



Your Marketplace for Affordable, Quality Health Insurance

COLORADO HEALTH BENEFIT EXCHANGE

2011 PROGRESS REPORT

To the

COLORADO GOVERNOR AND GENERAL ASSEMBLY

January 13, 2012



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Governor John Hickenlooper
State Capitol
200 East Colfax Avenue
Denver CO 80203

The Honorable Brandon Shaffer
President
Colorado State Senate
200 East Colfax Avenue
Denver CO 80203

The Honorable Frank McNulty
Speaker
Colorado State House
200 East Colfax Avenue
Denver CO 80203

Dear Governor John Hickenlooper, President Shaffer and Speaker McNulty,

This report provides an update about the progress that has been made since the passage of SB 11-200 to create the Colorado Health Benefit Exchange. Specifically, the report addresses the work that has been done to establish the governance structure and process for implementing a health insurance exchange in Colorado.

Colorado has been following a thoughtful and collaborative path to engage stakeholder groups and to move forward with a plan that will work best for our state. Our goal is to adhere to the principles established by Senate Bill 11-200 and to create an exchange that will increase access, affordability and choice for individuals and small employers purchasing health insurance in Colorado.

We are pleased with the progress with have made and fortunate to have an extremely dedicated group of board members and legislators guiding our work. We look forward to your continued participation as we build the Colorado Health Benefit Exchange.

Sincerely,



Gretchen Hammer, Chair of the Board, Colorado Health Benefit Exchange

Cc: Senate Health and Human Services Committee
House Health and Environment Committee
Representative Robert Gardner, Chair, Legislative Implementation Review Committee
Senator Betty Boyd, Vice Chair, Legislative Implementation Review Committee
Senator Irene Aguilar, member, Legislative Implementation Review Committee
Representative Deb Gardner, member, Legislative Implementation Review Committee
Representative Jim Kerr, member, Legislative Implementation Review Committee
Senator Kevin Lundberg, member, Legislative Implementation Review Committee
Representative Beth McCann, member, Legislative Implementation Review Committee
Senator Jeanne Nicholson, member, Legislative Implementation Review Committee
Senator Ellen Roberts, member, Legislative Implementation Review Committee
Representative Ken Summers, member, Legislative Implementation Review Committee
Representative Amy Stephens, House Majority Leader
Gretchen Hammer, Chair, Colorado Health Benefit Exchange Board of Directors
Richard Betts, Vice Chair, Colorado Health Benefit Exchange Board of Directors
Arnold Salazar, Secretary, Colorado Health Benefit Exchange Board of Directors
Lorez Meinhold, Governor's Office of Policy and Research
Elizabeth Burger, Colorado Legislative Council

This report is being submitted in compliance with Colorado Revised Statutes, Title 10, Article 22, which states that the Board of the Colorado Health Benefit Exchange shall:

PROVIDE A WRITTEN REPORT, ON BEFORE JANUARY 15 OF EACH YEAR, TO THE GOVERNOR AND GENERAL ASSEMBLY CONCERNING THE PLANNING AND ESTABLISHMENT OF THE EXCHANGE AND PRESENT THE REPORT TO THE SENATE HEALTH AND HUMAN SERVICES COMMITTEE AND THE HOUSE OF REPRESENTATIVES HEALTH AND ENVIRONMENT COMMITTEE, OR THEIR SUCCESSOR COMMITTEES.

BACKGROUND

On March 21 2011, Senate Bill 11-200, a bill to establish a state health insurance exchange, was introduced by State Senator Betty Boyd of Lakewood and State Representative Amy Stephens of Monument. The Colorado General Assembly passed Senate Bill 11-200 in May and Governor John Hickenlooper signed the bill on June 1.

SB 11-200 established the framework for the Colorado Health Benefit Exchange, including the governance structure as a non-profit, public entity governed by a Board of Directors with oversight from a bi-partisan Legislative Implementation Review Committee.

BOARD OF DIRECTORS

According to SB 11-200, the Board of Directors of the Colorado Health Benefit Exchange consists of nine voting members, five of who are appointed by the Governor with the remaining members appointed by the majority and minority leaders of each house of the General Assembly. Appointments for five members are for four years with four members having 2-year terms. Individual board members are each expected to have expertise in at least one but ideally two or more of the following areas:

- Individual health insurance coverage
- Small business health insurance coverage
- Health benefits administration
- Health care finance
- Administration of a public or private health care delivery system
- The provision of health care services
- The purchase of health insurance coverage
- Health care consumer navigation or assistance
- Health care economics or health care actuarial sciences
- Information technology
- Starting a small business with 50 or fewer employees

Additionally, there are three non-voting ex-officio members: the Executive Director of the Department of Health Care Policy and Financing (or his or her designee), the Commissioner of Insurance (or his or her

designee), and the Director of the Office of Economic Development and International Trade (or his or her designee).

Members of the Board of Directors were announced in June 2011. They are:

Richard T. Betts of Telluride, with a term to expire in 2013. Betts is the owner, ASAP Accounting & Payroll, Inc.

Eric Grossman of Englewood, with a term to expire in 2013. Grossman is a Vice President at TriZetto.

Robert S. Ruiz-Moss of Lone Tree, with a term to expire in 2013. Ruiz-Moss is the Market Segment Lead of Anthem Blue Cross.

Elizabeth Soberg of Centennial, with a term to expire in 2013. Soberg is the Chief Executive Officer of UnitedHealthcare of Colorado.

Stephen ErkenBrack of Grand Junction, with a term to expire in 2015. ErkenBrack is the President of Rocky Mountain Health Plans.

Dr. Michael Fallon of Denver, with a term to expire in 2015. Fallon is an emergency room physician.

Gretchen Hammer of Denver, with a term to expire in 2015. Hammer is the Executive Director for the Colorado Coalition for the Medically Underserved.

Arnold Salazar of Alamosa, with a term to expire in 2015. Salazar is the Executive Director of Colorado Health Partnerships, LLC.

Nathan Wilkes of Arapahoe County, with a term to expire in 2015. Wilkes is the Founder and Principal Consultant of Headstorms, Inc.

Ex-officio (non-voting members) are:

Ken Lund, Executive Director of the Office of Economic Development and International Trade

Susan Birch, Executive Director of the Colorado Department of Health Care Policy and Financing

Jim Riesberg, Commissioner of Insurance

According to SB 11-200, the Board is responsible for:

- Appointing the Executive Director of the Exchange
- Creating initial operating and financial plans
- Applying for planning and establishment grants
- Creating technical and advisory work groups
- Providing an annual progress report to state leaders

- Reviewing internet portals for use in the Exchange
- Considering the structure of the Exchange
- Considering the appropriate size of the small employer market
- Considering the unique needs of rural Coloradans related to access, affordability and choice with purchasing health insurance
- Considering affordability and cost in relation to quality of care and increased access to health insurance
- Investigating requirements, developing options and determining waivers

The Board met for the first time on July 11, 2011 and continued meeting on a bi-monthly basis thereafter. All meetings of the Board have been conducted in accordance with state open meeting law requirements as outlined in SB11-200. The dates, times, locations, agendas, working materials and products can be found at www.getcoveredco.org.

During its 11 full meetings in 2011, the Board began to study and address a range of issues outlined above in SB 11-200. Much of the Board's work focused on creating a governance structure, establishing a process of operating, including adopting a conflict of interest policy. The Board received updates from planning staff and contractors about a variety of topics, including:

- A range of policy issues, including the size of small employer firms who can use the Small Business Health Options Program, the small employer component of the Exchange
- Research about the uninsured population and the health insurance market
- Issues related to adverse selection, premium costs and how to maintain affordability
- Research about technology needs and gaps related to interoperability with other state systems
- Communications and outreach strategies to target populations including rural communities and young working adults
- Guidance about required exchange operations

The Board elected Gretchen Hammer Interim Board Chair in August 2011. In November 2011, the Board elected Officers. Gretchen Hammer was elected as Chair. Richard Betts was elected Vice Chair, and Arnold Salazar was elected Secretary.

As outlined by SB 11-200, the Board created six committees: Governance, Personnel, Finance, Grant Review, Rules and Regulation Review and Technology and Implementation. These working committees were very productive during the last four months of 2011. Members of the Board applied their specific areas of expertise to Exchange planning and development and made recommendations to the full Board. Committee meetings were open to the public and the Board benefited tremendously from ongoing stakeholder input.

In addition, the Board met for two public study sessions in September 2011 and November 2011 to have more in-depth discussions about its business model and Small Employer Health Options Program.

The table below summarizes key recommendations and documents that were developed by the committees and adopted by the full Board.

<p>Governance Committee</p>	<p>September 2011 October 2011 December 2011</p>	<p>Board engaged the Attorney General’s office to provide legal counsel around the incorporation of the exchange and Board</p> <p>Articles of Governance adopted</p> <p>Governing Principles and Conflicts of Interest policy adopted</p>
<p>Personnel Committee</p>	<p>October 2011 November 2011 December 2011</p>	<p>Executive Director (ED) search timeline and job description adopted</p> <p>ED candidates interviewed and search narrowed to two final candidates</p> <p>Patty Fontneau selected by the committee, approved as the leading candidate by the Board and unanimously approved by the Legislative Implementation Review Committee</p>
<p>Grant Review Committee</p>	<p>September 2011 December 2011</p>	<p>Board helped to craft the Level One Establishment Grant application.</p> <p>Board approved the Level One Establishment Grant application, which was approved with a majority vote by the Legislative Implementation Review Committee and submitted to the U.S. Department of Health and Human Services.</p>
<p>Rules and Regulation Review Committee</p>	<p>September 2011 October 2011</p>	<p>First Notice of Proposed Rule Making (NPRM) comment letter adopted and sent to U.S. Department of Health and Human Services. Comment letter focused on areas where Colorado’s Exchange could benefit from maximum flexibility to meet the unique needs of its population and market conditions.</p> <p>Second NPRM comment letter was adopted and sent to U.S. Department of Health and Human Services. Comment letter also focused on areas where state could benefit from flexibility.</p>

Technology and Implementation Committee	November 2011 December 2011	Committee discussed strategic IT decisions facing the exchange such as IT investments, acquisition of services and procurement strategy Board adopted the Request for Proposal strategy, evaluation process and timeline.
Finance Committee	December 2011	Committee held first meeting to discuss planning grant resources, Level One Establishment grant budget and financial modeling for the exchange.

LEGISLATIVE IMPLEMENTATION REVIEW COMMITTEE

SB 11-200 also established a panel of 10 state legislators called the Legislative Implementation Review Committee to guide implementation of the Exchange, make recommendations to the General Assembly and protect the interests of Coloradans. Members of the Review Committee members are appointed as follows:

The President of the Senate appoints three members. Two members must belong to the Senate Health and Human Services Committee, the Business, Labor and Technology Committee or the Legislative Audit Committee or their successor committees. One member may come from the rest of the Senate.

The Speaker of the House appoints three members. Two members must belong to the House Health and Environment Committee, the Economic and Business Development Committee or the Legislative Audit Committee or their successor committees. One members may come from the rest of the House.

The Minority Leader of the Senate appoints two members. One member must belong to the Senate Health and Human Services Committee, the Business, Labor and Technology Committee or the Legislative Audit Committee or their successor committees. One member may come from the rest of the House.

The Minority Leader of the House appoints two members. One member must belong to the House Health and Environment Committee, the Economic and Business Development Committee or the Legislative Audit Committee or their successor committees. One member may come from the rest of the House.

The Senate President appoints the Chair and the House Speaker appoints the Vice Chair during odd-numbered years. The House Speaker appoints the Chair and Senate President appoints the Vice Chair

during even-numbered years. The Review Committee may report up to five bills or other measures to the legislative council each year.

According to SB 11-200, the Review Committee is responsible for approving the hiring of the Exchange's Executive Director, approving grant applications from the Board and approving the Exchange's initial financial and operational plan.

The Review Committee members are:

Representative Bob Gardner (Vice Chair in 2011 and Chair as of January 1, 2012)

Senator Betty Boyd (Chair in 2011 and Vice Chair as of January 1, 2012)

Senator Irene Aguilar

Representative Deb Gardner

Representative Jim Kerr

Senator Kevin Lundberg

Representative Beth McCann

Senator Jeanne Nicholson

Senator Ellen Roberts

Representative Ken Summers

The Review Committee held its first meeting on August 1, 2011 at the State Capitol and received an overview from Legislative Council staff about the responsibilities of the group and general principles about the Exchange. They heard an update from the interim planning director, including plans for applying for a Level One Establishment Grant and received an update about state Exchange activities from the National Conference of State Legislatures (NCSL). The Review Committee also discussed proposed rules from the U.S. Department of Health and Human Services (HHS).

The Review Committee met on August 31 and received updates from Interim Board Chair Gretchen Hammer about Board activities. They also heard from Board member Steve ErkenBrack and members of Legislative Council staff about proposed federal rules.

Throughout 2011, the federal government was awarding Level One Establishment grants to states on a rolling basis, based on applications that were submitted each quarter. Initially the Board approved a grant to be submitted on September 30 2011, but there was not sufficient time to present the

application to the full Review Committee so a decision was made to delay until the next quarterly deadline, December 31 2011.

The planning staff worked with the Review Committee members, Board, to revise the grant to better align with SB11-200 and submitted it to the Review Committee prior to a Dec. 15, 2011 meeting. The Review Committee approved the grant application during the December meeting and the application was submitted to HHS on December 28th. The Level One Grant requests funds for eight months in 2012, for:

- Adhering to the governing and legal framework set by Senate Bill 11-200
- Obtaining robust information technology systems – which constitute the largest costs of an exchange – that can perform multiple functions including communicating with other databases to determine eligibility for tax credits
- Establishing a process to provide individual and small employer support, including an appeals process for problems encountered while acquiring insurance, as well as difficulties which may arise regarding timely payment of claims
- Developing sophisticated business processes to ensure a high quality customer experience
- Supporting a small core staff of nine, augmented by consultants

The Review Committee also met on December 7, 2011 and approved the hiring of Patty Fontneau as the Executive Director and Chief Executive Officer. Fontneau brings more than 25 years of experience as a business executive.

OUTREACH AND EDUCATION

Stakeholder engagement and collaboration with partner agencies are key to fulfilling the goals of SB 11-200. To that end, Exchange planning staff and Board members conducted a large number of public presentations about their work and conducted extensive outreach to organizations across the state to learn about their needs and to encourage their participation in the planning of the Exchange.

A sampling of public presentations include:

- A June 2011 meeting of the Colorado Forum, attended by about 60 business and healthcare industry executives
- Two Town Hall meetings in Pueblo in July 2011 attended by more than 100 small employers, advocates and consumers
- An August 2011 Town Hall meeting in Aurora conducted by Aurora Health Access, attended by about 120 consumers, advocacy group and other individuals
- A September meeting of about 80 human resources professionals and small employers in Denver
- An October 2011 meeting of the Colorado Benefits & Incentives Group, attended by about 100 small business representatives

- A November 2011 meeting of the Colorado Managed Care Collaborative in Aurora, attended by about 70 health care providers and insurers and brokers
- A December 2011 conference in Aurora by Colorado Voices for Coverage, attended by about 40 consumer advocates and community organizations

The new website of the Colorado Health Benefit Exchange, www.getcoveredco.org, was launched in November 2011. Key features of the website include numerous ways to participate in the planning work and to provide feedback, as well as resources to find insurance and Frequently Asked Questions that provide additional details about how the Exchange will operate.

In consultation with the Colorado Commission of Indian Affairs, Exchange staff completed a draft tribal outreach and consultation plan and sent the plan to the Chairmen of the Ute Mountain Ute Tribe and Southern Ute Indian Tribe for comments and feedback. The plan was also forwarded to the U.S. Department of Health and Human Services.

The Board and planning staff also solicited input from a range of stakeholder groups to assist with research about the uninsured population, the size of the Exchange, issues related to creating the Small Employer Health Options Program and outreach to a range of target populations, including rural Coloradans. More than 175 individuals and representatives from organizations and businesses participated in open work group meetings to study these issues.

The Data Advisory Work Group assisted Exchange planning staff to engage national consultants to conduct analysis of current available data on the uninsured and small group markets and to identify gaps in the data and make recommendations for further data collection and analysis.

The Small Employer Work Group focused on the parameters around creating the Small Business Health Options Program (SHOP). This work group debated a range of issues and reached consensus on a handful of principles that they forwarded as recommendations to the board, including: the small employer market should initially be defined as groups with 50 or less employees, the individual and SHOP exchanges should be separate, and the Exchange should provide services to attract small businesses and provide value.

The Marketing Education and Outreach Work Group studied target populations that the Exchange will need to reach and discussed strategies related to engaging these individuals. The group has been developing messaging and public education about the value of insurance and the services that will be offered on the Exchange. They have identified outreach possibilities and how to best assist customers with purchasing health insurance.

In addition to engaged individuals, some of the organizations participating in the Work Groups include:

Colorado Association of Commerce and Industry

ClinicNET

The Colorado Health Foundation

National Federation of Independent Business

The Bell Policy Center	Colorado Coalition for the Medically Underserved
CREA Results	Colorado Consumer Health Initiative
Colorado Center on Law & Policy	Colorado Area Health Education Centers Program
Colorado Access	The Colorado Trust
Signal Behavioral Health Network	The Spring Institute for Intercultural Learning
Covering Kids and Families	Colorado Rural Health Center
CoverColorado	Colorado Association of Health Underwriters
Center for Improving Value in Health Care	Mountain States Employers Council Inc.
Denver Health	Colorado Nonprofit Association
Colorado Association of Health Plans	

OPERATIONS

Planning staff has focused on developing the scope of future operations and preparing for the technical and business needs of the Exchange. New studies indicated that over time, the Exchange could grow to serve as many as 540,000 to over 1 million individuals and Colorado small employers.

In December, with the approval of the Legislative Review Committee, the COHBE Board hired Patty Fontneau as Executive Director and Chief Executive Officer. Ms. Fontneau most recently served as Chief Operating Officer at Holme Roberts & Owen LLP, an international law firm. She previously served as Chief Administrative Officer for The IMA Financial Group Inc. and as Vice President and General Manager of the Western Service Center of TIAA-CREF, managing the operation of a 1,300-employee office in Denver. Patty serves on the boards of CollegenInvest, the Auraria Foundation, the Downtown Denver Partnership and other organizations. She won the 2007 Outstanding Women in Business Award (banking and finance category) from the Denver Business Journal, the Leadership Award from the Alumni Association of the University of Colorado at Denver Business School, and the 2003 Athena award from the Colorado Women’s Chamber of Commerce, among other honors.

NEXT STEPS

The Exchange must move aggressively to obtain technology and business services in 2012 to meet the timeframe of opening for business in 2013. To that end, the \$17.9 million Level One Grant application,

approved by the Review Committee in December 2011, is intended to support the State in moving to the next level of planning, development, and implementation of the Exchange. Colorado plans to use Level One funding to begin the process of improving Colorado's IT infrastructure and in preparing the Exchange to begin developing web services to provide the necessary interfaces. The Exchange will also perform a more detailed IT gap analysis which can serve as a basis for contracting with vendors that will offer the best solution and value to the State Exchange. The Board expects to receive notification about the status of the grant application by mid-February 2012.

Throughout the fall, consultants compiled an approximately 175-page draft RFP for the service and technology platform that will be purchased in Spring 2012 with the anticipated Level One Grant funds. These services will serve as the operational anchor for the Exchange. The draft RFP was completed and released to a small internal group for review in December. The RFP is expected to be released publicly in late January 2012 and the service and technology vendors are expected to be announced in the second quarter of 2012.

The Board and staff continue working to establish the Exchange as its own entity by developing financial, HR, procurement and technology policies and procedures. Hiring plans and the identification of new office space are also underway, with implementation to come after receipt of Level One Grant funds.

The Exchange is scheduled to open for business in October 2013.

KEY DATES

June 1, 2011	Governor John Hickenlooper signs SB 11-200 into law.
June 29, 2011	Members of the Colorado Health Benefit Exchange Board of Directors are announced.
July 11, 2011	Exchange Board of Directors convenes first meeting in Denver, attended by more than 100 members of the public. Exchange Board of Directors meets bi-monthly through December, 2011.
August 1, 2011	Legislative Implementation Review Committee convenes first meeting at the State Capitol.
October 24, 2011	Exchange Board approves Articles of Governance.
November 18, 2011	New Colorado Health Benefit Exchange website launches (www.getcoveredco.org)
November 28, 2011	Exchange Board elects Gretchen Hammer as Board Chair, Richard Betts as Vice Chair and Arnold Salazar as Secretary
December 7, 2011	Legislative Implementation Review Committee unanimously approves the hiring of Patty Fontneau as the Exchange's ED and CEO. She is hired by the Board on December 12 and begins work the same day.
December 15, 2011	Legislative Implementation Review Committee approves the Level One Grant application for the Exchange.
December 28, 2011	Exchange submits Level One Establishment Grant application to U.S. Department of Health and Human Services.

DATA ABOUT INSURANCE STATUS OF COLORADANS AND POTENTIAL CUSTOMERS FOR THE EXCHANGE

CURRENT INSURANCE STATUS OF COLORADANS

- 830,000 Coloradans are currently uninsured (approximately one in six Coloradans)
- 298,000 Coloradans are insured through small group plans
- 2.3 million Coloradans are insured through large group employer plans
- 308,000 Coloradans are insured through individual plans
- 465,000 Coloradans are insured through public plans

CURRENT STATUS OF UNINSURED COLORADANS

- 59% of uninsured Coloradans earn 200% of federal poverty level or less
- 29% of uninsured Coloradans earn 200-400% of federal poverty level
- 12% of uninsured Coloradans earn more than 400% of federal poverty level
- 20% of uninsured Coloradans are ages 0-18
- 37% of uninsured Coloradans are ages 19 to 34
- 32% of uninsured Coloradans are ages 35-54
- 44% of uninsured Coloradans are single, childless adults
- 31% of uninsured Coloradans are couples with children
- 58% of uninsured Coloradans are employed full time
- 67% of uninsured Coloradans have been uninsured for more than 2 years

POTENTIAL NUMBER OF CUSTOMERS FOR THE COLORADO HEALTH BENEFIT EXCHANGE

- 460,000 Coloradans will be able to purchase individual health plans with financial assistance to reduce their premium cost
- 80,000 employees and dependents are predicted to get insured through their employer, who will receive tax credits to reduce premium cost
- 160,000 Coloradans are predicted to purchase individual plans on the Exchange without receiving financial assistance for premium costs
- 260,000 Coloradans who are employees or dependents of small employers are predicted to obtain insurance through the Exchange without financial assistance for premium costs

More information about this data is available at the Colorado Health Benefit Exchange website (www.getcoveredco.org), and [here](#).