



OFFICE OF THE GOVERNOR
COMMONWEALTH OF MASSACHUSETTS
STATE HOUSE • BOSTON, MA 02133
(617) 725-4000

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

July 10, 2012

Mr. Mike Hash
Interim Director, Center for Consumer Information and Insurance Oversight
Centers for Medicare and Medicaid Services
200 Independence Avenue SW, Suite 739H
Washington DC, 20201

Re: Massachusetts' Health Insurance Exchange Model Declaration Letter

Dear Mr. Hash:

I am pleased to submit this letter in support of the Commonwealth Health Insurance Connector Authority's (Health Connector) implementation of a state-based Exchange consistent with the Affordable Care Act (ACA) on behalf of Massachusetts' residents. Massachusetts has operated a state-based health insurance Exchange through the Health Connector since 2006 and is actively configuring its existing model to comply with the ACA's requirements for administering a state-based Exchange. This letter includes the information required by the Centers for Medicare and Medicaid services (CMS) to serve as our formal declaration of intent to operate a state-based Exchange under the ACA.

The Health Connector was created by Chapter 58 of the Acts of 2006 as a quasi-governmental authority. It is governed by an eleven-member Board of Directors chaired by the state's Secretary for Administration and Finance and comprised of public officials and private citizens representing diverse interests and areas of expertise with respect to health insurance and health care. It has a staff of nearly 50 individuals overseen by

Executive Director Glen Shor. Mr. Shor will serve as the primary point of contact with the U.S. Department of Health and Human Services (HHS) with respect to the Health Connector's serving as our state-based Exchange; is accordingly authorized to bind the state with HHS regarding the state's Exchange; and will also complete and sign the Exchange Application.

We have made major progress in Massachusetts laying the foundations for operating the Health Connector as an ACA-compliant, state-based Exchange. Earlier this year, I signed legislation that officially designated the Health Connector as Massachusetts' state-based Exchange for purposes of the ACA. This legislation retains the existing governance structure of the Health Connector while vesting it with the authorities and responsibilities required of state-based Exchanges under the ACA. I subsequently signed additional legislation further refining the Health Connector's 2006 enabling statute to promote greater consistency with new federal requirements for state-based Exchanges.

To implement a state-based Exchange in Massachusetts, the Health Connector will work in collaboration with the Commonwealth's Executive Office of Health and Human Services to perform Advance Premium Tax Credit (APTC)/Cost-Sharing Reduction (CSR) eligibility determinations. These organizations are currently working to develop the best processes and procedures for conducting eligibility determinations.

With regard to premium stabilization, a multi-agency workgroup co-chaired by the Health Connector and the state's Division of Insurance is in the process of crafting the Commonwealth's preferred strategy and implementation plan for the permanent risk adjustment and transitional reinsurance programs required by the ACA. At this time, Massachusetts' plan is to administer a federally-certified, alternative risk adjustment program starting in 2014, or the first year of post-reform operations. As such, Massachusetts does not intend to request that HHS administer risk adjustment on behalf of the Commonwealth.

The Health Connector will serve as the entity to administer risk adjustment for our merged small/non-group market. Massachusetts intends to apply an alternative risk adjustment methodology. This methodology is

currently in development by the previously mentioned workgroup leveraging Massachusetts-specific experience and in accordance with available federal guidance, with the goal of achieving equal or better premium stabilization performance for the Massachusetts small and non-group market compared with the federal methodology. The alternative risk adjustment methodology will be subject to federal certification in the fall of 2012. We intend to apply an "intermediate" data collection approach to supporting risk adjustment by leveraging the state's existing All-Payer Claims Database (APCD). Specific procedures for data collection and validation, along with all applicable data privacy and security standards, will be presented to HHS and subject to federal certification.

Massachusetts is also considering the option to administer its own temporary reinsurance program within the scope of permissible state flexibility. Our Division of Insurance would serve as the entity that oversees administration of the transitional reinsurance program in Massachusetts. Massachusetts intends to review the federal guidelines for reinsurance that will become available in the fall and will apply to administer a Massachusetts reinsurance program and contract with a nonprofit reinsurance entity if it can implement one that is more appropriate for Massachusetts. The workgroup is currently conducting analysis to identify the appropriate parameters (attachment point, co-insurance rate and reinsurance cap) and operational procedures of a state-specific program.

Massachusetts looks forward to working collaboratively with CMS to ultimately obtain federal approval for operating a state-based Exchange through our Health Connector.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sevati", with a large, sweeping flourish above the name.