in quality, affordable health care.

Secretary FitzGerald has led a thorough evaluation of options for the future of our IT platform.

Based on this analysis, we recommended to the Board of the Maryland Health Benefit Exchange that we leverage the Connecticut solution to upgrade Maryland Health Connection. The Board accepted our recommendation, and we are moving forward with Deloitte, the vendor that built and installed it in Connecticut. Our confidence in Deloitte is enhanced by the fact that in addition to building the successful platform in Connecticut, it also built successful systems in three other states -- Kentucky, Rhode Island, and Washington. In short, we are implementing a system that has been proven to work, and we are partnering with a firm with a track-record of success.

Update on Enrollment

Thanks to the extraordinary and sustained efforts of hundreds of consumer assistance workers, MHBE staff, our carriers, brokers, and other stakeholders, MHC finished strong, with enrollment numbers exceeding expectations and projections for this first open enrollment period. More Marylanders secured coverage in the last few weeks of open enrollment than had enrolled in the prior five months. Highlights of our efforts and outcomes include:

- a total of 8 enrollment fairs throughout the State;
- extended hours and record calls handled by consumer service representatives at our call center;
- thousands of enrollments by authorized brokers and those participating in the Producer Referral Service; and
- as of 3/31, a total of 295,077 enrollments, facilitated by hundreds of navigators, assisters, and MHBE staff working late nights and weekend at events, community-based and faith-based organizations, and generally doing whatever possible to provide the assistance needed to help Marylanders get coverage.

These heroic efforts exemplify what we mean when we say Maryland Health Connection is about far more than a website, and we'd like to express our profound appreciation once again to all those who made these achievements possible. In doing so, we also want to underscore the steadfast, thoughtful, and deeply appreciated guidance and support of the members of the MHBE's Board of Trustees throughout this journey.

For the next several months, we will use the current IT platform to enroll Marylanders in Medicaid and in qualified health plans for those eligible for special enrollment periods. These include individuals who have moved into the state, lost their employer-based coverage, divorced or married, or other life events. We will also continue to assist into coverage those who began an application prior to the deadline but encountered problems.

Next Steps

Even as we have been closing strong down the home stretch of the first open enrollment period, we have been analyzing options for this fall.

Over the past two months, Secretary FitzGerald has led the effort to analyze options for the IT platform of the Maryland Health Benefit Exchange after open enrollment. This has involved extensive consultation with Optum/QSSI and input from IBM. This in-depth review has shown the current system has serious architectural flaws and revolves around a commercial product that is much less mature than represented and has yet to produce the functionality needed to meet the requirements of the Affordable Care Act. This remediation would take over 12 months and cost more than $66 million dollars, and the resulting product still might not meet our needs or provide a stable, sustainable system that could support our evolving business model. We would also be subject to the timetable of an external, overseas vendor to remediate the core case management and eligibility functions of Curam. We would have limited visibility and control over the timetable or method of remediation leaving us in a position where we did not control the correction of the single most important part of the system of care.

While the option of partnership with the federally facilitated marketplace (FFM) does support enrollment in qualified health plans, it does not support our business model or Medicaid. The state would still have to build or transfer an eligibility and case management solution for Medicaid, making the FFM a more costly solution that would take longer and require the separate purchase and development of a Medicaid eligibility and enrollment system in addition to what we would have to pay to partner with the FFM.

Based on this review, the recommendation was made to leverage the Connecticut IT Platform to upgrade Maryland Health Connection in time for the second open enrollment period that begins on November 15, 2014.

This approach:

- allows for rapid implementation of a proven IT solution for individual and family QHP and Medicaid eligibility and enrollment, with high consumer satisfaction;
- provides for a simple and effective design;
- is feasible on the timeline for 2014 Open Enrollment; and
- maximizes reuse of existing software licenses and allows us to reuse hardware components of a value that exceeds $8 million.

Optum/QSSI Review

In developing this recommendation, we have worked closely with Optum/QSSI, the Exchange's General Contractor.

On March 3, Optum/QSSI delivered an Exchange Options Feasibility Study. This analysis reviewed five options for moving forward with the IT platform, including:

- remediating the current system;
- partnering with the federally facilitated marketplace;
- transferring another state solution into Maryland;
- creating and joining a state consortium; and
- building an entirely new system from scratch.

Key factors for this review included:

- functionality of the target system including usability, security, and underlying technology;
- reusability and compatibility with current MHBE infrastructure including hardware and software;
- 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;
- timeline for migration or remediation;
- rough order of magnitude for cost;
- total cost of ownership long-term;
- whether the system delivery of key components can be completed prior to next open enrollment; and
- risks including delivery of the solution within the current time, functionality/compliance, financial constraints, and availability of skilled resources to complete the work.

Of note, the evaluation of the federally facilitated marketplace did not include consideration of Maryland's needs for a modern Medicaid eligibility and enrollment system should this option be chosen. Therefore, the cost of transferring to the FFM would be even greater because Maryland would still be required to build or transfer a Medicaid eligibility and case management system.

Optum/QSSI and MHBE evaluated state systems that included Connecticut, Kentucky, Washington, New York, California, and Nevada. This evaluation included interviews, demonstrations, and technology assessment in terms of fit, reusability, feasibility and cost.

The Optum/QSSI review identified the Connecticut solution as the best match.

This was based on:

- a simple and effective design;
- a proven track record in the marketplace, with one of the highest yields for QHP enrollment;
- reusability of software and hardware;
- technical feasibility;
- potential for expansion for other uses later; and
- a reasonable cost compared to alternatives.

Comparison of Options

With the Optum/QSSI analysis in hand, we developed a scope of work for leveraging the Connecticut IT system to upgrade Maryland Health Connection. MHBE sought proposals from Deloitte and from another vendor. These vendors were selected because of their familiarity either with our needs or with the Connecticut system. Deloitte developed and implemented the IT solution in Connecticut. The other vendor was not able to identify the technical resources needed for implementation; Deloitte submitted a specific bid.

Below is a snapshot comparison of three potential options for Maryland Health Connection: (1) remediate the current system, (2) partner with the federally facilitated marketplace, and (3) leverage the Connecticut IT solution to upgrade Maryland Health Connection. We have constructed the table below summarizing this comparison, with red representing high risk, yellow representing moderate but acceptable risk, and green representing low risk.

Criteria	Current System	FFM Partnership	Upgrade using CT IT Platform
QHP functionality	Eligibility and data transfer issues. 834s often are completed manually. Does not fully support life events.	Supports QHP eligibility, life events, and carrier interfaces. Some outstanding functionality.	Provides an integrated solution for MAGI and QHP. Supports eligibility, life events, renewals, plan management, and carrier interfaces.
QHP timeline	12 months for full remediation	6 months or less	7 months
Medicaid functionality	Eligibility issues, internal and external rules discrepancies, cannot reliability produce MMIS interface data, does not support life events or Maryland preferences	Maryland does not have a MAGI rules engine or a case management system for Medicaid. All of these structures would have to be built including interfaces to the FFM	Production tested MAGI rules. Provides an integrated solution for MAGI and QHP. Supports eligibility for both QHP and MAGI. Would require development of web service transfer of data and MMIS interface.
Medicaid timeline	12 months for full remediation	12-18 months	7 months
Manage churn	Does not support	Maryland lacks the MAGI rules engine and	Integrated solution for MAGI, including

		case management system. This functionality would have to be built	Medicaid and commercial health insurance to allow for consistent client and worker experience
Use of Maryland consumer assistance network for case management	System presents major challenges	Consumer assistance network could help with enrollment.	Consumer assistance network could help with enrollment and case management.
Business model--integration with social services, ability to manage and customize	Does not support	Would not support. Maryland would be unable to integrate social services, support no wrong door.	Integrated solution - Same system can be used by state workers, navigators, and citizens. Supports integration and interoperability. Would be managed and maintained by Maryland
Interfaces--carrier and federal hub	Interfaces remain problematic	Would have to be built for account transfers and carriers would have to migrate interfaces to the FFM	Exact replication of CT HBX technical environment reduces integration risk with federal hub. Carriers would have to migrate interfaces and MMIS interface would be required
Technology – security, availability of skills sets, use of open source	Maryland has no visibility or control over the Curam product. IBM has failed to deliver required functionality timely. Curam resources are expensive and scarce.	Maryland does not have a MAGI rules engine or a case management system. This functionality would have to be built or transferred from another state.	Reuses production-proven assets including MAGI rules, notices architecture and integration layer. Built using standard development language. Resources with the necessary skill set are readily available.
Timeline	12 months or more	12-18 months for required Medicaid	7 months for core functionality

		functionality	
Implementation cost	greater than $66 million	approximately $43-$53 million	approximately $40-$50 million
Total cost of ownership (excluding enhancements)	approximately $18 million per year	approximately $6 million per year	approximately $6 million per year

Financial Comparison

Maryland has paid approximately $55 million for system development (including software licenses and hardware) to Noridian, our original prime contractor. We expect about $8 million of this total may be able to reused with other systems. We will seek to recover as much as possible of the remainder from our original contractors and will share the recovery with the federal government.

We will also have to pay certain amounts to Optum/QSSI for project management and development both before and during the period in which the company is serving as prime contractor. Optum/QSSI's expenses are necessary for the continued functioning of the existing system until the upgrade of the Maryland Health Connection is complete. .

The three options for comparison have the following estimated costs:

Current system	Greater than $66 million. Even if this funding were invested, we cannot assure the Board that the IT system would work as intended.
FFM Partnership	Approximately $43-$53 million. This estimate is based on an estimate of development for a modern Medicaid eligibility and enrollment system and an estimated $10 million in federal expenses for the transition. There will be additional hardware and software costs.
Upgrade Using Connecticut IT Platform	Approximately $40-$50 million. This estimate is based on the proposal received from Deloitte. There would be no costs associated with the code, which Maryland will receive for free. There will be additional hardware and software licenses costs. Maryland is looking to reuse current hardware and software to offset and minimize this cost.

In addition to these considerations, the total cost of ownership is far greater for the current system because of the need for multiple licenses for commercial off-the-shelf products.

It is very difficult to compare state spending on IT projects. However, it appears that even if one assumes no recovery from our prior contractors the total cost of our IT development (including payments Noridian, Optum/QSSI, and Deloitte) would be comparable to other state spending on exchange and Medicaid eligibility and enrollment systems. For example, Kentucky's IT development contract was for $101 million, Rhode Island's recent contract was for $105 million, Oregon's was for $130 million, and New York's was for $183 million.

Moreover, Maryland is better positioned relative to a number of states from a cost perspective because, unlike many other states, Maryland has not spent significant funding in recent years to upgrade its Medicaid eligibility and enrollment system. As a result, even prior to potential recoupment of funds through litigation, the expense in Maryland is likely to remain in the range of other states.

Center for Medicare & Medicaid Services

Throughout the development and launch of Maryland Health Connection, Maryland has worked closely with our partners at the Center for Medicare & Medicaid Services. We intend to make leveraging the Connecticut IT technology to upgrade Maryland Health Connection part of a corrective action plan for the challenges facing our current website. CMS will review this plan and, we anticipate, approve the plan, which would make Maryland eligible for continued funding for IT development in 2014. Maryland would also share costs recovered through litigation with the federal government.

Conclusion

When our IT system faced substantial challenges this fall, we could have given up. Instead, we came together and tackled these challenges, allowing Maryland to reach and exceed our original enrollment goals.

None of the options available to Maryland for the future are risk free. The decision to leverage Connecticut's solution is the best choice to support a robust exchange and make the promise of affordable and quality health care real to as many Marylanders as possible.

Thank you for the opportunity to testify, and we look forward to your questions.