

**NWX-DHHS-OS**

**Moderator: Terence Kane  
November 18, 2010  
2:00 pm CT**

Coordinator: Welcome and thank you for standing by. At this time all parties are in a listen-only mode until today's question-and-answer session. At that time you may press star 1 to ask a question.

I would like to remind all parties that today's conference call is being recorded. If you have an objection, you may disconnect at this time. I would now like to turn the conference over to Terence Kane. You may begin.

Terence Kane: Hi. Welcome, everyone to the second pre-application conference call for the cooperative agreement to support innovative exchange IT systems. This is the second funding opportunity made available to states to assist in the development of your health insurance exchanges.

I'm joined on the call today by Henry Chao, the Chief Information Officer for OCIIO; Susan Lumsden who is heading up our state grants work; and Michele Fagan who is our Grants Management Officer for OCIIO.

Thank you for all your excellent questions on our first call. Some of you have inquired when a recording of the call and transcript from the last call will be

ready. A recording of the call is ready but we've held up on the time it takes to produce a transcript.

We apologize for the delay and hope to have the recording of today's call and the last call with the transcripts shortly. Again, apologies for the delay.

There is however a helpful Q&A up on our Website with some common questions related to the FOA. If you go to [hhs.gov/ociio](http://hhs.gov/ociio), click on initiatives and programs on the left side of the main screen.

Next scroll down and you'll see the health insurance exchange, information technology systems where information for this cooperative agreement is available. You will see a link for the frequently-asked questions is the last link in this section.

So moving forward, I just want to review a couple of key dates for this FOA. If you don't already know, the due date for applications is due December 22nd. Our anticipate award date is February 15th. We will hold one final pre-application conference call which will be on December 14th.

We anticipate that questions on this last call will have much more to do with technical questions surrounding the actual submission of your application. To reiterate one final point I made on the last call, please do not wait until the last minute to get your application in.

The sooner you get the application in, the sooner we can begin to process your application and work on the review process and get out the awards so I'm now going to hand the call over to Henry Chao, the Chief Information Officer for OCIIO who's going to briefly discuss some of the highlights for the award winners of this FOA. Henry?

Henry Chao: Thanks, Terence. I just want to spend a brief few moments going over what are some of the benefits that you're attempting to join in this process and really try to encourage you to seriously consider in the coming days to begin your process to submit an application for this funding opportunity announcement.

I think it is a fantastic opportunity to allow a state to get earlier access to resources. There isn't much time if you haven't heard me say this before that really we have just around 24-25 months to really get certain pieces of the exchange capabilities up and running to support the kind of gradual glide path, you know, into program implementation in 2014.

So really many of these systems or these capabilities have to be ready sometime as early as 2013 if not in the test mode certainly, you know, kind of in an integration test mode to allow for some end-to-end flex of the overall business process to ensure that the capabilities exist and are working as intended or as close to as intended as possible so time is a critical factor of which none of us have any ability to be flexible about.

We do have flexibility in moving quicker in terms of accessing resources so this opportunity really represents, you know, the ability for a state to partner with other states - that is encouraged - to have informal or even formal relationships, you know, in these partnerships to ensure that most states are moving together in the same direction, understanding the program requirements and the capabilities and functions that are needed to conduct the early planning and requirements definition of the life-cycle process with developing these systems.

So how much time will you save? I estimate that, you know, if a state waits until the next round of establishment grants and by the time those are awarded, compared to the time in which these FOA, you know, kind of for innovative exchange IT states are selected, and thus, you know, also bringing along and lifting really the harbor for everybody.

That actually will happen about four to five months earlier than the other grants and that's a very rough estimate but four to five months is not trivial if you're looking at an overall implementation timeline, you know, between now and sometime early 2013.

Which like I said is about roughly one-sixth, you know, or close to between 15 and 20% of time that you're going to wish you had and so will I because I will be in the same boat along with everybody else in OCIO, really chomping at the bit and making sure that things are stabilized and on the right path toward implementation.

So in addition to that, what we're talking about is a closed set of collaborative strategies and actions between partnering states, states that are awarded these funding opportunities as, you know, working with the federal government on establishing what the requirements and the early design are for these capabilities that we're looking for.

The beauty of that is or the bonus is that, you know, HHS has really committed to be kind of this communication central by going out and working with SSA and closely with IRS and other programs and including CMS and forged this, you know, very tight and well-coordinated partnership to define requirements and to achieve a consistent set of interpretation of policies, laws, regulation and operational requirements in order to get these exchanges moving.

Now some might say well how can you do this without a reg being published?  
All I can say is that you have to kind of look at this in an optimistic view that there are many things known about how these exchanges will operate.

There are delivery models or parts of delivery models about the exchange operation that currently exist today and those although, you know, maybe not the discrete and detailed, you know, lower-level requirements are necessarily defined yet.

I think the patterns to how these systems and these capabilities are needed are well known. We can certainly get started working on those and I think also the early start addresses some of the desire relative to creating seamlessness and integration with other programs specifically Medicaid.

So working with the federal government creates a greater level of collaboration and communication and clarity in understanding what the early requirements are for establishing these capabilities.

So in addition to that, I think that by working in this close collaborative, you know, kind of model other states will benefit too, not just the, you know, how the initial, you know, the states that are selected under this cooperative agreement.

I think that in other states we're creating processes and I think I mentioned this on the last call to propagate and to promote the sharing of information as close to real-time as possible.

If you reviewed the funding opportunity announcement, you'll see that in this section I think it's from Page about 5 to 9 of the FOA, you'll that we're going

to use a fairly well-established and recognized life-cycle governance process to ensure that the deliverables or the products that are produced throughout this life-cycle intervals are vetted and shared with other states.

And these are not necessarily the things that you absolutely have to adopt 100% in its entirety but it does give you a clue as to how you can factor these additional options that other states considered innovative are using in terms of their solution sets for establishing the exchange capabilities.

So what does that translate to? That translates to Number 1, lower risk in implementation because we hope to achieve greater level of uniform implementation of these, you know, specifications, requirements and standards.

And I think that it produces a better experience not just for the folks that have to govern these programs across the nation but I think also the Number 1 priority is to create value and the seamless experience and a positive experience for the people these programs serve, so how do the feds benefit?

Feds benefit because not every program will have to engage in individual discussions about interface and design and data exchange and sharing of information, you know, through a kind of multiple engagements between multiple exchanges and multiple federal programs.

I think the feds create, you know, this position of collaboration that serves as a point of coordination and kind of the single voice, you know, from the federal government on how to establish, you know, these requirements at the state level.

So there's less likelihood of confusion and that in itself is a huge time-saver so I think, you know, the feds are partners and we certainly want the same outcome as the states and we want to also support greater, you know, kind of achievement as I mentioned in integration with other programs.

You know, you can't get this necessarily on Day 1 but certainly we can start the journey for performing some of the horizontal integration that we've been talking about for so many years as we vertically integrate the exchange program.

And I think that by doing this also reaps, you know, some potential cost savings and better use of the budgets or the scarce budgets that we all have to perform this work.

And again, I think the feds are a partner and I think being a partner we both would enjoy lower risk of core implementation and greater return on investment on experiences for the public.

So I hope that those are key selling points for you as you make your decision in jumping in and putting in an application and certainly even if you're not putting in an application, you should consider aligning or align with other states that do because you'll benefit from this closer collaboration.

And on another note, if you are wondering should you jump in and really apply the resources to meet the December 22nd deadline to kind of rapidly put in your application, that work is not necessarily going to be wasted, you know, in your next round of grants because as far as for the IT requirements for the next round, the very same requirements will exist.

You know, that you see now in this current funding opportunity announcement because we do believe that a governance process that kind of oversees and coordinates and facilitates the collaboration across multiple states and federal entities is the way to reduce the risk of implementation. Thank you.

Terence Kane: Great. Thanks, Henry. Before we begin with questions, I'd just like to address a specific budget item in the FOA. You will note in the budget narrative on Page 17, it states, "The budget justification should specifically describe how each line item will support the achievement of proposed objectives in alignment with the work plan."

As part of that justification, states should be clear to include a line item in their budget for each of the core functions listed under the program requirements. Additionally in your budget narrative, discuss which parts of the life-cycle your budget will cover for that year.

In summary, please give careful attention and be as specific as possible in your budget. If you have fixed or variable costs, please indicate that in your budget. Susan Lumsden who is heading up our state grants work and Susan did you want to add anything to that?

Susan Lumsden: No, I just want to re-emphasize that the budget piece of it is extremely important. We'd like to see your cost methodologies. If you have allocation methods for doing some of those variable costs, we'd like to know what those variables are. That'll be very helpful to us in the future as well. Henry or Michele, would you like to add anything?

(Michelle Fagan): No, just to reiterate, as much detail that you can what the budgets will be greatly appreciate so I would highly advise everyone to be very detailed and specific with your budget narrative.

Susan Lumsden: Henry, anything else?

Henry Chao: No.

Terence Kane: All right, with that operator, we are ready for questions.

Coordinator: Thank You. if you would like to ask a question, please press star 1 on your phone and record your name at the prompt. Again that's star 1 to ask a question and if you are asking a question and would like to retract it, you can press star 2. And it'll just take a moment to queue-up any questions. Our first question is from (Craig Steele). Your line is open.

(Craig Steele): Hello, yes, thank you very much for the opportunity to participate in this opportunity. I have three questions. The first one is around intellectual property and nonproprietary development of software and specifically does the grant preclude or prohibit states from using off-the-shelf software, such things as document readers, rules engines, any type of communication software that would actually make it less costly to develop and support?

Henry Chao: It doesn't preclude that at all. In fact, I think the intent here and I apologize if in kind of the wording within the funding opportunity announcement doesn't necessarily address all the nuances of the approach that we're trying to take.

And that is we believe that the cost savings isn't necessarily, you know, kind of put on the back of, you know, vendors who are trying to, you know, stay in

business by selling, you know, kind of good software and designs, you know, to government programs.

I think what we're after is that, you know, if the government state or federal invests in those designs, well that design can be shared or the process whereby that design was created is shared with other states.

We're not after the underlying proprietary, you know, kind of, you know, things such as, you know, Oracle database or DB2 cost products that you're talking about.

You know, but I do ask that when states are in the process of examining potential solutions as they are thinking about the funding opportunity announcement, they should think broader than just, you know, kind of this narrow set of needs, right?

So for instance within a state, if you want to achieve horizontal integration of your programs and to realize some cost savings was you really think about this in an enterprise manner and then negotiate, you know, for these licenses in that manner.

And add to that the potential for leaving an option that there is a much greater kind of buying power behind all this between any state that needs to establish an exchange as well as the federal government.

So it's really kind of sending the signal out to, you know, pay attention to how you are making these software, you know, kind of arrangements, you know, for cost or other products.

We're not trying to touch people's, you know, kind of proprietary, you know, kind of product. We want the design and the design approach and the application of that design in a particular environment.

That is tremendously valuable in states wanting to examine potential options to integrate the exchange capabilities onto their current platforms. I hope that answered that question.

(Craig Steele): Absolutely. Yeah, okay. Second question is just a kind of a clarification on the transferability of artifacts that are produced so specifically on the vertical integration with the Medicaid systems as we're, you know, designing and developing out certain things where we're actually making modifications to Medicaid eligibility and enrollment systems, you know, to what extent are we required to, you know, expose those artifacts?

And so what I'm really getting at here is is it really concentrated on more than new development or should we also be looking at digging into areas that we may have to update in like a Legacy system just to kind of work with the exchange?

Henry Chao: That's a tough one to answer, you know, kind of in this call but in general the philosophy is that, you know, if you're dealing with a Legacy system and the data and the business rules that may be tied, you know, kind of only with that system and hard to expose to kind of other interfaces that require that data or some application logic.

The approach we would like to see is that you somehow wrap that Legacy technology and expose the data and the rules as a service, right, and to the extent possible.

I mean, of course there are some things that are very, very difficult to do particularly these large, you know, kind of batch processes that run between multiple Legacy systems but I think, you know, the idea here is to look for the opportunities.

(Craig Steele): Okay, all right. Final question is again more of a clarification. In the project narrative for the sections readiness to establish and the program requirements, there's a little bit of overlap there so we just want to make sure that we're not being duplicative in our response.

So our assumption is that the readiness is really identifying the gap between the existing systems and the new systems that'll be developed and the program requirements address the standards and also then how we're going to close that gap.

Henry Chao: Maybe I missed something. (Craig), what do you mean by there's an overlap?

(Craig Steele): Well, on Page 16 of the grant in that first bullet under C it says to demonstrate an advanced state of readiness and so that'll be demonstrated as we do our assessment and show which systems are, you know, more advanced and so forth but recognizing that there are going to be some gaps.

So there's a reference to the key principles of the exchange IT capabilities and then in the program requirements, again it makes reference back to in the first bullet, it again makes reference back to the key principles and core functions.

So in just responding to the program requirements, again our assumption is that from a readiness standpoint that section is really to get at the gap, you know, between the existing systems that we're going to use or leverage and

where we need to get to and the program requirements will explain exactly how we're going to do that and meet the standards.

Henry Chao: I think the idea here was to give you a readiness assessment kind of a outline so that when you conducted the readiness assessment, the results of that then is summarized in this kind of narrative that you would supply.

So we would see the actual, you know, more detailed information about the results of the assessment and then express the summary of what your findings are and what makes you kind of in this better position, you know, albeit, you know, kind of this readiness state and kind of submit that as part of the program requirements. Does that help?

(Craig Steele): Yes, it does, yeah.

Susan Lumsden: And you are correct. The program requirement is also going forward and how you're going to get there.

Henry Chao: Okay.

Terence Kane: All right, thanks, (Craig). Is there another question, operator?

Coordinator: Our next question is from Nancy Peterson. Your line is open.

Nancy Peterson: Hi, everyone, this is Nancy Peterson from NESCO and in New England in looking at a potential consortia approach, our discussion has focused on in terms of the assessments and even some of the proposed solutions.

That what we're thinking is that we're not necessarily proposing one single solution that a consortia space would consider but potentially components of a

solution because states would obviously be in different stages as you mentioned and would have different governance structures and we just wanted to understand if our thinking was correct in that direction.

Henry Chao: Your thinking is correct and what we need to do is to advise I think the review process, the panels that will actually do the applications to examine, you know, such an approach.

Because although we outline it, you know, to a certain degree within the FOA, I think once the applications come in we want to tell the reviewers to look closely at the proposal for how a collection of states, you know, whether it's a highly-governed model like NESCO versus a loosely, you know, kind of a set of alliances that what they're trying to do is, you know, from the grant perspective you're looking at this, you know, kind of one set of, you know, capabilities being proposed but it doesn't necessarily come from one state.

Nancy Peterson: Correct. Okay, great. Thanks, Henry.

Henry Chao: Thank you.

Terence Kane: Next question, operator?

Coordinator: I don't show any further questions. Again if anyone would like to ask a question, star 1 on your phone.

Susan Lumsden: Again, our next call will be on December 14th and we encourage you if you have questions in the meantime, please e-mail them to Terence and/or Michele and if you need a specific call, we'd be happy to do that as well if we can't answer that question.

Coordinator: This is the operator. I do have a couple of more questions that just came in to queue. We have a question from Rick Friedman. Your line is open.

Rick Friedman: Right, thanks. This is Rick. I'm with the CMS. I'm actually off-site. Today I've been meeting with the U.S. Department of Agriculture's Food and Nutrition Service as well as the Administration for Children and Families, both of whom as most of the folks on the call know have worked very closely with Medicaid on integrated eligibility termination systems.

That in fact I think will dovetail very nicely with the exchanges and I just wanted to reiterate CMS' interest and enthusiastic support for what OCIIO is doing with this grant opportunity.

It really is a wonderful opportunity for folks to work as partners really with some of the best technical people that we know in the federal government that are engaged in this very important initiative and we're delighted to be part of OCIIO's team on that and we hope that folks will take advantage of the funding opportunity. Thanks.

Henry Chao: Thank you, Rick. I think, you know, announcing that you're at a remote location helps so that people don't think that I'm actually standing on your foot.

Coordinator: And thank you. Our next question is from (Molly White). Your line is open.

(Molly White): Thank you. I'm going to ask a question that I know was discussed on our team and the person who said he was going to ask it may not be able to be dialing in as he's on the road.

So I apologize. I don't actually fully understand the question and perhaps my colleague will have an opportunity to dial in and clarify but I'm going to read off for you what I have if that's okay.

Terence Kane: Sure, that's fine.

(Molly White): We wanted to ask if it would be acceptable for a state or team of states to apply for the innovator grants but only include the planning phase and to clarify in order for a state or team of states to effectively estimate the entire implementation project, the analysis phase would need to be completed first.

If this were allowed, it would encourage states to work together to develop more uniform exchange components such as eligibility, the marketplace, the company portal, billing, etcetera.

If this kind of approach is not allowed, then what is more likely to happen is that states will have to go initiate work on their own and each state's exchange could be vastly different, the opposite of what appears to be the goal of the early innovative grants.

Henry Chao: Do you mind, can I ask where you're calling from?

(Molly White): I'm calling from the State of Missouri, thank you.

Henry Chao: Okay, great. Well, you get extra bonus points for having the bravery to ask a question that's not yours.

(Molly White): Thank you.

Henry Chao: But the, you know, kind of the approximation of an answer to that question is somewhere around, you know, realistically, you know, I understand and I think a lot of people understand that you have to complete enough analysis particularly across multiple state programs with different insurance markets in order to kind of commit to the next phase.

I think that, you know, what we want to do is whatever that commitment is, all right, to get enough known things documented as a set of assumptions requirements as part of your analysis and then coupling that with the examination of how ready you are, you know, granted you don't have enough time, you know, to do a full and complete top-down check across, you know, kind of one or more states and in every program.

But I think do a cursory review of how ready you are to engage and in working together particularly, you know, could you even coordinate a governance structure and once you kind of commit to that, what we're looking for is you're committing to the long run.

You're committing to working together and then taking it all the way to implementation so I guess if you are looking for a short answer, the answer is no. We're not looking for just the planning part.

We're looking for you to kind of coordinate up-front and then fully commit to as much as you can build relative to your needs, you know, and your assessment about how close or how far you are away from these core functions that we talk about.

(Molly White): Thank you very much.

Coordinator: Our next question is from Nora Leibowitz. Your line is open.

Nora Leibowitz: Hi. I have a question about the readiness to establish an exchange, Item C on Page 21, specifically, the piece about the last sentence in the bullet talks about that will be assessed on the reasonableness and cost-effectiveness of the proposed budget in relation to the objectives, the complexity of the activities and the anticipated results.

And this is sort of a vague question but I'm hoping that maybe you can give a little more detail about what that means.

Henry Chao: You said Page 21?

Nora Leibowitz: Page 21 under C, readiness to establish an exchange IT system, the very last sentence of the bullet under that item.

Henry Chao: Okay. Well, to really kind of answer this, I'm going to actually read the whole bullet, you know, instead of just parts so that everybody on the call kind of understands what we're talking about, right?

Nora Leibowitz: Right.

Henry Chao: And so the C like you said readiness to establish an exchange of IT systems and this is kind of a large part of the evaluation, right, you know, it's worth 35 points and the bullet is rather long in that it says extent to which applicants demonstrated they are in an advanced state of readiness to engage in early phases of systems development of life-cycle process, i.e., initiation, concept development, requirements, etcetera.

Also the extent to which applicants provided substantiated evidence of a high-level readiness through the readiness assessment presented in Appendix A, readiness assessment for project narrative.

Also note this includes the reasonableness and cost-effectiveness of the proposed budget in relation to the objectives, the complexity of the activities, and the anticipated results.

So I think in a nutshell what that is saying is that, you know, in going through your readiness assessment, you know, or some people might call it a gap analysis, you'll come up with, you know, a picture of where you stand today relative to some, you know, set of objectives that, you know, you understand from the FOA from the bill or the law and where your state, you know, wants - what your state wants to achieve - you know, kind of along with those objectives.

So you have this kind of this gap so to speak and your analysis and how ready you are to close as much of that gap as possible and using, you know, kind of, you know, some estimates about relative costs for doing so.

While I think reasonableness is something that can be translated as well, we don't necessarily mean that you have to go out and completely contract with a whole entire new data center with all its telecommunications and managed hosting services, you know, lock, stock and barrel so that you can house every state's system in there.

I mean, that is a good example of it may be leaning towards not being reasonable, right, as opposed to your expressing the cost or the budgets in terms of some, you know, kind of for instance optimal would be a

infrastructure as a service provider or a platform as a service provider, software as a service provider.

And that becomes to be a little more reasonable in that you're just paying for what you use in this new model of cloud computing as opposed to going down the road of buying everything under the sun including the hardware, the software, the services and, you know, following that traditional model. Does that help?

Nora Leibowitz: That does help. It helps in terms of thinking about reasonableness as a, you know, we considered doing X but think it's not reasonable for these, you know, because of timing or, you know, other state goals or whatever and that given that we see whatever our proposed outcome as our reasonable solution, this is an associated budget.

Henry Chao: Yeah. Another place to look for a hint on, you know, what's expected is to look at what's published on hhs.gov under the 1561 recommendations of that work group.

Because even though it's talking about recommendations about standards and eligibility enrollment in Health and Human Service programs, it does give you an indication about, you know, what that committee has, you know, kind of put together in terms of recommendations, you know, to announce to everyone what the intent is when it comes to kind of standards and standard implementation.

Susan Lumsden: Another thing I would just like to add is again this goes to a complete description of your budget and your narrative. Please tell us the assumptions that you are making, if you're doing any cost methodology or cost allocation methodology, please tell us what that is and what it's based on.

Nora Leibowitz: Thank you.

Henry Chao: You're welcome.

Coordinator: Our next question is from (Caitlin Kennedy). Your line is open.

(Caitlin Kennedy): Hi. We're calling from Massachusetts and I'm just calling to verify or confirm that application for this grant opportunity and/or receipt or approval of a grant application for this would not preclude a state from applying for or being granted additional planning grant funds for implementation in the Spring of 2011.

Susan Lumsden: That's correct. It does not preclude you.

(Caitlin Kennedy): Great. Thank you.

Henry Chao: And just to not to confuse anyone, we already issued the first round of planning grants. The next round of grants will be establishment grants.

(Caitlin Kennedy): Correct, yes, thank you.

Coordinator: I show no further questions.

Terence Kane: All right, well thank you again everyone for your questions and as Susan said, if you have any questions in the interim, please send them to (Michelle Fagan) or to myself and we'll be happy to try to answer your question for you or set-up a call for you if need be. Otherwise, we hope everyone is working away on their applications.

Susan Lumsden: And have a nice Thanksgiving.

Terence Kane: And enjoy your Thanksgiving. Thanks, everyone.

Coordinator: This concludes today's call. Please disconnect and thank you for participating.

END