

**U.S. Department of Health and Human Services
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight**

**Cooperative Agreement to Support Establishment of the Affordable Care
Act's Health Insurance Exchanges**

Announcement Type: Amended

**Funding Opportunity Number: IE-HBE-12-001
CFDA: 93.525**

Date: December 6, 2013

Applicable Dates

Letter of Intent: Optional, may be submitted one month prior to application due date.

Level One Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014; November 14, 2014

Level Two Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014; November 14, 2014

Anticipated notice of award: 45 days after application due date

Period of Performance: Level One Exchange Establishment: Up to one year after date of award;
Level Two Exchange Establishment: Up to three years after date of award

PRA Disclosure Statement

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-1168. The time required to complete this information collection is estimated to average (463 hours) per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

Table of Contents

| | |
|---|-----------|
| OVERVIEW INFORMATION | 4 |
| I. FUNDING OPPORTUNITY DESCRIPTION | 5 |
| 1. Purpose | 5 |
| 2. Authority | 7 |
| 3. Background | 7 |
| 4. Program Requirements | 9 |
| II. AWARD INFORMATION | 13 |
| 1. Total Funding | 13 |
| 2. Award Amount | 13 |
| 3. Anticipated Award Dates | 13 |
| 4. The Period of Performance | 13 |
| 5. Number of Awards | 13 |
| 6. Type of Award | 14 |
| III. ELIGIBILITY INFORMATION | 14 |
| 1. Eligible Applicants | 14 |
| 2. Cost-Sharing / Matching Medicaid Federal Financial Participation | 16 |
| 3. Other | 17 |
| 4. Pre-Application Conference Call | 17 |
| IV. APPLICATION AND SUBMISSION INFORMATION | 17 |
| 1. Address to Request Application Package | 18 |
| 2. Content and Form of Application Submission | 22 |
| 3. Submission Dates and Times | 35 |
| 4. Intergovernmental Review | 36 |
| 5. Funding Restrictions | 36 |
| V. APPLICATION REVIEW INFORMATION | 38 |
| 1. Criteria | 38 |
| 2. Review and Selection Process | 40 |
| 3. Anticipated Announcement and Award Dates | 41 |
| VI. AWARD ADMINISTRATION INFORMATION | 41 |
| 1. Award Notices | 41 |
| 2. Administrative and National Policy Requirements | 41 |
| 3. Terms and Conditions | 42 |
| 4. Cooperative Agreement Terms and Conditions of Award | 43 |
| 5. Reporting | 44 |

| | |
|---|-----------|
| VII. AGENCY CONTACTS..... | 47 |
| VIII. APPENDICES..... | 48 |
| A. Exchange Activities for a State-based Exchange | 48 |
| B. State Grantee Activities for a Federally-facilitated Exchange, including State Partnership Model | 54 |
| C. Cross-Walk of Exchange Activity Categories and Prior Exchange Core Areas | 58 |
| D. Establishment Review Process, Medicaid Review Process, and IT Gate Reviews | 60 |
| E. IT Gap Analysis for Project Narrative | 63 |
| F. Appendix F: Exchange Information Technology Principles | 64 |
| G. Guidance for Preparing a Budget Request and Narrative in Response to SF 424A | 67 |
| H. Appendix H: Guidance for Preparing Budget Request by Exchange Activity | 75 |
| I. Appendix I: Federal Procurement Requirements for Grantees | 77 |
| J. Appendix J: Application Check-Off List | 79 |

OVERVIEW INFORMATION

Agency Name: Department of Health and Human Services
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight

Funding Opportunity Title: Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges

Announcement Type: Amended

Funding Opportunity Number: IE-HBE-12-001

Catalog of Federal Domestic Assistance (CFDA) Number: 93.525

Key Dates:

Date of Issue: November 2012

Letter of Intent: Optional, may be submitted one month prior to application due date.

Level One Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014

Level Two Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014

Anticipated notice of award: 45 days after application due date

Period of Performance: Level One Exchange Establishment: Up to one year after date of award;
Level Two Exchange Establishment: Up to three years after date of award

Pre-Application Conference Calls: (See Section III.4 for more information)

I. FUNDING OPPORTUNITY DESCRIPTION

1. Purpose

On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act (P.L. 111-148). On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152) was signed into law. The two laws are collectively referred to as the Affordable Care Act. The Affordable Care Act creates new competitive private health insurance marketplaces – called Affordable Insurance Exchanges or “Exchanges” – that will give millions of qualified individuals and qualified small employers access to affordable coverage. Exchanges will help qualified individuals and qualified small employers shop for, select, and enroll in high-quality, affordable private health plans that fit their needs at competitive prices. Exchanges will also assist eligible individuals to receive premium tax credits and cost sharing reductions or help individuals enroll in other Federal and State health care programs. By providing one-stop shopping, Exchanges will make purchasing health insurance easier and more understandable and will put greater control and greater choice in the hands of qualified individuals and small businesses.

The Affordable Care Act provides that each State pursuant to section 1311(b) may elect to establish an Exchange that would: 1) facilitate the purchase of qualified health plans (QHPs); 2) provide for the establishment of a Small Business Health Options Program (“SHOP Exchange”) designed to assist qualified employers in facilitating the enrollment of their employees in QHPs offered in the SHOP Exchange; and 3) meet other requirements specified in 1311(d) of the Affordable Care Act and in the Exchange final rule (77 Fed. Reg. 18310 (Mar. 27, 2012) (to be codified at 45 C.F.R. parts 155, 156 and 157)).

The U.S. Department of Health and Human Services (HHS) must make a determination on or before January 1, 2013, that a State will in fact have an Exchange in operation by January 1, 2014 and that the Exchange meets (or will meet) the requirements of the Affordable Care Act and implementing regulations. If a State elects not to operate an Exchange, or in the case where HHS determines that the State will not be able to have an Exchange operational by 2014 that meets the law’s requirements, HHS, shall (directly or through agreements with a not-for-profit entity) establish and operate such Exchange within the State. (ACA Sec. 1321(c)(1)).

A Federally-facilitated or Partnership Exchange will operate in each State electing not to pursue a State-based Exchange. To the greatest extent possible, HHS intends to work with States to preserve the traditional responsibilities of State insurance departments when establishing a Federally-facilitated Exchange. Additionally, HHS will seek to harmonize Exchange policy with existing State programs and laws wherever possible. States continue to maintain an important responsibility with respect to health plans licensed and offered in their State, regardless of whether the Exchange is Federally-facilitated or fully State-based. Please refer to the most recent

guidance on the Federally-facilitated Exchange for information on these systems, which will be available on the CCIIO website: <http://cciio.cms.gov/>.

A State may collaborate with the Federally-facilitated Exchange in a Plan Management and/or Consumer Outreach Partnership. Please refer to the most recent guidance on the Federally-facilitated Exchange for updates on State activities in the Federally-facilitated Exchange and State Partnership model. HHS also recognizes that a State's long term plan might be a State Based Exchange, but that State may want to be in a Partnership model Exchange as a transition. In this case, funding may be used to develop linkages and undertake other State activities required to establish the Federally-facilitated Exchange.

This Funding Opportunity Announcement (FOA) provides States, the District of Columbia, and consortia of States, with financial assistance for the establishment of Exchanges. Throughout this announcement, States, the District of Columbia, and consortia of States will all be referred to as "State(s)." These awards will provide funds for the State to complete activities for achieving approval of its Exchange in accordance with Section 1321 of the Affordable Care Act and the requirements as established through the rulemaking process (see 45 C.F.R. § 155.105 (77 Fed. Reg. 18446 (Mar.27, 2012))), and/or for State activities to support the establishment of a Federally –facilitated Exchange or Partnership model in the State. Please refer to Appendix B for additional information on the Federally-facilitated Exchange and Partnership model.

Section 1311 of the Affordable Care Act provides funding for States establishing an Exchange through grants. Such grants are available for States seeking to establish a State-based Exchange, to build functions that a State elects to operate under a State Partnership Exchange, and to support State activities to build interfaces with a Federally-facilitated Exchange. Grants may be awarded through December 31, 2014 for all types of Exchanges, and grant funds are available for approved and permissible establishment activities. The first year of Exchange activity is critical to ensuring Exchange self-sufficiency. The establishment of an Exchange and activities related to such establishment also include start-up year expenses to allow outreach, testing, and necessary improvements during the start-up year. In addition, a State that does not have a fully approved State-based Exchange on January 1, 2013 may continue to qualify for and receive a Cooperative Agreement award in connection with its activities related to establishment of the Federally-facilitated Exchange or Partnership Exchange, subject to the FOA eligibility criteria.

States may choose whether to apply for *Level One Exchange Establishment* or *Level Two Exchange Establishment*. States can also choose at what point to apply for grant funding based on their own needs and planned expenditures.

Level One Exchange Establishment is open to all States, whether they are (1) participating in the Federally-facilitated Exchange, including States collaborating with the Federally-facilitated Exchange through the State Partnership model, or (2) developing a State-based Exchange. Though participation in the Federally-facilitated Exchange and collaboration with the Federally-facilitated Exchange through the State Partnership model are referred throughout this FOA as

two separate models for discussion and explanatory purposes, please note that both are within the Federally-facilitated Exchange. In an effort to promote flexibility, States may transition between different Exchange models and will update their work plans accordingly. For example, a State might choose in 2014 to initially operate within the Federally-facilitated Exchange but seek approval to operate as a State-based Exchange in 2015 forward. *Level Two Exchange Establishment* is only open to States that are establishing a State-based Exchange.

This Cooperative Agreement is designed to give States multiple opportunities to obtain funding to support progress toward the establishment of an Exchange, regardless of the model chosen by the State. States may initially apply for either *Level One* or *Level Two Exchange Establishment* Cooperative Agreements.

States may apply for *Level One* Cooperative Agreements as often as each application cycle. As States may choose to take an incremental approach to Exchange establishment, the State may decide to apply for multiple *Level One* awards so long as the use of funds is properly allocated and tracked among the multiple funding streams. A State may only receive one *Level Two* Cooperative Agreement. Additionally, a State that has received a *Level Two* award may subsequently request *Level One* funding to support an activity that was not funded in a previously awarded section 1311(a) grant or Cooperative Agreement.

2. Authority

This Cooperative Agreement is being issued by HHS pursuant to Section 1311 of the Patient Protection and Affordable Care Act (P.L. 111-148), as amended by the Healthcare and Education Reconciliation Act (P.L. 111-152), which authorizes this funding opportunity for States and the District of Columbia.

3. Background

An Exchange is a competitive organized marketplace to help consumers and small businesses buy health insurance in a way that permits easy comparison of available plan options based on price, benefits, and quality. By pooling people together, reducing transaction costs, and increasing price and quality transparency, Exchanges are designed to create more efficient and competitive health insurance markets for individuals and small employers.

Determining eligibility – including changes in eligibility – for various types of coverage can be difficult and confusing for consumers. Exchanges will help consumers negotiate and overcome these kinds of complexities. As a result, another key benefit of Exchanges will be more streamlined access to and continuity of coverage.

As described in the Exchange final rule (45 C.F.R. § 155.105 (77 Fed. Reg. 18446 (Mar. 27, 2012))), Exchanges will carry out a number of functions as required by the Affordable Care Act,

including certifying qualified health plans, administering advance payments of the premium tax credit and cost-sharing reductions, operating a toll-free hotline and providing an easy-to-use website and consumer tools, establishing a Navigator program, and determining eligibility for enrollment in QHPs as well as insurance affordability programs.

HHS has used a phased approach to provide States with resources for implementing Exchanges. On September 30, 2010, HHS awarded the first phase of Exchange funding to 48 States and the District of Columbia, under the funding opportunity *State Planning and Establishment Grants for the Affordable Care Act's Exchanges* (Exchange Planning grants). Exchange Planning grants assist with initial planning activities related to the implementation of the Exchanges. In connection with those planning grants, nine core areas were identified for States to focus on in the planning process: Background Research, Stakeholder Involvement, Governance, Program Integration, Regulatory/Legislative Actions, Technical Infrastructure, Finance, Resources and Capabilities, and Business Operations. States that received these funds have been carrying out planning activities under each of these nine core areas.

In an effort to reduce replication and the cost of work on the IT components of the Exchange, the funding opportunity *Cooperative Agreements to Support Innovative Exchange Information Technology Systems* (Early Innovator Cooperative Agreements) was announced in October 2010. In February of 2011, HHS awarded its second phase of Exchange funding to six States and one consortium of States to develop Exchange IT systems that will serve as models for other States. This approach aims to reduce the need for each State to “reinvent the wheel” and aids States in Exchange establishment by accelerating the development of Exchange IT systems.

To ensure that all States have the opportunity to receive resources to plan and implement an Exchange, HHS announced a third limited funding opportunity on January 19, 2011 for those States that did not already receive Exchange Planning grant funds, *Limited Competition for State Planning and Establishment Grants for the Affordable Care Act's Exchanges* (Exchange Planning grants).

In order to give Territories the opportunity to receive similar resources, HHS announced the funding opportunity *Territory Cooperative Agreements for the Affordable Care Act's Exchanges* on January 20, 2011 that provided early implementation funding to Territories that elect to establish an Exchange consistent with Federal requirements.

The fifth phase of HHS funding, *Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges* (Exchange Establishment Cooperative Agreements) was released January 20, 2011. This funding opportunity provided States with financial support for activities related to the establishment of an Exchange, including the development of Exchange IT systems.

In this sixth phase of HHS funding, *Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges* (Exchange Establishment Cooperative

Agreements), funding is made available to States for the establishment of the Exchanges. This phase of funding builds on the previous funding opportunity in that it continues to provide funds towards the establishment of an Exchange, but is more comprehensive and includes additional guidance on how section 1311(a) of the Affordable Care Act may be used for State activities to support establishment of the three Exchange models (Federally-facilitated, State Partnership, or State-based). This funding opportunity makes funds available to support State activities to interface with the Federally-facilitated Exchange, to develop activities that are potential areas of collaboration under the State Partnership Exchange model, and to establish a State-based Exchange. Additionally, this funding opportunity provides information on expectations for Exchange establishment under each of these models. Cooperative Agreements may be awarded through the end of 2014.

The establishment of an Exchange and activities related to such establishment include start-up year expenses to allow outreach, testing and necessary improvements during the initial start-up year. In addition, a State that does not have a fully approved State-based Exchange on January 1, 2013 may continue to qualify for and receive a Cooperative Agreement award, subject to the FOA eligibility criteria. Cooperative Agreements may be awarded through December 31, 2014. For additional information on use of funds please see Section IV.5. Funding Restrictions.

4. Program Requirements

This section outlines the requirements of grantees that receive an award under this announcement, including:

- (A) Exchange activities
- (B) Early benchmarks;
- (C) Requirements for Exchange IT systems;
- (D) Expectations of reuse and collaboration; and
- (E) Demonstration of grantee progress through reporting and reviews.

As program requirements are updated for all Exchange models, such guidance will be posted on the CCIIO website at <http://cciio.cms.gov/>. Please refer to the website for the most recent guidance on program requirements when developing your application.

A: Exchange Activities

In an effort to build a strong foundation for an approved and sustainable Exchange, this funding opportunity focuses on the intensive development, build, and testing of systems and business processes needed to establish an Exchange. Regardless of which entity operates the Exchange (Federal government, State or State-established not-for-profit, or a combination of entities in

partnership), certain activities must take place for full exchange establishment in every State in compliance with the Affordable Care Act.

In connection with these Exchange Establishment Cooperative Agreements, HHS has identified 12 Exchange Activity Categories. These activities are elaborated on in Appendix A (for State-based Exchanges) and Appendix B (for Federally-facilitated Exchanges and the State Partnership model) of this funding opportunity announcement. The 12 Exchange Activity Categories outlined below correspond to the Exchange Activities listed in the Exchange Blueprint for Approval of Affordable State-Based and State Partnership Insurance Exchanges. In addition, Appendix C displays how the Exchange Activity Categories correlate to the Exchange Establishment core areas as defined in the prior Exchange Establishment funding opportunity announcement (*Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges, released January 20, 2011*).

Exchange Activity Categories:

1. Legal Authority and Governance
2. Consumer and Stakeholder Engagement and Support
3. Eligibility and Enrollment
4. Plan Management
5. Financial Management, Risk Adjustment, and Reinsurance
6. Small Business Health Options Program (SHOP)
7. Organization and Human Resources
8. Finance and Accounting
9. Technology
10. Privacy and Security
11. Oversight, Monitoring, and Reporting
12. Contracting, Outsourcing, and Agreements

The above activities must be performed in a fully functioning Exchange, but depending on the model and the activity, those activities may be performed by the Exchange, the State Medicaid agency, an eligible entity under 45 C.F.R. § 155.110, or the Federal government. The responsible party and funding source for the Exchange Activities will vary depending on the Exchange model.

States applying for *Level One Exchange Establishment* interested in a State-based Exchange may focus on any or all activities listed in Appendix A. States interested in a Federally-facilitated Exchange or State Partnership model may apply for funding for the activities identified as potential areas of collaboration in Appendix B. States applying for *Level Two Exchange Establishment* must address all activities listed in Appendix A, other than those identified as optional for a State-based Exchange. States have flexibility to apply quarterly for additional funding as they work to establish an Exchange in their State, regardless of the Exchange model chosen by the State.

B: Early Benchmarks

This funding opportunity allows States the flexibility to transition between Exchange models over time. For example, a State might choose to operate within the Federally-facilitated Exchange in 2013-14, as a Plan Management Partner in the Federally-facilitated Exchange in 2014-15, and, finally, as an approved State-based Exchange in 2015-forward. **In an effort to promote efficiency in the use of public dollars, there are certain activities that every State grantee will be asked to develop first, as an “early deliverable,” no matter which Exchange model or development path the State chooses to pursue.** If the State has already completed any of these activities, please highlight this in the discussion of past progress in the project narrative of the application. For all Cooperative Agreement recipients, the following activities are required benchmarks:

1. An operational gap analysis of the “as-is” services and capacity of existing State activities compared to the activities required for Exchanges. This includes but is not limited to activities such as plan management, financial management, eligibility and enrollment support and integration for Medicaid/CHIP/BHP (if applicable), consumer engagement and support, including education and outreach, and processes and administrative structures for appeals of Exchange eligibility determinations.
2. An IT Gap analysis of the “as-is” systems. Please refer to Appendix E on the IT Gap Analysis for additional guidance. If the State has already completed the initial IT Gap Analysis, please update the IT Gap Analysis to reflect any changes given the “to-be” system and to interfaces regardless of Exchange model.
3. Actuarial and market analysis of areas such as rates, benefits, issuers, and potential consumers to be served by the Exchange.
4. Stakeholder and Tribal consultation (demonstration of completed activities and a plan for continuing this deliverable) specific to State activities relative to the chosen Exchange model.
5. Long-term operational cost analysis and sustainability plan including specific activities with a timeline to assure the self-sustaining requirement of Exchange is met.

C. Exchange IT Systems Requirements

All Exchange IT Systems must comply with existing applicable Federal requirements, including those found in Appendix F. Pursuant to section 1413(c) of the Affordable Care Act, State-based Exchange systems must be interoperable via integration or interfacing with both the State Medicaid program and Children’s Health Insurance Program (CHIP), and Basic Health Program, where applicable, and be able to interface with HHS in order to verify and acquire data as needed. States may want to consider how the Exchange system can be integrated with other human services programs (such as SNAP, TANF) in the State since the eligibility function the Exchange will perform has significant similarities to eligibility determinations in other programs. Further, States may want to consider steps necessary to achieve interoperability with other specific health and human services programs for purposes of coordinating eligibility determinations, referrals, verification or other functions to the extent permissible under

applicable federal law. Additionally, an Exchange may be required to interface with other private systems, such as, but not limited to, issuer information systems. As States move towards establishing a State-based Exchange, it is allowable for a State to use funds under this funding opportunity to build the necessary connections to the Federally-facilitated Exchange as part of contingency planning for Exchange IT System development. Please see Appendix F for IT systems requirements, as well as the most recent guidance on Exchange IT Systems requirements for all Exchange models.

D. Opportunities for Reuse, Sharing, and Collaboration

In carrying out activities related to Exchange establishment, in particular the establishment of Exchange IT Systems, it is expected that States will carry out due diligence in assessing the applicability of artifacts, models, and other relevant materials or processes developed by other States (or consortia of States) and the Federally-facilitated Exchange. Applicants must also address how they will carry out due diligence in assessing the applicability of the system models in their own State. States may choose to develop their own systems, which may be done in many ways, including use of commercial off the shelf products (COTS). But if the applicant does not intend to use the models developed by other States, the Federal government, or their own existing State systems, this must be justified in the project narrative.

States are expected to carry out due diligence in seeking opportunities for reuse, sharing, and collaboration in Exchange Activities beyond Exchange IT Systems. States are to evaluate opportunities for reuse of materials and knowledge from within their own State, as well as other States and the Federal Exchange(s). States are encouraged also to identify opportunities for collaboration with other States that might help reduce both development and long-term operating costs of their Exchange. HHS will work closely with States during the project period to help them identify opportunities for both reuse and collaboration.

E: Demonstration of Progress

Each State applying for funding will be required to develop and submit a Work Plan that includes milestones for each of the applicable Exchange Activities for which they are seeking funding. The Work Plan should be designed based on the length of the project period for each award. For example, a State applying for a *Level Two Exchange Establishment* award will need to provide a Work Plan with milestones supporting the completion of the Exchange Activities for the full project period (up to three years from the anticipated date of award) and ending with full establishment and self-sustaining operation. HHS will work closely with each State to keep the State's Work Plan up to date as additional guidance on Exchanges is published and will provide technical assistance as needed to facilitate State progress. Each State's progress under this Cooperative Agreement will be evaluated against its Work Plan.

State progress will be assessed through the Establishment Review process, progress reports, and, as appropriate, the Medicaid IT Review process for compatibility, and other grant/ Cooperative

Agreement monitoring activities. The Medicaid IT Review process may be applicable due to the interdependence of the Exchange and Medicaid Eligibility systems and the importance of a seamless experience on the part of the consumer. At each Establishment Review, States will present evidence of progress made towards completion of specific activities. More information will be provided on progress reports in the Notice of Award (NoA). More information on the Establishment Review and Medicaid IT Review processes is found in Appendix D. If the grantee does not show progress toward the identified milestones, HHS may restrict funds for activities until progress toward the completion of milestones is demonstrated.

II. AWARD INFORMATION

1. Total Funding

In determining Cooperative Agreement amounts, HHS will look for efficiencies and consider if the proposed budget is sufficient, reasonable and cost effective to support the activities proposed in the State's application. The Cooperative Agreements will only fund costs for establishment activities that are *integral* to Exchange operations and meeting Exchange requirements, including those defined in existing and future guidance and regulations issued by HHS. An Exchange must use section 1311(a) grant funds consistent with Affordable Care Act requirements and related guidance from the Centers for Medicare and Medicaid Services (CMS). Please refer to additional guidance on the CCIIO website.

2. Award Amount

Funds are available to support grants as necessary to fulfill the purpose of this funding opportunity to the 50 States, District of Columbia, and/or consortia of States. The award amount will vary based on application category and the specific needs of each State.

3. Anticipated Award Dates

The anticipated award date for both *Level One Exchange Establishment* and *Level Two Exchange Establishment* awards is approximately 45 days after the application due date.

4. The Period of Performance

The project period for each Cooperative Agreement will vary based on when a State is awarded an Exchange Establishment Cooperative Agreement. *Level One Exchange Establishment* awards will be for up to one year after the date of award. *Level Two Exchange Establishment* awards will be for up to three years after the date of award.

5. Number of Awards

The number of awards will be based upon the number of eligible entities and the number of times the eligible entity applies and receives an award. See also Section III.1. States may receive multiple Level One awards; however a State may only receive one Level Two award. In the absence of funding, HHS is under no obligation to make awards under this announcement.

6. Type of Award

These awards will be structured as Cooperative Agreements. HHS will work closely with each State to evaluate its progress against its Exchange Work Plan and may condition funding based on progress and adherence to Federal guidance and Exchange requirements. HHS Project Officers will track State progress and provide technical assistance when needed.

III. ELIGIBILITY INFORMATION

1. Eligible Applicants

This funding opportunity is open to States (including consortia of States and the District of Columbia).

The Governor (the Mayor, if from the District of Columbia) may designate a governmental agency or quasi-governmental entity to apply for grants on behalf of that State. An Exchange that has been established by the State as a non-profit is eligible to apply for funding if designated as the applicant entity by the State due to its quasi-governmental nature. Quasi-governmental organizations serving as the grantee must have been created or established by the State (through legislation or other legal authority), and have State oversight (i.e. the governing body is established, appointed, and overseen by the State and the entity is subject to specific limitations on its authority to act as established by the State).

Please note that entities applying to receive a Federal grant for the first time will be required to undergo an assessment of internal controls by the Office of Acquisition and Grants Management prior to receiving an award.

Only one application per State is permitted per application deadline. Each applicant must submit:

1) A letter from the Governor (or the Mayor, if from the District of Columbia) officially endorsing the grant application and the proposed Cooperative Agreement. This letter must identify the State's anticipated Exchange model-State-based, State Partnership, or Federally-facilitated Exchange. For *Level Two Exchange Establishment* applicants, this letter must express a commitment by the Governor that the State will establish a State-based Exchange.

2) A letter of support from the State Medicaid Director agreeing to collaborate with the Exchange on developing shared functionalities and ensuring coordinated approaches to shared or related functions, and briefly describing likely key areas of collaboration (e.g. 45 C.F.R. § 155.345 and 42 C.F.R. § 435.1200). The letter should also include a statement about avoiding duplication of efforts. Please see the section "prohibited use of funds". Additionally, if this State Medicaid agency is designated to carry out any Exchange activities, please include a statement regarding commitment to participation in discussion and reviews associated with the development of these activities. A signed interagency agreement, such as a Memorandum of

Understanding, addressing the aforementioned areas between the applicant entity and the State Medicaid agency will be accepted in lieu of a letter of support.

3) A letter from the Commissioner of the State Department of Insurance agreeing to work with the Exchange on implementation and coordinate efforts as appropriate. Additionally, if this State agency is designated to carry out any Exchange activities, please include a statement regarding commitment to participation in discussion and reviews associated with the development of these activities. A signed interagency agreement, such as a Memorandum of Understanding, addressing the aforementioned areas between the applicant entity and the State Department of Insurance will be accepted in lieu of a letter of support.

4) If the applicant entity is not the same entity that has received or currently receives Exchange grant or Cooperative Agreement funding on behalf of the State, a letter, memorandum of understanding, or other agreement must be provided delineating the different entities receiving funds, the coordination of timelines and the entity responsible for each of the Exchange Activities. These entities must demonstrate that they are coordinating so as not to duplicate activities or supplant funds.

A letter from either the State Medicaid Director or the Commissioner of the State Department of Insurance is not required if the applicant is applying for funds to carry out a function within the Federally-facilitated or State Partnership Exchange model that does not overlap with the respective agency.

There are two application categories for this funding opportunity:

Level One Exchange Establishment is open to all States, including but not limited to those that previously received Exchange Planning grants, Early Innovator Cooperative Agreements and/or Exchange Establishment Cooperative Agreements. States that have previously received a *Level Two Exchange Establishment* Cooperative Agreement may apply for additional funds as a *Level One* applicant; however the scope of the application must be limited to activities not within the scope of the prior Level Two Cooperative Agreement. *Level One Exchange Establishment* Cooperative Agreements provide up to one year of funding to States.

Level Two Exchange Establishment is open to States, including but not limited to those that previously received Exchange Planning grants, Early Innovator Cooperative Agreements and/or Exchange Establishment Cooperative Agreements. *Level Two Exchange Establishment* Cooperative Agreement awards will provide funding for up to three years after the date of award. This category is designed to provide funding to applicants for the establishment of a State-based Exchange that can demonstrate the specific eligibility criteria outlined below:

- A. Has the necessary legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application.

- B. Has established a governance structure for the Exchange.
- C. Submits an initial plan discussing long-term operational costs of the Exchange.

Legal Status: All applicants must have a valid Employer Identification Number (EIN), otherwise known as a Taxpayer Identification Number (TIN) assigned by the Internal Revenue Service.

Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS number): All applicants must have a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number in order to apply. The DUNS number is a nine-digit identification number that uniquely identifies business entities. Obtaining a DUNS number is easy and free. To obtain a DUNS number, access the following website: www.dunandbradstreet.com or call 1-866-705-5711. See Section IV, Application and Submission Information, for more information on obtaining a DUNS number.

Central Contractor Registration (CCR) Requirement: All recipients must provide a DUNS and an EIN/TIN number in order to be able to register in the Central Contractor Registration (CCR) database at www.sam.gov. Applicants must successfully register with CCR prior to submitting an application or registering in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) as a prime awardee user. See Section IV, Application and Submission Information, for more guidance on CCR registration. Prime recipients must maintain a current registration with the CCR database, and **may make subawards only to entities that have DUNS numbers**. Organizations must report executive compensation as part of the registration profile at www.sam.gov by the end of the month following the month in which this award is made, and annually thereafter (based on the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252 and implemented by 2 CFR Part 170)). See Section VI, Award Administration Information, for more information on FFATA.

2. Cost-Sharing / Matching Medicaid Federal Financial Participation

State Cost-Sharing and Matching payments are not required for this program but recipients must allocate costs for certain activities conducted under this Cooperative Agreement. Please refer to Section IV.5.B.vi., or Federal guidance on the specific, time-limited exception to OMB Circular A-87 cost allocation principles for federally-funded human services programs, for more information about how States must address the cost allocation plan requirements for Medicaid, the Children's Health Insurance Program (CHIP), and other federally financed health and human services programs in connection with the IT systems developed or modified to support the Exchange, as required by 2 CFR Part 225, Appendix C (previously OMB Circular A-87).

Before submitting a cost allocation plan, States should consult the most recent guidance issued by HHS regarding cost allocation among Medicaid/CHIP, Exchanges, and human services

programs for the most up-to-date information and instructions. Non-profit recipients must also comply with the cost allocation plan requirements outlined in 2 CFR Part 225, Appendix C.

IT Guidance 2.0 can be found at:

http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf

For Medicaid Program; Federal Funding for Medicaid Eligibility Determination and Enrollment Activities final rule please see:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2011_register&docid=fr19ap11-6.pdf

For more information on how States may apply for the specific, time-limited exception to OMB Circular A-87 cost allocation principles for federally-funded human services programs, please see:

<http://downloads.cms.gov/cmsgov/archived-downloads/SMDL/downloads/tri-agency.pdf> and
<http://www.medicaid.gov/Federal-Policy-Guidance/Downloads/SMD-01-23-12.pdf>

3. Other

It is recommended that a Letter of Intent be submitted one month prior to each application deadline. The Letter of Intent should indicate which Level of funding and Exchange model an applicant is applying for and at which due date. The purpose of the Letter of Intent is to estimate the number of applications. The signed Letter of Intent must be submitted electronically in PDF format to Katherine.Bryant@cms.hhs.gov.

4. Pre-Application Conference Call

HHS will hold pre-application conference calls for potential applicants. The conference calls will provide an overview of this project, budget guidance, review the instruction provided by this Funding Opportunity Announcement and other available materials, and will include an opportunity for States to ask questions.

A schedule of pre-application calls will be on the CCIIO website:

<http://cciio.cms.gov/resources/other/index.html#peg>.

IV. APPLICATION AND SUBMISSION INFORMATION

1. Address to Request Application Package

This Funding Opportunity Announcement serves as the application package for this Cooperative Agreement and contains all the instructions to enable a potential applicant to apply. The application should be written primarily as a narrative with the addition of standard forms required by the Federal government for all grants and Cooperative Agreements.

It is recommended that a Letter of Intent be submitted by 11:59pm one month prior to the application deadline. The Letter of Intent should indicate which level of funding an applicant is applying for and at which due date. In addition, the Letter of Intent should identify the Exchange model that the State intends to elect. The purpose of the Letter of Intent is to estimate the number of applications. The signed Letter of Intent must be submitted electronically in PDF format to Katherine.Bryant@cms.hhs.gov.

Application materials will be available for download at <http://www.grants.gov>. Please note that HHS requires applications for all announcements to be submitted electronically through <http://www.grants.gov>. For assistance with [grants.gov](http://www.grants.gov), contact support@grants.gov or call 1-800-518-4726. At <http://www.grants.gov>, applicants will be able to download a copy of the application packet, complete it off-line, and then upload and submit the application via the Grants.gov website. The Funding Opportunity Announcement can also be viewed on HHS's website at <http://cciio.cms.gov/resources/fundingopportunities/index.html#peg>. Specific instructions for applications submitted via <http://www.grants.gov>:

- You can access the electronic application for this project on <http://www.grants.gov>. You must search the downloadable application page by the CFDA number **93.525**.
- At the <http://www.grants.gov> website, you will find information about submitting an application electronically through the site, including the hours of operation. HHS strongly recommends that you do not wait until the application due date to begin the application process through <http://www.grants.gov> because of the time needed to complete the required registration steps.
- All applicants under this announcement must have an Employer Identification Number (EIN), otherwise known as a Taxpayer Identification Number (TIN), to apply. **Please note, the time needed to complete the EIN/TIN registration process is substantial, and applicants should therefore begin the process of obtaining an EIN/TIN immediately upon posting of this FOA to ensure this information is received in advance of application deadlines.**
- All applicants, as well as sub-recipients, must have a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number at the time of application in order to be considered for a grant or Cooperative Agreement. A DUNS number is required whether an application is submitting a paper application (only applicable if a waiver is granted) or using the Government-wide electronic portal, www.Grants.gov. The DUNS number is a nine-digit identification number that uniquely identifies business entities. Obtaining a DUNS number is easy and free. To obtain a DUNS number, access the following website:

www.dunandbradstreet.com or call 1-866-705-5711. This number should be entered in the block with the applicant's name and address on the cover page of the application (Item 8c on the Form SF 424, Application for Federal Assistance). The name and address in the application should be exactly as given for the DUNS number. **Applicants should obtain this DUNS number as soon as possible after the announcement is posted to ensure all registration steps are completed in time.**

- The applicant must also register in the Central Contractor Registration (CCR) database in order to be able to submit the application. Applicants are encouraged to register early, and must have their DUNS and EIN/TIN numbers in order to do so. Information about CCR is available at <https://www.sam.gov>. The Central Contractor Registration process is a separate process from submitting an application. **You should allow a minimum of five business days to complete CCR registration; however, in some cases, the registration process can take approximately two weeks or longer to be completed. Therefore, applicants should begin the CCR registration process as soon as possible after the announcement is posted to ensure that it does not impair your ability to meet required submission deadlines.**
- Authorized Organizational Representative: The Authorized Organizational Representative (AOR) who will officially submit an application on behalf of the organization must register with Grants.gov for a username and password. AORs must complete a profile with Grants.gov using their organization's DUNS Number to obtain their username and password at http://grants.gov/applicants/get_registered.jsp. AORs must wait one business day after registration in CCR before entering their profiles in Grants.gov. **Applicants should complete this process as soon as possible after successful registration in CCR to ensure this step is completed in time to apply before application deadlines.**
- When an AOR registers with Grants.gov to submit applications on behalf of an organization, that organization's E-Biz POC will receive an email notification. The email address provided in the profile will be the email used to send the notification from Grants.gov to the E-Biz POC with the AOR copied on the correspondence.
- The E-Biz POC must then login to Grants.gov (using the organization's DUNS number for the username and the special password called "M-PIN") and approve the AOR, thereby providing permission to submit applications.
- **Any files uploaded or attached to the Grants.Gov application must be PDF file format and must contain a valid file format extension in the filename. Even though Grants.gov allows applicants to attach any file format as part of their application, CMS restricts this practice and only accepts PDF file formats. Any file submitted as part of the Grants.gov application that is not in a PDF file format, or contains password protection, will not be accepted for processing and will be excluded from the application during the review process. In addition, the use of compressed file formats such as ZIP, RAR, or Adobe Portfolio will not be accepted. The application must be submitted in a file format that can easily be copied and read by reviewers. It is recommended that scanned copies not be submitted through Grants.gov unless the applicant confirms the**

clarity of the documents. Pages cannot be reduced in size, resulting in multiple pages on a single sheet, to avoid exceeding the page limitation. All documents that do not conform to the above constraints will be excluded from the application materials during the review process.

- After you electronically submit your application, you will receive an acknowledgement from <http://www.grants.gov> that contains a Grants.gov tracking number. HHS will retrieve your application package from Grants.gov. **Please note, applicants may incur a time delay before they receive acknowledgement that the application has been accepted by the Grants.gov system. Applicants should not wait until the application deadline to apply because notification by Grants.gov that the application is incomplete may not be received until close to or after the application deadline, eliminating the opportunity to correct errors and resubmit the application. Applications submitted after the deadline, as a result of errors on the part of the applicant, will not be accepted and/or granted a waiver.**
- After HHS retrieves your application package from Grants.gov, a return receipt will be emailed to the applicant contact. This will be in addition to the tracking number provided by Grants.gov.
- Each year organizations and entities registered to apply for Federal grants through <http://www.grants.gov> will need to renew their registrations with the Central Contractor Registry (CCR). You can register with the CCR online; registration will take about 30 minutes to complete (<https://www.sam.gov>). Failure to renew CCR registration prior to application submission will prevent an applicant from successfully applying.

Applications cannot be accepted through any email address. Full applications can only be accepted through <http://www.grants.gov>. Full applications cannot be received via paper mail, courier, or delivery service, unless a waiver is granted per the instructions below.

All Cooperative Agreement applications must be submitted electronically and be received through <http://www.grants.gov> by 11:59 pm Eastern Time on the respective due date.

Level One Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014

Level Two Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014

All applications will receive an automatic time stamp upon submission and applicants will receive an e-mail reply acknowledging the application's receipt.

The applicant must seek a waiver **at least** ten days prior to the application deadline if the applicant wishes to submit a paper application. Applicants that receive a waiver to submit paper application documents must follow the rules and timelines that are noted below.

In order to be considered for a waiver application, an applicant **must** have adhered to the timelines for obtaining a DUNS number, registering with the Central Contractor Registration (CCR), registering as an Authorized Organizational Representative (AOR), obtaining an Employer/Taxpayer Identification Number (EIN/TIN), completing Grants.gov registration, as well as requested timely assistance with technical problems. Applicants that do not adhere to timelines and/or do not demonstrate timely action with regards to these steps will not be considered for waivers based on the inability to receive this information in advance of application deadlines.

Please be aware of the following:

- Search for the application package in Grants.gov by entering the CFDA number. This number is located on the first page of this announcement.
- Paper applications are not the preferred method for submitting applications. However, if you experience technical challenges while submitting your application electronically, please contact Grants.gov Support directly at: www.grants.gov/customer-support or (800) 518-4726. Customer Support is available to address questions 24 hours a day, 7 days a week (except on Federal holidays).
- Upon contacting Grants.gov, obtain a tracking number as proof of contact. The tracking number is helpful if there are technical issues that cannot be resolved and a waiver from the agency must be obtained.
- If it is determined that a waiver is needed, you must submit a request in writing (emails are acceptable) to Michelle.Feagins@cms.hhs.gov with a clear justification for the need to deviate from our standard electronic submission process.
- If the waiver is approved, the application should be sent directly to the Division of Grants Management and received by the application due date.

To be considered timely, applications must be received by the published deadline date. However, a general extension of a published application deadline that affects all applicants or only those applicants in a defined geographical area may be authorized by circumstances that affect the public at large, such as natural disasters (e.g., floods or hurricanes) or disruptions of electronic (e.g., application receipt services) or other services, such as a prolonged blackout.

2. Content and Form of Application Submission¹

Each application must include all contents described below, in the order indicated, and in conformity with the following specifications:

- The total size of all uploaded files may not exceed the equivalent of 80 pages when printed by HHS or a total file size of 10 MB. This 80 page limit includes the project abstract, project and budget narratives, attachments, letters of commitment and support, and other applicable documents. Standard forms are **NOT** included in the page limit. If the applicant has additional (non-required) documentation that will exceed 80 pages, it is recommended that they be included as an appendix, as it is not guaranteed the reviewers will read and factor those documents into the scoring. The total combined file size of the application cannot exceed 10 MB.

The following documents are required for a complete application:

A. Standard Forms

The following forms must be completed with an original signature and enclosed as part of the application:

- SF 424: Official Application for Federal Assistance (see note below)
- SF 424A: Budget Information Non-Construction
- SF 424B: Assurances-Non-Construction Programs
- SF LLL: Disclosure of Lobbying Activities
- Project Site Location Form(s)

Note: On SF 424 “Application for Federal Assistance:”

- Item 15 “Descriptive Title of Applicant’s Project.” Please indicate in this section the name of this Cooperative Agreement funding opportunity: Cooperative Agreement to Support Establishment of the Affordable Care Act’s Health Insurance Exchanges.
- Check box “C” to item 19, as Review by State Executive Order 12372 does not apply to these grants.
- Assure that the total Federal Cooperative Agreement funding requested is for the entire period of the Cooperative Agreement (i.e. up to one year for *Level One Exchange Establishment*, up to three years for *Level Two Exchange Establishment*).

B. Required Letters of Support

Please refer to Section III.1. for information on the letters that must be submitted with the application.

¹ Where noted, submission requirements differ for applications for Level Two Cooperative Agreements; otherwise, the application submission requirements are the same.

C. Applicant's Application Cover Letter

A letter from the applicant must identify the:

- Project Title
- Applicant Name
- Principal Investigator/Project Director Name (with email and phone number)

D. Project Abstract

Provide a summary of the application. Because the abstract is often distributed to provide information to the public and Congress, prepare this so that it is clear, accurate, concise, and without reference to other parts of the application. It must include a brief description of the grant proposal, including the needs to be addressed, the proposed projects, and the population group(s) to be served. Personal identifying information should be excluded from the abstract.

The abstract must be single-spaced and limited to one page in length. Place the following at the top of the abstract for the application:

- Application title
- Applicant organization name
- Program applying under, including funding opportunity number
- Address
- Congressional district(s) served
- Organizational Website address, if applicable
- Category of Funding
- Projected date(s) for project(s) completion

The abstract narrative should include:

- A brief history of the applicant organization;
- A brief description of the populations served by the project;
- A brief description of the proposed projects and deliverables; and
- A brief description of any other relevant information, including the proposed impact of the funding.

E. Project Narrative

The project narrative must include the following sections:

- a. Discussion of Existing Exchange Planning and Exchange Establishment Progress
This section should describe and quantify progress that the State has already made on Exchange Planning and Establishment, including progress made under previously awarded grant and Cooperative Agreement funds or otherwise in the State. Please

highlight completion of any early benchmarks identified in Section I.4. of the funding opportunity announcement. This section should inform the approach the State proposes to take moving forward and reflect the progress the State has made respective to the Exchange model it is pursuing. Please address the areas identified below.

- **Key Findings of Background Research:** Discuss the results of research, including how this research has influenced the decisions and plans the State has made to date; and areas where research is still necessary.
- **Legal Authority and Governance:** Discuss the progress made toward the creation of the necessary legal authority to establish and operate an Exchange that complies with Federal requirements at the time of application and provides for establishment of governance and Exchange structure. Also discuss the progress made toward establishing the administrative structure (State agency, quasi-governmental agency, or non-profit organization) and governance structure of the Exchange (composition of the governing body, conflict of interest standards, selection process).
- **Stakeholder Consultation:** Discuss the results of consultations thus far with various stakeholders, including but not limited to employers, insurers, advocacy groups, and consumer groups, and how stakeholder input/recommendations has been and will be used to develop the Exchange. As applicable, States should also discuss activities related to tribal consultation.
- **Long-term operational costs:** Discuss the results of any financial modeling and actuarial analysis completed to date. Include the estimated total annual operating costs, as well as implied per member per month (PMPM) costs for the Exchange in your discussion of this analysis. Discuss sources of long term operational cost funding being considered for the exchange.
- **Program Integration:** Discuss the results of Program Integration efforts between the State Medicaid Agency, State Department of Insurance, and other applicable State entities. Discuss the status of Memorandums of Agreement or Understanding or other official agreement(s) between State agencies to ensure a coordinated and comprehensive approach to establishment of Exchanges.
- **Business Operations of the Exchange:** Discuss the status of activities related to the business operations of the Exchange, such as the status of business process flows for functions of the Exchange, related to Plan Management, Eligibility and Enrollment, and Financial Management. If applicable, discuss Establishment Reviews that the State has previously completed with CCIIO.
- **IT Gap Analysis and Exchange IT Systems:** Discuss the results of the IT Gap analysis that the State has completed. If applicable, discuss steps taken toward the development of Exchange IT Systems. If applicable, discuss IT-specific reviews that the State has completed with CCIIO and where the State is in the Exchange Life Cycle or Systems Development Life Cycle (ELC/SDLC) process (see Appendix E for additional information on the IT Gap Analysis and Appendix F for additional information on the ELC/SDLC process).

- Reuse, Sharing, and Collaboration: Discuss progress made in the areas of reuse, sharing and collaboration for Exchange Activities, including IT Systems.
- Organizational Structure: Discuss the current organizational structure that is in place for the Exchange, including key Exchange leadership.
- Program Integrity: Discuss progress made to put in place financial integrity mechanisms to prevent fraud, waste, and abuse and to provide oversight of Cooperative Agreement funds.
- Affordable Care Act Requirements: Please discuss the State's progress with implementing other requirements of the Affordable Care Act, such as Health Insurance Market Reforms and Rate Review.
- SHOP: Although many of the strategic planning issues overlap with those for the individual Exchange, a State will face a unique set of challenges in establishing a SHOP. In the summary of planning and establishment activities to date, the applicant may include SHOP-related activities where relevant. However, the application should also contain a separate section on SHOP including a brief summary of the state's small group market; any research or reports on the small group market issues or SHOP operations; consultations with stakeholders, particularly employers, issuers, and brokers, that have focused specifically on SHOP policies or planning; and any evaluations of potential approaches to front end SHOP operations (employer and employee choices of contributions and plans), back office SHOP functions (premium aggregation), and customer support for employers and employees.

b. Proposal to Meet Program Requirements

This section of the application will provide CCIIO with a high level overview of the State's strategic plan to establish an Exchange, participate in the Federally-facilitated Exchange, or collaborate with the Federally-facilitated Exchange in a State Partnership model on certain activities. Regardless of the Exchange model a State wishes to pursue—either short or long-term—CCIIO is prepared to tailor each Cooperative Agreement to a State to meet the needs of their consumers and will use this section to continue a strong collaborative effort.

In the proposal to meet program requirements, the applicant should discuss the overall strategy of a State to fulfill the required Exchange Activities. A State that plans to transition or is transitioning between Exchange models or where responsibility for specific activities is changing should provide a timeline for changing models or transferring ownership of activities. The proposal to meet program requirements should be in alignment with the work plan, budget, and budget narrative. Please complete the proposal to meet program requirements based on the Exchange model for which the State is applying.

State-based Exchange

- Discuss the State's current Exchange pathway. Please discuss the anticipated date for establishment of a State-based Exchange based on the State's self assessment of readiness to complete the applicable Exchange Activities.
- Discuss the State's strategy to complete the Exchange Activities. Discuss any activities that the State must execute in order for a fully functional Exchange to operate in the State. Please refer to Appendix A for a breakdown of activities and ownership responsibilities.
- Discuss the State's strategy to address the early benchmarks identified in Section I.4. These elements are identified as the early benchmarks that all States, regardless of model, should complete.
- Describe the proposed solution for Exchange IT Systems. Will this be an independent application, an enhancement to existing functionality, or some other solution option? Outline how tightly coupled the proposed Exchange systems will be with existing Medicaid/CHIP systems. Discuss the Exchange's strategy to interface with all necessary IT Systems, including any information systems used to regulate health insurance within the State and Medicaid/CHIP systems.
- IT Seven Standards and Conditions: Where applicable, discuss how compliance with the Medicaid's Seven Standards and Conditions will be incorporated into the Exchange requirement development, design and build process. The seven conditions and standards include (1) modularity; (2) Medicaid Information Technology Architecture (MITA) alignment; (3) leverage and reuse within and among States; (4) industry standard alignment; (5) support of business results; (6) reporting; and (7) seamlessness and interoperability. Please refer to the most recent IT Guidance for more information. IT Guidance 2.0 can be found at: http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf
- Outline the organizational structure to support necessary activities related to the Exchange in the State. Include a discussion of the strategy to engage with counterparts in the State. For example, if the State Department of Insurance is an applicant, describe how it will interact with other State agencies such as the State Medicaid agency. If there is not a Memorandum of Understanding, Memorandum of Agreement, or other formal agreement in place, please discuss the plans for such an agreement.
- Discuss how appropriate State entities will coordinate with the Federal government on Exchange activities. This includes, but is not limited to, coordination between the State Department of Insurance and CCIIO as well as the State Medicaid Agency with the Center for Medicaid and CHIP Services (CMCS) and CCIIO.
- Discuss strategies for reuse, sharing and collaboration (beyond Exchange IT systems) for Exchange Activities that currently exist within your State, the Federal Exchange, or other States as applicable. The discussion of IT Systems reuse should be addressed in the response to the description of the proposed solution for Exchange IT Systems.

- Discuss strategies to ensure financial integrity mechanisms are in place to prevent fraud, waste, and abuse and to provide oversight of Cooperative Agreement funds and the Exchange.
- Discuss challenges that may affect progress against milestones in the Work Plan. Please include a discussion of how the State plans to mitigate these challenges, including organizational challenges associated with change management, such as the implementation of new processes and protocols and gaining traction when initiating new collaboration between agencies and programs.
- Discuss, in a separate section, the approach to be taken in establishing the State's SHOP. Please assess the market challenges in building a successful SHOP and describe a strategic SHOP plan to achieve effective competition, a level playing field inside and outside the SHOP, a broad choice of issuers and plans, effective implementation of employee choice, an appealing and efficient shopping and enrollment experience for employers and employees, effective engagement of the broker community in SHOP education and enrollment, efficient back office operations, and effective customer support.

State Partnership within the Federally-facilitated Exchange

- Discuss the State's current Exchange pathway. CCIIO recognizes that some states may initially participate in partnership within the Federally-facilitated Exchange, but may eventually move to a State-based Exchange model. If applicable, please discuss the State's possible intentions to eventually establish a State-based Exchange. Please discuss the anticipated date for establishment of a State-based Exchange or collaboration with the Federally-facilitated Exchange in a State Partnership model based on the State's self assessment of readiness to complete the activities required for the proposed Exchange model.
- Discuss the Partnership activities that the State intends to or will be responsible for and how it will collaborate with the Federal government in a State Partnership model around other activities. Please refer to Appendix B for a breakdown of activities and ownership responsibilities under the State Partnership model.
- Discuss the State's strategy to address the early benchmarks identified in Section I.4. These elements are identified as the early benchmarks that all States, regardless of model, must complete by specific dates.
- (If applicable) Describe any IT Systems or interfaces the State will develop to ensure functionality of the Federally-facilitated Exchange within the State and the ability to interface with State IT Systems. Discuss the States strategy to interface all necessary State IT Systems, including insurance regulation information systems (i.e. for transmission of necessary information about issuers) and Medicaid/CHIP systems, with the FFE.
- (If applicable) IT Seven Standards and Conditions: Where applicable because of the state's long term plans, discuss how compliance with the Medicaid's Seven Standards and Conditions will be incorporated into the Exchange requirement, design and build

process. The seven conditions and standards include (1) modularity; (2) MITA alignment; (3) leverage and reuse within and among states; (4) industry standard alignment; (5) support of business results; (6) reporting; and (7) seamlessness and interoperability.

- Outline the organizational structure to support necessary activities related to the Exchange in the State. Include a discussion of strategy to engage with counterparts in the State. For example, if the State Department of Insurance is an applicant, describe how it will interact with other appropriate State agencies. If there is not a Memorandum of Understanding, Memorandum of Agreement, or other formal agreement in place, please discuss the plans for such an agreement.
- Discuss how appropriate State entities will coordinate with the Federal government on Exchange activities that are specific to the Partnership model (Plan Management and/or Consumer Assistance). This includes but is not limited to coordination between the State Department of Insurance and CCIIO as well as the State Medicaid Agency with CMS.
- Discuss strategies for reuse, sharing and collaboration around the Partnership activities.
- Discuss strategies to ensure financial integrity mechanisms are in place to prevent fraud, waste, and abuse and to provide oversight of Cooperative Agreement funds and the Exchange.
- Discuss challenges that may affect progress against milestones in the Work Plan. Please include a discussion of how the State plans to mitigate these challenges, including organizational challenges associated with change management, such as the implementation of new processes and protocols and gaining traction when initiating new collaboration between agencies and programs.

Federally-facilitated Exchange

- Discuss the State's current Exchange pathway. CCIIO recognizes that some states may initially participate in the Federally-facilitated Exchange, but may eventually move to a State-based Exchange model. If participating in the Federally-facilitated Exchange, please discuss the States future intentions to either begin collaborating with the Federally-facilitated Exchange in a State Partnership model and/or to eventually establish a State-based Exchange.
- Discuss the State's strategy to address the early benchmarks identified in Section I.4. These elements are identified as the early benchmarks that all States, regardless of model, must complete by specific dates.
- (If applicable) Describe any IT Systems or interfaces the State will develop to ensure functionality of the Federally-facilitated Exchange within the State and the ability to interface with State IT Systems. Discuss the States strategy to interface all necessary State IT Systems, including insurance regulation information systems (i.e. for transmission of necessary information about issuers) and Medicaid/CHIP systems, with the FFE.

- (If applicable) IT Seven Standards and Conditions: Where applicable because of the state's long term plans, discuss how compliance with the Medicaid's Seven Standards and Conditions will be incorporated into the Exchange requirement, design and build process. The seven conditions and standards include (1) modularity; (2) MITA alignment; (3) leverage and reuse within and among states; (4) industry standard alignment; (5) support of business results; (6) reporting; and (7) seamlessness and interoperability.
- Outline the organizational structure to support necessary activities related to the establishment of the Federally-facilitated Exchange in the State. Include a discussion of the strategy to engage with appropriate counterparts in the State. If there is not a Memorandum of Understanding, Memorandum of Agreement, or other formal agreement in place, please discuss the plans for such an agreement to support completion of all Work Plan benchmarks and activities.
- Discuss how appropriate State entities will coordinate with the Federal government on Exchange activities related to the Federally-facilitated Exchange including but not limited to sharing of data, coordination of State and Federal policies impacting execution of Exchange activities, etc.
- Discuss any strategies for reuse, sharing and collaboration within your State or other States as applicable.
- Discuss strategies to ensure financial integrity mechanisms are in place to prevent fraud, waste, and abuse and to provide oversight of Cooperative Agreement funds and the Exchange.
- Discuss challenges that may affect progress against milestones in the Work Plan. Please include a discussion of how the State plans to mitigate these challenges, including organizational challenges associated with change management, such as the implementation of new processes and protocols and gaining traction when initiating new collaboration between agencies and programs.

F. Work Plan

Each applicant must submit a detailed Work Plan by Exchange Activity. The Work Plan submitted with the application should document all milestones the applicant must carry out over the entire project period. For each milestone, identify the months and years in which they start, are carried out, and are completed. Time for quality assurance, including independent verification and validation should be integrated into the Work Plan timeline. Identify by name and title the individual responsible for accomplishing each goal. Each State's progress under this Cooperative Agreement will be evaluated against its work plan. If the grantee does not show progress toward the identified milestones, HHS may restrict funds for activities until progress toward the completion of milestones is demonstrated.

Applicants may wish to use the structure below for their work plan (not required):

| Exchange Activity | | | |
|--------------------|-----------|-----------------------|---|
| Exchange, Activity | Milestone | Mo/Yr to be completed | Entity(ies) and Individual(s) Responsible |
| | Milestone | Mo/Yr to be completed | |
| | Milestone | Mo/Yr to be completed | |

Applicants are encouraged to use the ELC/SDLC framework for the IT aspects of Exchange establishment in developing the Work Plan (an example of an SDLC framework can be found here: http://www.cms.gov/ILCPhases/01_Overview.asp#TopOfPage). The applicant may complete an IT work plan separately if preferred, however it is still encouraged that the applicant follow the ELC/SDLC framework.

It is imperative that States distinguish (and allocate costs) between activities funded under other Exchange funding opportunities, to include Exchange Planning Grants, Early Innovator Cooperative Agreements, and previously awarded Exchange Establishment Cooperative Agreements, and those establishment activities supported under this Funding Opportunity in their Work Plans. States may receive multiple awards under this funding opportunity and must therefore also distinguish in the Work Plan between activities funded under the multiple awards received.

Consistent with OMB Circular 87-A, a State may seek reimbursement for pre-award costs, provided that the costs are allowable costs incurred up to 90 days prior to award that cannot be covered under existing funding from Exchange Planning grants, Early Innovator Cooperative Agreements, and/or previously awarded Exchange Establishment Cooperative Agreements. Such uses of funds under this Cooperative Agreement must be approved in writing by HHS. The budget narrative and work plan should clearly identify funds that were spent prior to the project period (up to 90 days prior to the start of the project period).

G. Budget Narrative

The proposed budget should only include costs that are *integral* to establishing Exchange operations in line with the required Exchange Activities. For information on reimbursement of pre-award costs, please see Section IV. Application and Submission Information, 5. Funding Restrictions, A. Reimbursement of Pre-Award Costs of this funding opportunity announcement. For information on prohibited uses of grant funds,

please see Section IV. Application and Submission Information. 5. Funding Restrictions, B. Prohibited Uses of Grant Funds of this funding opportunity announcement. For additional clarification on allowable costs, please see the CCIIO website for FOA frequently asked questions.

Each applicant must submit a detailed budget narrative for each Exchange Activity Category, as demonstrated in Appendices G and H.

Applicants should provide a narrative that explains the amounts requested for each line item in the budget for the entire project period, to include a detailed breakdown of costs for each activity/cost within the line item. The budget justification should specifically describe how each line item/activity will support the achievement of proposed objectives in alignment with the Work Plan. HHS will look for justifications that directly align with the tasks in the Work Plan and should be able to understand funding needs for each set of tasks the Exchange will carry out. The Budget Narrative should break down funding needs by quarter to the extent possible. If the State is seeking reimbursement for pre-award costs, section IV.2.F (above) applies.

Include a description that indicates which elements of your proposal you expect will also benefit your State's Medicaid/CHIP system(s) and other specific health and human services programs. In an attached appendix, include a description of your proposal for allocating costs between these sources of funding in line with the cost allocation requirements in Section IV.5.B.vi., or the specific, time-limited exception to OMB Circular A-87 cost allocation principles for federally-funded human services programs, and an explanation of the methodology used to support the allocation. Please see the instructions below.

Include a description of the State's capacity to oversee multiple funding streams if the applicant has received other funding from HHS. It is the responsibility of the grantee to ensure that these funding streams are maintained and accounted for separately. It is imperative that each applicant's budget clearly distinguishes between activities that are funded using Exchange Establishment Cooperative Agreement funding and activities funded using other sources.

Line item information must be provided to explain the costs entered in the appropriate budget form, Application Form SF 424A. The budget justification must clearly describe each cost element within the line item and explain how each cost contributes to meeting the project's objectives/goals on a quarterly basis and within each Exchange Activity Category. Carefully justify each item in the "other" category. The budget justification MUST be concise. Do NOT use the justification to expand the project narrative.

The Budget Narrative/Justification should be provided using both formats included in Appendices G and H, Guidelines for Budget Preparation of this FOA. In addition,

applicants are encouraged to review Appendix I on Federal Procurement Requirements for Grantees. Additionally, applicants should refer to guidance available on the CCIIO website regarding contracting processes and cost reasonableness.

States awarded Cooperative Agreements under this Funding Opportunity Announcement must clearly identify how the funds provided under this announcement are supporting tasks that are clearly distinct from those funded by other Exchange funding opportunities, such as Exchange Planning grants, Early Innovator Cooperative Agreements, and Exchange Establishment Cooperative Agreements. Under this Funding Opportunity, States may receive multiple Cooperative Agreements. States must also clearly identify how each application, if selected for award, will support tasks that are clearly distinct from tasks that are supported under all previously awarded Exchange Establishment Cooperative Agreements. States may use funding from this award to build on the activities established under other grants/Cooperative Agreements as they are relevant to the establishment of the Exchange and do not supplant grant funds.

Indirect Costs

If requesting indirect costs, a currently effective Indirect Cost Rate Agreement will be required. Applicants are required to use the rate agreed to in the Indirect Cost Rate Agreement. However, if there is not an agreed upon rate, the award (if the applicant is selected) may not include an amount for indirect costs unless the organization has never established an indirect cost rate (usually a new recipient) and intends to establish one. In such cases, the award shall include a provisional amount equaling one-half of the amount of indirect costs requested by the applicant, up to a maximum of 10 percent of direct salaries and wages (exclusive of fringe benefits). If the recipient fails to provide a timely proposal, indirect costs paid in anticipation of establishment of a rate will be disallowed. See the Health and Human Services Grants Policy Statement at <http://www.hhs.gov/grantsnet/adminis/gpd/> for more information.

The provisions of 2 CFR Part 225 (previously OMB Circular A-87) and 2 CFR Part 230 (previously OMB Circular A-122) govern reimbursement of indirect costs under this solicitation (based upon the applicable entity).

H. Additional Letters of Agreement and/or Description(s) of Proposed/Existing Project

Provide any documents that describe additional working relationships between the applicant and agencies and programs cited in the application.

Documents that confirm actual or pending contractual agreements should clearly describe the roles of the subcontractors and any product. Letters of agreements with the subcontractors must be dated and must contain the following language:

Under 45 CFR Part 92.34, HHS retains a “royalty-free, nonexclusive, irrevocable *license* to reproduce, publish or otherwise use, and to authorize others to use, for Federal Government purposes: (a) the copyright in any work developed under a grant, subgrant, or contract under a grant or subgrant, and (b) any rights of copyright to which a grantee, subgrantee, or a contractor purchases ownership with grant support.” HHS shall be provided with a working electronic copy of the software (including object source and code) with the right to distribute it to others for Federal purposes consistent with and throughout the execution of the Cooperative Agreement.

I. Descriptions for Key Personnel & Organizational Chart

Applicants must present a staffing plan and provide a justification for the plan that includes education and experience qualifications and rationale for the amount of time being requested for each staff position. Position descriptions that include the project specific roles, responsibilities, and qualifications of proposed project staff must be included as an Attachment. An organizational chart should be included as well. Copies of biographical sketches for any key employed personnel that will be assigned to work on the proposed project must be included as an Attachment.

J. Cost Allocation Methodology Appendix

Applicants are to include an appendix on the methodology used to support the cost allocation plan that is distinct from the budget narrative. This appendix should include the 1) overall methodology and 2) a chart that identifies the overall project costs, Medicaid/CHIP costs, Exchange costs, and shared services costs. Enter funds that have been allocated to the State, Medicaid, the Exchange, CHIP, and any other program and include a list of federally-funded human services programs to which the OMB Circular A-87 exception applies.

Guidance:

As explained in Section III.2, Eligibility Information, States must cost allocate among Medicaid, CHIP, and any other federally financed or state financed programs, as required under 2 CFR Part 225, Appendix C. In the case of Exchanges, the State Medicaid and CHIP programs are direct beneficiaries of many of the activities of the Exchange, particularly IT systems and related systems and staffing involved with determining an applicant’s eligibility for the Medicaid and CHIP programs. Consequently, the costs associated with these activities **MUST** be paid through a separate funding request to the Centers for Medicare & Medicaid Services. The funding request is in the form of an Advance Planning Document (APD) that specifically requests funding for each of these activities that benefit Medicaid and CHIP and applies the appropriate Federal Financial Participation (FFP) rate of 50, 75 or 90 percent. Funds under this Cooperative Agreement cannot be used to pay for Medicaid and/or CHIP costs, nor can they be used to pay the State share of the Medicaid and CHIP allocated costs.

The goods and services that are to be allocated to, and paid for by, the State Medicaid and CHIP programs are of two types: direct and indirect; each type is handled differently. Direct expenses are those that benefit Medicaid and/or CHIP exclusively. These direct expenses are allocated 100% to the Medicaid and/or CHIP program and matched at the appropriate FFP rate. Indirect expenses are those that benefit Medicaid, CHIP and other programs, including the Exchange itself. One such example would be staffing salaries for those individuals who serve both Medicaid's and CHIP's needs as well as the Exchange's. These indirect expenses are allocated to the benefiting programs in proportion to Medicaid or CHIP anticipated duplicated recipient count served by the Exchange. The agency may propose for federal consideration alternative allocation methods as long as they produce a result that is repeatable and based on valid recorded data. Having allocated the Medicaid and CHIP shares, the resultant figures are then matched at the appropriate FFP rate. For additional examples of shared services and functionalities that may require cost allocation between health programs, please consult the following guidance released by HHS: <http://www.medicaid.gov/Federal-Policy-Guidance/Downloads/SMD-01-23-12.pdf>

State Cost-Sharing and Matching payments are not required for this program. Please refer to Section IV.5.B.vi. for more information about how States must address the cost allocation for Medicaid, CHIP, and other health and human services programs not applying the specific, time-limited exception to OMB Circular A-87 cost allocation principles in connection with the IT systems developed or modified to support the Exchange or States. States may use information available at:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2011_register&docid=fr19ap11-6.pdf

States should allocate costs associated with eligibility determination between Medicaid, CHIP and Exchanges, as Exchanges will assess Medicaid and CHIP eligibility for certain individuals seeking coverage if they are not already enrolled in Medicaid or CHIP. Eligibility determination includes costs of intake, verification, adjudication, and resolution, including customer support for these processes. Other costs may also be shared, depending on the level of integration States choose to pursue. States should review the cost allocation rules in 2 CFR Part 225 (previously OMB Circular A-87). Please see Section IV.5.B.vi. for more information. Before submitting a cost allocation plan, States should consult the most recent guidance issued by HHS regarding cost allocation among Medicaid, CHIP, Exchanges, and human services programs, for the most up-to-date information and instructions.

IT Guidance 2.0 can be found at:

http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf

For further information on cost allocation relative to Medicaid and CHIP cost allocation, please send an email to MedicaidE&E_APD@cms.hhs.gov and put “CCIIO Exchange Establishment Cooperative Agreement Cost Allocation Issue” in the subject line. For further information on cost allocation requirements re 2 CFR Part 225, please see: http://www.whitehouse.gov/sites/default/files/omb/fedreg/2005/083105_a87.pdf.

For more information on the specific, time-limited exception to cost allocation principles in OMB Circular A-87 for federally-funded human services programs, please see:

<http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Data-and-Systems/Downloads/Cost-Allocation-IT-Systems.pdf> and
<http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SMD-01-23-12.pdf>

K. Documentation Supporting Eligibility of Applicant (Level Two Exchange Establishment Only)

Applicants for *Level Two Exchange Establishment* awards must include documentation that demonstrates completion of the eligibility criteria defined in Section III.1. Please provide all documentation of eligibility in one attachment to the application, even if the documentation may be duplicative of information provided elsewhere in the application package. This includes documentation that the State applicant:

1. Has the necessary legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application;
2. Has established a governance structure for the Exchange; and
3. Submits an initial plan discussing long-term operational costs of the Exchange.

3. Submission Dates and Times

All grant applications must be submitted electronically and be received through <http://www.grants.gov> by 11:59 pm Eastern Time on the respective due date.

Level One Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014

Level Two Exchange Establishment

Application Due Dates: August 15, 2012; November 15, 2012; December 28, 2012; February 15, 2013; May 15, 2013; August 15, 2013; November 15, 2013; February 14, 2014; May 15, 2014; August 15, 2014; October 15, 2014

4. Intergovernmental Review

Applications for these Cooperative Agreements are not subject to review by States under Executive Order 12372, “Intergovernmental Review of Federal Programs” (45 CFR 100). Please check box “C” on item 19 of the SF 424 (Application for Federal Assistance) as Review by State Executive Order 12372, does not apply to these grants.

5. Funding Restrictions

A. Reimbursement of Pre-Award Costs

Pursuant to OMB Circular 87-A, funds awarded under this Exchange Establishment funding opportunity may be used to reimburse pre-award costs that are allowable and incurred up to 90 days before grant award that cannot be covered under existing funding from Exchange Planning grants, Early Innovator Cooperative Agreements, and/or previously awarded Exchange Establishment Cooperative Agreements. Such uses of funds under this Cooperative Agreement must be approved in writing by HHS. If a State does not receive a Cooperative Agreement award, HHS is not liable for costs incurred by the applicant.

B. Prohibited Uses of Grant Funds

The Department of Health and Human Services *Cooperative Agreement to Support Establishment of the Affordable Care Act’s Health Insurance Exchanges* may not be used for any of the following:

- i. To cover the costs to provide direct health care services to individuals;
- ii. To meet matching requirements of any other Federal program;
- iii. To cover excessive executive compensation;
- iv. To contract with organizations or individuals that have a conflict of interest, such as individuals or companies that sell insurance or insurance-like products, including discount plans;
- v. To promote Federal or State legislative and regulatory modifications;
- vi. To improve systems or processes solely related to Medicaid/CHIP, or any other State or Federal program’s eligibility:
 - a. State applicants must allocate the costs of their IT system(s) work and other applicable costs per 2 CFR Part 225 (previously OMB Circular A-87), or Federal guidance on the specific, time-limited exception to OMB Circular A-87 cost allocation principles for federally-funded human services programs, between the Exchange and other health and human services programs for those activities that will benefit other health and human services programs. Examples of IT modules and other activities we anticipate needing to be cost-allocated include eligibility, enrollment, and verification. Examples where we think it is unlikely that costs need to be allocated between sources of funding are Exchange administration and qualified health plan certification and administration processes. Before

submitting a cost allocation plan, States should consult the most recent guidance issued by HHS regarding cost allocation among Medicaid/CHIP, Exchanges, and human services programs, for the most up-to-date information and instructions; IT Guidance 2.0 can be found at:

http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf. For more information on the specific, time-limited

exception to OMB Circular A-87 cost allocation principles related to federally-funded human services programs, please see:

<http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Data-and-Systems/Downloads/Cost-Allocation-IT-Systems.pdf>

[and http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SMD-01-23-12.pdf](http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SMD-01-23-12.pdf).

b. States will need to submit an Advance Planning Document (APD) to CMS requesting Federal financial participation (FFP) of the Medicaid/CHIP portion of the allocated costs, or costs attributable to other Federal programs, Agencies, or Offices. HHS will work collectively and expeditiously to review grant solicitations and APD submissions. HHS will provide technical assistance and leadership throughout this process;

vii. Activities unrelated to Exchange planning and establishment such as:

a. Staff retreats;

b. Promotional giveaways; and

c. To provide services, equipment, or support that are the legal responsibility of another party under Federal or State law (e.g.; vocational rehabilitation or education services) or under any civil rights laws. Such legal responsibilities include, but are not limited to, modifications of a workplace or other reasonable accommodations that are a specific obligation of the employer or other party.

viii. Consumer Assistance Program (Section 1002): It is not possible to replace CAP grant funding with 1311 funding. Any consumer assistance activities funded through this opportunity must be integral to the Exchange and are subject to the minimum requirements of Section 1311, not those in Section 1002. Funds applied towards consumer assistance activities must not supplant other grant funds, or otherwise misuse or misappropriate grant funds.

ix. Basic Health Program and State Innovation Waivers: Funding cannot be used solely for waiver activities, the Basic Health Program or investigation of the feasibility of those options.

x. Navigator Program grants: Navigator grants must be made from the operational funds of the Exchange.

xi. All Payer Claims Database (APCD) development for the risk adjustment program (established under Affordable Care Act section 1343) in States without legal authority to establish an Exchange. However, funding for planning and research of an APCD is allowable for all States.

- xii. An Exchange must use section 1311(a) grant funds consistent with the Affordable Care Act and related guidance from CMS. Please refer to additional guidance on the CCIIO website.

V. APPLICATION REVIEW INFORMATION

In order to receive a Cooperative Agreement for establishing an Exchange, States must submit an application, in the required format, no later than the deadline dates.

If an applicant does not submit all of the required documents and does not address each of the topics described below, the applicant risks not being awarded a Cooperative Agreement.

As indicated in Section IV, Application and Submission Information, all applicants must submit the following:

- Standard Forms
- Three Required Letters of Support (Governor or Mayor (if District of Columbia), State Medicaid agency (as applicable), State Department of Insurance (as applicable)). A fourth letter, Memorandum of Understanding, or agreement must be included if a new applicant entity (on behalf of the State) is applying and the State has already received funds through another entity in the State for Exchange Planning and/or Establishment in order to ensure coordination between the State agencies.
- Applicant's Application Cover Letter
- Project Abstract
- Project Narrative
- Work Plan
- Budget Narrative
- Letters of Agreement and/or Description(s) of Proposed/Existing Project
- Descriptions for Key Personnel & Organizational Chart
- Cost Allocation Methodology Appendix
- Level Two only: Applicants for *Level Two* awards must include documentation that demonstrates completion of the eligibility criteria defined in Section III.1. Please provide all documentation of eligibility in one attachment to the application, even if the documentation may be duplicative of information provided elsewhere in the application package. This includes documentation that the State applicant:
 - a. Has the necessary legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application.
 - b. Has established a governance structure for the Exchange.
 - c. Submits an initial plan discussing long-term operational costs of the Exchange.

1. Criteria

The review criteria for applications are based on a total of 100 points allocated among the following areas:

A. Project Narrative (55 points)

a. Discussion of Exchange Planning and Exchange Establishment Progress (20 points)

Reviewers should rate this section based on the extent to which the applicant described, and quantified where possible, progress that the State has made on Exchange Planning and Establishment in the areas identified in Section IV, Application and Submission Information, 2. Content and Form of Application Submission, E. Project Narrative. This section should give the reviewer a clear understanding of how the State's progress toward Exchange establishment to date has informed its current proposal. Scoring should reflect the reviewer understands that expectations of a State's progress to date may differ based upon the model of Exchange the State intends to pursue.

b. Proposal to Meet Program Requirements (35 points)

Reviewers should rate this section based on the extent to which the applicant addressed the program requirements identified in Section I, Funding Opportunity Description, 4. Program Requirements and Section IV, Application and Submission Information, 2. Content and Form of Application Submission, E. Project Narrative. This is based on the Exchange activity categories for which the applicant is applying. This section should provide the reviewer with a clear understanding of the approach the State will take for each of the activities for which the State is requesting funding, and should reflect the State's plan to establish an Exchange, participate in the Federally-facilitated Exchange, or collaborate with the Federally-facilitated Exchange through the State Partnership model. It should also provide a high-level overview of the State's strategic plan to fulfill the required Exchange Activities. A State that is transitioning (or plans to transition) between Exchange models, or transitioning ownership responsibility for Exchange Activities, should provide a timeline for this transition. The proposal to meet program requirements, as reflected in the Affordable Care Act, Exchange regulations, and this FOA should demonstrate clear and consistent alignment with the proposed work plan, budget, and budget narrative.

B. Work Plan (25 points)

Reviewers should rate this section based on the extent to which the work plan addresses the Exchange Activities; the extent to which the work plan provides detail to accomplish milestones, including organization and person responsible and completion dates.

Reviewers should also rate this section based on the reasonableness and completeness of the milestones to be accomplished throughout the project period as well as the adequacy of the projected timeframes.

Reviewers should also rate this section based on the extent to which the applicants clearly distinguishes activities in the submitted Work Plan(s) between activities funded under other Exchange funding opportunities, including Exchange Planning grants, and Early Innovator Cooperative Agreements, previously awarded Exchange Establishment Cooperative Agreements, and those establishment activities supported under this Funding Opportunity in their Work Plans. States may receive multiple Exchange Establishment Cooperative Agreements and must therefore also allocate costs in their Work Plans among the activities funded under the various Exchange Establishment Cooperative Agreement awards received.

C. Budget Narrative (20 points)

Reviewers should rate this section based on the completeness of the budget and reasonableness of the requested funding level according to the tasks proposed and the extent to which the applicant exhibits the budgetary resources that are needed according to its Work Plan. The budget must show the resources needed on a quarterly basis where the State is able to make these determinations at the time of application and explain why other costs can't be distributed quarterly. The proposed budget should only include costs for activities and functionalities that are integral to Exchange establishment and meeting Exchange requirements. An Exchange must use section 1311(a) grant funds consistent with the Affordable Care Act and related guidance from CMS. Please refer to additional guidance on the CCIIO website. This section should also include a description of the State's capacity to manage multiple funding streams.

2. Review and Selection Process

A team consisting of qualified experts will review all applications. The review process will include the following:

- A. Applications will be screened to determine eligibility for further review using the criteria detailed in Section III, Eligibility Information of this Funding Opportunity Announcement. Applications that are received late or fail to meet the eligibility requirements as detailed in this Funding Opportunity Announcement or that do not include all required forms will not be reviewed.
- B. Procedures for assessing the technical merit of grant applications have been instituted to provide for an objective review of applications and to assist the applicant in understanding the standards against which each application will be judged. Review criteria are used to review and to rank applications. Critical indicators have been developed for each review criterion to assist the applicant in presenting pertinent information related to that criterion and to provide the reviewer with a standard for evaluation. Review criteria, according to which all applications will be evaluated, are outlined above with specific detail and scoring points. Applications will be evaluated by an objective review committee. Applicants should pay strict attention to addressing all

these criteria, as they are the basis upon which the reviewers will evaluate their applications.

- C. Final award decisions will be made by an HHS program official. In making these decisions, the HHS program official will take into consideration: recommendations of the review panel; reviews for programmatic and grants management compliance; the reasonableness of the estimated cost to the government and anticipated results; and the likelihood that the proposed project will result in the benefits expected.

The Department reserves the right to conduct pre-award Budget Negotiations with potential recipients. If the applicant applies for *Level Two Exchange Establishment* and is found to not meet the review criteria, the applicant may reapply for a *Level One Exchange Establishment* award provided that the final application due date has not passed.

3. Anticipated Announcement and Award Dates

The anticipated dates of award for the *Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges* are 45 days after each application due date for *Level One Exchange Establishment* and *Level Two Exchange Establishment*.

VI. AWARD ADMINISTRATION INFORMATION

1. Award Notices

Successful applicants will receive a Notice of Award (NoA) signed and dated by an HHS Grants Management Officer. The NoA is the document authorizing the grant award and will be sent through electronic mail to the State as designated on the SF 424. Any communication between HHS and applicants prior to issuance of the NoA is not an authorization to begin performance of a project. Unsuccessful applicants are notified within 30 days of the final funding decision and will receive a disapproval letter via U.S. Postal Service or electronic mail.

Federal Funding Accountability and Transparency Act (FFATA) subaward Reporting Requirement: New awards issued under this funding opportunity announcement are subject to the reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109–282), as amended by section 6202 of Public Law 110–252 and implemented by 2 CFR Part 170. Grant and Cooperative Agreement recipients must report information for each first-tier subaward of \$25,000 or more in Federal funds and executive total compensation for the recipient's and subrecipient's five most highly compensated executives as outlined in Appendix A to 2 CFR Part 170 (available online at www.fsrs.gov).

2. Administrative and National Policy Requirements

The following standard requirements apply to applications and awards under this FOA:

- A. Specific cost principles and administrative requirements, as outlined in 2 CFR Part 225 (previously OMB Circular A-87) and 2 CFR Part 230 (previously OMB Circular A-122) as well as 45 CFR Parts 74 and 92, apply to Cooperative Agreements awarded under this announcement (based upon applicable entity).
- B. All States receiving awards under this grant project must comply with all applicable Federal statutes relating to nondiscrimination including, but not limited to:
 - i. Title VI of the Civil Rights Act of 1964,
 - ii. Section 504 of the Rehabilitation Act of 1973,
 - iii. The Age Discrimination Act of 1975, and
 - iv. Title II Subtitle A of the Americans with Disabilities Act of 1990.
- C. All equipment, staff, other budgeted resources, and expenses must be used exclusively for the project identified in this application or agreed upon subsequently with HHS, and may not be used for any prohibited uses.
- D. Consumers and other stakeholders must have meaningful input into the planning, implementation, and evaluation of the project. All Cooperative Agreement budgets must include some funding to facilitate participation on the part of individuals who have a disability or long-term illness and their families. Appropriate budget justification to support the request for these funds must be included.

3. Terms and Conditions

Cooperative Agreements issued under this FOA are subject to the *Health and Human Services Grants Policy Statement (HHS GPS)* at <http://www.hhs.gov/grantsnet/adminis/gpd/>. Standard and special terms and conditions of award will accompany the NoA. Potential applicants should be aware that special requirements could apply to grant/Cooperative Agreement awards based on the particular circumstances of the effort to be supported and/or deficiencies identified in the application by the HHS review panel. The general terms and conditions that are outlined in Section II of the HHS GPS will apply as indicated unless there are statutory, regulatory, or award-specific requirements to the contrary (as specified in the NoA).

Subaward Reporting and Executive Compensation: New awards issued under this funding opportunity announcement are subject to the reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109–282), as amended by section 6202 of Public Law 110–252 and implemented by 2 CFR Part 170. Grant and Cooperative Agreement recipients must report information for each first-tier subaward of \$25,000 or more in Federal funds and executive total compensation for the recipient’s and subrecipient’s five most highly compensated executives as outlined in Appendix A to 2 CFR Part 170 (available online at www.fsr.gov).

4. Cooperative Agreement Terms and Conditions of Award

The following special terms of award are in addition to, and not in lieu of, otherwise applicable OMB administrative guidelines, OMB cost principles at 2 CFR Part 225 (previously OMB Circular A-87) and 2 CFR Part 230 (previously OMB Circular A-122), and HHS grant administration regulations 45 CFR Parts 74 and 92 (Part 74 is applicable when higher education, hospitals, other nonprofit organizations, and commercial organizations are eligible to apply and Part 92 is applicable when State, local, and Tribal Governments are eligible to apply), and other HHS and PHS grant administration policies.

The administrative and funding instrument used for this program will be a Cooperative Agreement, an assistance mechanism in which substantial HHS programmatic involvement with the recipient is anticipated during the performance of the activities. Under each Cooperative Agreement, HHS' purpose is to support and stimulate the recipient's activities by involvement in and otherwise working jointly with the award recipient in a partnership role. To facilitate appropriate involvement during the period of this Cooperative Agreement, HHS and the recipient will be in contact monthly and more frequently when appropriate.

Cooperative Agreement Roles and Responsibilities are as follows:

Department of Health and Human Services

HHS will have substantial involvement in program awards, as outlined below:

- Technical Assistance – HHS will host opportunities for training and/or networking, including conference calls and other vehicles.
- Collaboration – To facilitate compliance with the terms of the Cooperative Agreement and to more effectively support recipients, HHS will actively coordinate with other relevant Federal Agencies including but not limited to the U.S. Office of Personnel Management, the Indian Health Service, the Health Resources and Services Administration, the Internal Revenue Service, the Department of Homeland Security, the Administration for Children and Families, and the Social Security Administration.
- Program Evaluation – HHS will work with recipients to implement lessons learned to continuously improve this program and the nation-wide implementation of the Health Insurance Exchanges.
- State Officers and Monitoring – HHS will assign specific State Officers to each Cooperative Agreement award to support and monitor recipients throughout the period of performance. HHS Grants Management Officers, Grants Management Specialists, and States Officers will monitor, on a regular basis, progress of each recipient. This monitoring may be by phone, document review, on-site visit, other meeting and by other appropriate means, such as reviewing program progress reports and Federal Financial Reports (FFR or SF-425). This monitoring will be to determine compliance with programmatic and financial requirements.

Recipients

Recipients and assigned points of contact retain the primary responsibility and dominant role for planning, directing and executing the proposed project as outlined in the terms and conditions of the Cooperative Agreement and with substantial HHS involvement.

Recipient shall engage in the following activities:

- Exchange Requirements – comply with all current and future requirements of the establishment of an Exchange, including those issued through rulemaking and guidance specified and approved by the Secretary of HHS.
- Collaboration and Sharing – collaborate with the critical stakeholders listed in this funding opportunity and the HHS team, including the assigned State Officer. Recipients are also required to collaborate with their State Medicaid Directors, State Insurance Commissioners, and other key State stakeholders such as the HIT Coordinators and State Directors of Health and Human Services. .
- Reporting – comply with all reporting requirements outlined in this funding opportunity and the terms and conditions of the Cooperative Agreement to ensure the timely release of funds.
- Program Evaluation – cooperate with HHS-directed national program evaluations.
- Participate in user groups and other technical assistance venues as appropriate.
- Enter into Memorandums of Agreement or Understanding with the Federally-facilitated Exchange as appropriate in order for an Exchange to be established in each State. This may include but is not limited to data sharing agreements.
- Participate in Establishment Reviews and site visits as appropriate.

Intellectual Property

As a term and condition of a grant award, under 45 CFR Part 92.34, the Federal awarding agency will retain a royalty-free, nonexclusive, irrevocable license to reproduce, publish or otherwise use, and to authorize others to use, for Federal Government purposes: (a) the copyright in any work developed under a grant, subgrant or contract under a grant or subgrant, and (b) any rights of copyright to which grantee, subgrantee, or a contractor purchases ownership with grant support.

State grantees under this Cooperative Agreement shall not enter in to any contracts supporting the Exchange systems where Federal grant funds are used for the acquisition or purchase of software licenses and ownership of the licenses are not held or retained by either the State or Federal government, under the terms described above.

5. Reporting

All successful applicants under this announcement must comply with the following reporting and review activities:

A. Progress Reports

Recipients of Cooperative Agreement funding must provide HHS with information such

as, but not limited to, project status, implementation activities initiated, accomplishments, barriers, and lessons learned in order to ensure that funds are used for authorized purposes. Such performance includes submission of the State's progress toward the Exchange Activities in its Work Plan. More details of the report will be outlined in the NoA. The report could include, but will not be limited to:

- Progress on goals, milestones, and activities identified in the application
- Changes in Work Plan components
- Lessons learned

The final progress report will serve as the final project report and should discuss the accomplishments throughout the entire project period.

B. Public Report

Recipients must agree to prominently post specific information about Exchange Establishment Cooperative Agreements on their respective Internet websites to ensure that the public has information on the use of funds. More details will be outlined in the NoA.

C. Performance Review

HHS is interested in enhancing the performance of its funded programs within communities and States. As part of this agency-wide effort, recipients will be required to participate, where appropriate, in an on-site performance review of their HHS-funded project(s) by a review team. The Establishment and Medicaid IT reviews are an example of an on-site performance review. For more information about these reviews, please see Appendix D. The timing of the performance review is at the discretion of HHS.

D. Federal Financial Report (FFR)

The Federal Financial Report (FFR or Standard Form 425) has replaced the SF-269, SF-269A, SF-272, and SF-272A financial reporting forms. All grantees must utilize the FFR to report cash transaction data, expenditures, and any program income generated.

Grantees must report on a quarterly basis cash transaction data via the Payment Management System (PMS) using the FFR in lieu of completing a SF-272/SF272A. The FFR, containing cash transaction data, is due within 30 days after the end of each quarter. The quarterly reporting due dates are as follows: 4/30, 7/30, 10/30, 1/30. A Quick Reference Guide for completing the FFR in PMS is at: www.dpm.psc.gov/grant_recipient/guides_forms/ffr_quick_reference.aspx.

In addition to submitting the quarterly FFR to PMS, Grantees must also provide, on an annual basis, a hard copy FFR to CMS which includes their expenditures and any program income generated in lieu of completing a Financial Status Report (FSR)

(SF269/269A). Expenditures and any program income generated should only be included on the annually submitted FFR, as well as the final FFR. Annual hard-copy FFRs should be mailed and received within 30 calendar days of the applicable year end date. The final FFR should be mailed and received within 90 calendar days of the project period end date.

More details will be outlined in the Notice of Award.

E. Transparency Act Reporting Requirements

New awards issued under this funding opportunity announcement are subject to the reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109–282), as amended by section 6202 of Public Law 110–252 and implemented by 2 CFR Part 170. Grant and Cooperative Agreement recipients must report information for each first-tier subaward of \$25,000 or more in Federal funds and executive total compensation for the recipient’s and subrecipient’s five most highly compensated executives as outlined in Appendix A to 2 CFR Part 170 (available online at www.frs.gov). Competing Continuation recipients may be subject to this requirement and will be so notified in the Notice of Award.

F. Audit Requirements

Grantees must comply with audit requirements of the Office of Management and Budget (OMB) Circular A-133. Information on the scope, frequency, and other aspects of the audits can be found on the Internet at www.whitehouse.gov/omb/circulars.

G. Payment Management Requirements

Grantees must submit a quarterly electronic SF-425 via the Payment Management System. The report identifies cash expenditures against the authorized funds for the grant. Failure to submit the report may result in the inability to access Cooperative Agreement funds. The SF-425 Certification page should be faxed to the PMS contact at the fax number listed on the SF-425, or it may be submitted to:

Division of Payment Management
HHS/ASAM/PSC/FMS/DPM
PO Box 6021
Rockville, MD 20852
Telephone: (877) 614-5533

VII. AGENCY CONTACTS

For questions and concerns regarding this Cooperative Agreement, please contact:

Grants Management Official/Business Administration

Michelle Feagins

Office of Acquisition and Grants Management

Centers for Medicare & Medicaid Services

Department of Health and Human Services

(301) 492-4312

Michelle.Feagins@cms.hhs.gov

Program Official/Programmatic Management

Susan Lumsden

Center for Consumer Information and Insurance Oversight

Centers for Medicare & Medicaid Services

Department of Health and Human Services

(301) 492-4347

Susan.Lumsden@cms.hhs.gov

VIII. APPENDICES

A. Exchange Activities for a State-based Exchange

Below is a list of the Exchange Activities for a State-based Exchange. All activities marked with an “X” are required for approval as a State-based Exchange, and selected activities are also described as “if applicable,” “optional,” and “may use Federal service.” This funding opportunity supports all of these activities for States pursuing a State-based Exchange. ***Level Two Establishment applicants must address all required activities in their proposal.***

Please refer to the most recent version of the Exchange Blueprint for Approval of Affordable State-based and State Partnership Insurance Exchanges for updates.

Exchange Activities

Legal Authority and Governance

| | |
|--|---|
| The State has enabling authority to operate an Affordable Insurance Exchange, including a Small Business Health Options Program (SHOP), compliant with the Affordable Care Act § 1321(b) and implementing regulations. | X |
| The Exchange has been established with an Exchange Board and governance structure in compliance with Affordable Care Act § 1311(d) and 45 CFR 155.110. | X |

Consumer and Stakeholder Engagement and Support

| | |
|--|---------------|
| The Exchange has developed and implemented a stakeholder consultation plan and has and will continue to consult with consumers, small businesses, State Medicaid and CHIP agencies, agents/brokers, employer organizations, and other relevant stakeholders as required under 45 CFR § 155.130. | X |
| <i>Applicable only to States with Federally-recognized Tribes:</i> The Exchange, in consultation with the Federally recognized Tribes, has developed and implemented a Tribal consultation policy or process, which has been submitted to HHS. | If applicable |
| The Exchange provides culturally and linguistically appropriate outreach and educational materials to the public, including auxiliary aids and services for people with disabilities, regarding eligibility and enrollment options, program information, benefits, and services available through the Exchange, the Insurance Affordability Program(s), and the SHOP. In addition, the Exchange has an outreach plan for populations including: individuals, entities with experience in facilitating enrollment such as agents/brokers, small businesses and their employees, employer groups, health care providers, community-based organizations, Federally-recognized Tribal communities, advocates for hard-to-reach populations, and other relevant populations as outlined in 45 CFR § 155.130. | X |
| The Exchange provides for the operation of a toll-free telephone hotline (call center) to respond to requests for assistance from the public, including individuals, employers, and | X |

| | |
|---|---------------|
| employees, at no cost to the caller as specified by 45 CFR § 155.205(a). | |
| The Exchange has established and maintains an up-to-date Internet Web site that provides timely and accessible information on Qualified Health Plans (QHPs) available through the Exchange, Insurance Affordability Program(s), the SHOP, and includes requirements specified in 45 CFR § 155.205(b). | X |
| The Exchange has established or has a process in place to establish and operate a Navigator program that is consistent with the applicable requirements of the program specified in 45 CFR § 155.210, including the development of training and conflict of interest standards, and adherence to privacy and security standards specified in 45 CFR § 155.210 and 45 CFR § 155.260. | X |
| The Exchange has established an in-person assistance program distinct from the Navigator program, and has a process in place to operate the program consistent with the applicable requirements of 45 CFR 155.205(c), (d), and (e). | Optional |
| <i>If applicable:</i> If the State permits activities by agents and brokers pursuant to 45 CFR 155.220(a), the Exchange has clearly defined the role of agents and brokers including evidence of licensure, training, and compliance with 45 CFR § 155.220(c)-(e). The Exchange will have agreements with agents/brokers consistent with 45 CFR § 155.220(d), which address agent/broker registration with the Exchange, training on QHP options and Insurance Affordability Program(s), and adherence to privacy and security standards, as specified in 45 CFR § 155.260. | If applicable |
| <i>If applicable:</i> If the State permits activities by agents and brokers pursuant to 45 CFR 155.220(a), the Exchange has clearly defined the role of web brokers including evidence of licensure, training, and compliance with 45 CFR § 155.220(c)-(e). Specifically, the Exchange has agreements with web brokers consistent with 45 CFR § 155.220(d), which address agent/broker registration with the Exchange, training on QHP options and Insurance Affordability Program(s), and adherence to privacy and security standards, as specified in 45 CFR § 155.260. | If applicable |

Eligibility and Enrollment

| | |
|---|---|
| The Exchange has developed and will use a State-developed, HHS-approved single, streamlined application for the individual market – or will use the HHS-developed application – to determine eligibility and collect information that is necessary for enrollment in a QHP for the individual market and for insurance affordability programs as specified in 45 CFR § 155.405. The Exchange has developed and will use a State-developed, HHS-approved application for SHOP or will use the HHS-developed application for SHOP employers and employees as specified in 45 CFR 155.730. | X |
| The Exchange has developed and documented a coordination strategy with other agencies administering insurance affordability programs and the SHOP that enables the Exchange to carry out the eligibility and enrollment activities. | X |
| The Exchange has the capacity to accept and process applications, updates, and responses to redeterminations from applicants and enrollees, including applicants and enrollees who have disabilities or limited English proficiency, through all required | X |

| | |
|--|-------------------------|
| channels, including in-person, online, mail, and phone. | |
| The Exchange has the capacity to send notices, including notices in alternate formats and multiple languages; conduct periodic data matching, and conduct annual redeterminations and process responses in-person, online, via mail, and over the phone pursuant to 45 CFR part 155, subpart D. | X |
| The Exchange has the capacity to conduct verifications pursuant to 45 CFR part 155, subpart D, and is able to connect to data sources, such as the HHS/federal Data Services Hub, and other sources as needed. | X |
| The Exchange has established the appropriate privacy and security protections and has capacity to accept, store, associate, and process documents received from individual applicants and enrollees electronically, and the ability to accept, image, upload, associate, and process paper documentation received for applicants and enrollees via mail and/or fax. | X |
| The Exchange has the capacity to determine individual eligibility for enrollment in a QHP through the Exchange and for employee and employer participation in the SHOP. In addition, the Exchange has the capacity to assess or determine eligibility for Medicaid and CHIP based on Modified Adjusted Gross Income (MAGI), consistent with 45 CFR part 155 subpart D | X |
| The Exchange has the capacity to determine eligibility for Advance Payments of the Premium Tax Credit (APTC) and Cost Sharing Reductions (CSR), including calculating maximum APTC, independently or through the use of a Federally-managed service. | May use Federal service |
| The Exchange has the capacity to independently send notices, as necessary, to applicants and employers as necessary pursuant to 45 CFR §155 subpart D that are in plain language, that address the appropriate audience, and that meet content requirements. | X |
| The Exchange has the capacity to accept applications and updates, conduct verifications, and determine eligibility for individual responsibility requirement and payment exemptions independently or through the use of Federally-managed services. | May use Federal service |
| The Exchange has the capacity to support the eligibility appeals process and to implement appeals decisions, as appropriate, for individuals, employers, and employees. | X |
| The Exchange and SHOP have the capacity to process QHP selections and terminations in accordance with 45 CFR § 155.400 and § 155.430, compute actual APTC, and report and reconcile QHP selections, terminations, and APTC/advance CSR information in coordination with issuers and CMS. This includes exchanging relevant information with issuers and CMS using electronic enrollment transaction standards. | X |
| The Exchange has the capacity to electronically report results of eligibility and exemption assessments and determinations, and provide associated information to HHS, IRS, and other agencies administering Insurance Affordability Programs, as applicable. This includes information necessary to support administration of APTC and CSR as well as to support the employer responsibility provisions of the Affordable Care Act. | X |

| | |
|--|---|
| The Exchange will comply with transition activities in 45 C.F.R. § 155.345(i) for State-based PCIP programs. | X |
|--|---|

Plan Management

| | |
|--|---|
| The Exchange or the appropriate State entity, has the appropriate authority to perform the certification of QHPs and to oversee QHP issuers consistent with 45 CFR § 155.1010(a). | X |
| The Exchange has a process in place to certify QHPs pursuant to 45 CFR § 155.1000(c) and according to QHP certification requirements contained in 45 CFR § 156. | X |
| The Exchange uses a plan management system(s) or processes that support the collection of QHP issuer and plan data; facilitates the QHP certification process; manages QHP issuers and plans; and integrates with other Exchange business areas, including the Exchange Internet Web site, call center, quality, eligibility and enrollment, and premium processing. | X |
| The Exchange has the capacity to ensure QHPs’ ongoing compliance with QHP certification requirements pursuant to 45 CFR § 155.1010(a)(2), including a process for monitoring QHP performance and collecting, analyzing, and resolving enrollee complaints. | X |
| The Exchange has the capacity to support issuers and provides technical assistance to ensure ongoing compliance with QHP issuer operational standards. | X |
| The Exchange has a process for QHP issuer recertification, decertification, and appeal of decertification determinations pursuant to 45 CFR § 155.1075 and § 155.1080. | X |
| The Exchange has set a timeline for QHP issuer accreditation in accordance with 45 CFR § 155.1045. The Exchange also has systems and procedures in place to ensure QHP issuers meet accreditation requirements (per 45 CFR § 156.275) as part of QHP certification in accordance with applicable rulemaking and guidance. | X |
| The Exchange has systems and procedures in place to ensure that QHP issuers meet the minimum certification requirements pertaining to quality reporting and provide relevant information to the Exchange and HHS pursuant to the Affordable Care Act § 1311(c)(1), 1311(c)(3), 1311(c)(4), 1311(e)(3), and as specified in rulemaking | X |

Risk Adjustment and Reinsurance

| | |
|---|-------------------------|
| The State has the legal authority to operate the risk adjustment program per 45 CFR § 153 and the Affordable Care Act 1343, if the State chooses to administer its own risk adjustment program. | May use Federal service |
| The State operates its own reinsurance program per the Affordable Care Act § 1341 requirements. | May use Federal service |

Small Business Health Options Program (SHOP)

| | |
|--|---|
| The SHOP is compliant with regulatory requirements pursuant to 45 CFR § 155 Subpart H. | X |
|--|---|

| | |
|---|---|
| The Exchange has the capacity for SHOP premium aggregation pursuant to 45 CFR § 155.705. | X |
| The SHOP Exchange has the capacity to electronically report information to the IRS for tax administration purposes. | X |

Organization and Human Resources

| | |
|---|---|
| The Exchange has an appropriate organizational structure and staffing resources to perform Exchange activities. | X |
|---|---|

Finance and Accounting

| | |
|---|---|
| The Exchange has a long-term operational cost, budget, and management plan. | X |
|---|---|

Technology

| | |
|---|---|
| The Exchange technology and system functionality complies with relevant HHS information technology (IT) guidance. | X |
| The Exchange has the adequate technology infrastructure and bandwidth required to support all of the Exchange activities. | X |
| The Exchange effectively implements IV&V, quality management, and test procedures for Exchange development activities and demonstrates it has achieved HHS-defined <i>essential</i> functionality for each required activity. | X |

Privacy and Security

| | |
|--|---|
| The Exchange has established and implemented written policies and procedures regarding the Privacy and Security standards set forth in 45 CFR § 155.260(a)-(g). | X |
| The Exchange has established and implemented safeguards that (1) ensure the critical outcomes in 45 CFR § 155.260(b)(4), including authentication and identity proofing functionality, and (2) incorporates HHS IT requirements as applicable. | X |
| The Exchange has adequate safeguards in place to protect the confidentiality of all Federal information received through the Data Services Hub, including but not limited to Federal tax information. | X |

Oversight, Monitoring, and Reporting

| | |
|---|---|
| The Exchange has a process in place to perform required activities related to routine oversight and monitoring of Exchange activities (and will supplement those policies and procedures to implement regulations promulgated under the Affordable Care Act 1313) | X |
| The Exchange has the capacity to track and report performance and outcome metrics related to Exchange Activities in a format and manner specified by HHS necessary for, but not limited to, annual reports required by the Affordable Care Act 1313(a). | X |
| The Exchange has instituted procedures and policies that promote compliance with the financial integrity provisions of the Affordable Care Act 1313 (and will supplement | X |

| | |
|--|--|
| those policies and procedures to implement regulations promulgated under the Affordable Care Act 1313), including the requirements related to accounting, reporting, auditing, cooperation with investigations, and application of the False Claims Act. | |
|--|--|

Contracting, Outsourcing, and Agreements

| | |
|---|---|
| The Exchange has executed appropriate contractual, outsourcing, and partnership agreements with vendors and/or State and Federal agencies for all Exchange activities and functionality as needed, including data and privacy agreements. | X |
|---|---|

B. State Grantee Activities for a Federally-facilitated Exchange, including State Partnership Model

This funding announcement makes funds available for the State activities outlined below in support of the Establishment of Federally-facilitated Exchange models (including State Partnership Exchanges whereby the State has the option to administer and support operation of certain Exchange activities associated with plan management activities, consumer assistance activities, or both) for the citizens of the State beyond the early benchmarks for all States identified in Section I. 4. Program Requirements. States should refer to the most recent guidance on the Federally-facilitated Exchange and State Partnership model for details. Additionally, please refer to the most recent version of the Exchange Approval application for updates.

As described in guidance on the Federally-facilitated Exchange and State Partnership model, HHS expects that States supporting the development of a Federally-facilitated Exchange may choose to seek funding for activities including but not limited to:

- Establish a reinsurance program
- Develop data system interfaces with the Federally-facilitated Exchange
- Coordinate plan information (e.g., licensure, solvency) from the DOI with the Federally-facilitated Exchange
- Other activities necessary to support (and related to the establishment of) the effective operations of a Federally-facilitated Exchange

Please refer to the most recent guidance on the Federally-facilitated Exchange for updates on State activities in the Federally-facilitated Exchange.

States pursuing a Partnership model may seek funding for State performance of Exchange activities in Plan Management and Consumer Assistance, as well as supporting the functions of the Federally-facilitated Exchange.

A State may participate in a Plan Management State Partnership, Consumer Assistance State Partnership, or both. In particular, funding is available to support states in performing the activities related to Exchange establishment that are listed below. All activities required for Partnership are marked with an “X,” and selected activities are also described as “may elect to perform or can use Federal service”.

Any States’ whose long term plan is to become a State Based Exchange is strongly encouraged to participate in the Partnership model as early as possible (described below).

State Grantee Activities funded in Plan Management State Partnership

| | |
|--|---|
| The State has appropriate agreements in place to operate the Plan Management activities that may be performed by the State in a State Partnership Exchange. | X |
| The appropriate State entity has the appropriate authority to evaluate certification applications, make recommendations of certification of QHPs, and oversee QHP issuers consistent with 45 CFR 155.1010(a) and other applicable law governing the FFE, consistent with FFE guidance, policies and procedures | X |
| The appropriate State entity has a process in place to recommend certification of QHPs pursuant to 45 CFR 155.1000(c) and according to QHP certification requirements contained in 45 CFR 156 and FFE guidance, policies and procedures. | X |
| The appropriate State entity uses a plan management system(s) or processes that support the collection of QHP issuer and plan data; facilitates the QHP certification process; manages QHP issuers and plans; and integrates with other Exchange business areas, including the Exchange Internet Web site, call center, quality, eligibility and enrollment, and premium processing. | X |
| The appropriate State entity has the capacity to verify QHPs' ongoing compliance with QHP certification requirements pursuant to 45 CFR 155.1010(a)(2), including a process for monitoring QHP performance and collecting, analyzing, and resolving enrollee complaints. | X |
| The appropriate State entity has the capacity to support QHP issuers and provides technical assistance to ensure ongoing compliance with QHP issuer operational standards. | X |
| The appropriate State entity has a process for evaluating submissions/activities for QHP issuer recertification and decertification, and to make recommendations to the FFE, consistent with applicable law and FFE guidance, policies and procedures. | X |
| The appropriate State entity has systems and procedures in place to verify with accrediting entities that have been recognized by HHS (per 45 CFR 156.275(c) that QHP issuers meet accreditation requirements (per 45 CFR 156.275) as part of QHP certification in accordance with applicable rulemaking and guidance. The appropriate State entity has systems and procedures in place to collect data on QHP issuers' existing accreditation (if applicable) from accrediting entities that have been recognized by HHS as well. | X |
| The appropriate State entity has systems and procedures in place to verify that QHP issuers meet the minimum certification requirements pertaining to quality reporting and provide relevant information to the Exchange and HHS pursuant to Affordable Care Act 1311(c)(1), 1311(c)(3),1311(c)(4) 1311(e)(3), and as specified in rulemaking. | X |
| The State will participate in the Exchange's compliance with transition activities in | X |

| | |
|---|--|
| 45 C.F.R. § 155.345(i) for State-based PCIP programs. | |
|---|--|

State Grantee Activities funded in Consumer Assistance State Partnership (Optional)

State Partnership Exchange Activities

| | |
|---|---|
| The State has agreements in place to coordinate with the Federally-facilitated Exchange and has a plan for providing the Consumer Assistance activity(ies), including in-person assistance, for its State Partnership Exchange consistent with 45 CFR 155.205(d) and (e). | X |
|---|---|

Consumer and Stakeholder Engagement and Support

| | |
|---|---|
| The appropriate State entity has established or has a process in place to support, administer, and oversee (as applicable) aspects of the FFE Navigator program consistent with the applicable requirements of 45 CFR 155.210, including ensuring that Navigators are adhering to the training and conflict of interest standards established by the FFE and to the privacy and security standards developed by the FFE pursuant to 45 CFR 155.260. | X |
|---|---|

| | |
|--|---|
| The appropriate State entity has established an in-person assistance program distinct from the Navigator program, and has a process in place to operate the program consistent with FFE guidance, policies and procedures. | X |
|--|---|

State Partner Exchange Activities funded in all State Partnership Models

| | |
|--|---|
| The State has the capacity to interface with the Federally-facilitated Exchange, as necessary, to ensure a seamless consumer experience. | X |
|--|---|

| | |
|---|---|
| The appropriate State entity technology and system functionality complies with relevant HHS information technology (IT) guidance. | X |
|---|---|

| | |
|--|---|
| The appropriate State entity has the adequate technology infrastructure and bandwidth required to support all of the Exchange activities performed by the FFE. | X |
|--|---|

| | |
|--|---|
| The appropriate State entity effectively implements IV&V, quality management, and test procedures for Exchange activities it performs and demonstrates it has achieved HHS-defined essential functionality for each required activity. | X |
|--|---|

| | |
|---|---|
| The appropriate (and applicable) State entity/entities follow the privacy and security standards developed by the Exchange pursuant to 45 C.F.R. § 155.260, including (where appropriate) the development of state-specific written policies and procedures to implement and follow the standards, policies and procedures developed by the FFE to comply with 45 C.F.R. § 155.260. | X |
|---|---|

| | |
|---|--|
| <p>The appropriate State entity follows the safeguards established by the Exchange that (1) ensure the critical outcomes identified in 45 CFR 155.260(a)(4), including authentication and identity proofing functionality, and (2) incorporate HHS IT requirements as applicable.</p> | <p>X</p> |
| <p>The appropriate State entity has a process in place to perform required activities related to being subject to routine oversight and monitoring of the Exchange activities performed by the State Partner (and will supplement those policies and procedures to implement regulations promulgated under the Affordable Care Act 1313).</p> | <p>X</p> |
| <p>The appropriate State entity has the capacity to track and report performance and outcome metrics related to Exchange Activities performed by the State Partner in a format and manner specified by HHS necessary for, but not limited to, annual reports required by Affordable Care Act 1313(a).</p> | <p>X</p> |
| <p>The appropriate State entity has instituted procedures and policies related to activities performed by the State Partner. Such policies and procedures are consistent with FE guidance, policies and procedures and promote compliance with the financial integrity provisions of Affordable Care Act § 1313 (and will supplement those policies and procedures to implement regulations promulgated under the Affordable Care Act 1313), including the requirements related to accounting, reporting, auditing, cooperation with investigations, and application of the False Claims Act.</p> | <p>X</p> |
| <p>The appropriate State entity has executed appropriate contractual, outsourcing, and partnership agreements with vendors and/or State and Federal agencies for all Exchange activities performed by the State Partner.</p> | <p>X</p> |
| <p>The State operates its own reinsurance program per Affordable Care Act 1341 requirements, if the State elects to operate its reinsurance program.</p> | <p>may elect to perform or can use Federal service</p> |

C. Cross-Walk of Exchange Activity Categories and Prior Exchange Core Areas

The table below displays how Exchange Activities correlate to the Exchange Establishment core areas as defined in the *Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchanges* funding opportunity announcement. Background research and program integration are throughout all of the Exchange Activities.

| Exchange Activities | Prior Exchange Establishment Core Areas and Business Functions |
|--|--|
| Legal Authority and Governance | <ul style="list-style-type: none"> • Legislative and Regulatory Actions • Governance |
| Consumer and Stakeholder Engagement and Support | <ul style="list-style-type: none"> • Providing Assistance to Individuals and Small Businesses • Stakeholder Consultation • Call Center • Outreach and Education • Exchange Website • Navigator Program • Premium tax credit and cost-sharing reduction calculator |
| Eligibility and Enrollment | <ul style="list-style-type: none"> • Adjudication of appeals of eligibility determinations • Individual responsibility determinations • Enrollment process • Eligibility determinations for Exchange participation, advance payment of premium tax credits, cost-sharing reductions, and Medicaid • Seamless eligibility and enrollment process with Medicaid and other State health subsidy programs • Applications and notices • Notification and appeals of employer liability • Information reporting to IRS and enrollees |
| Plan Management | <ul style="list-style-type: none"> • Certification, recertification, and decertification of qualified health plans • Health Insurance Market Reforms • Quality rating system |
| Financial Management, Risk Adjustment, and Reinsurance | <ul style="list-style-type: none"> • Administration of premium tax credits and cost-sharing reductions • Program Integrity • Financial Management • Risk adjustment • Transitional reinsurance |
| SHOP | <ul style="list-style-type: none"> • SHOP Exchange-Specific Functions |
| Organization and Human | <ul style="list-style-type: none"> • Oversight and Program Integrity |

| | |
|--|---|
| Resources | |
| Finance and Accounting | <ul style="list-style-type: none"> • Financial Management |
| Technology | <ul style="list-style-type: none"> • Exchange IT Systems |
| Privacy and Security | <ul style="list-style-type: none"> • Exchange IT Systems |
| Oversight, Monitoring, and Reporting | <ul style="list-style-type: none"> • Oversight and Program Integrity |
| Contracting, Outsourcing, and Agreements | <ul style="list-style-type: none"> • Oversight and Program Integrity |

D. Establishment Review Process, Medicaid Review Process, and IT Gate Reviews

CCIIO, in close collaboration with the Office of Information Systems (OIS) and the Center for Medicaid and CHIP Services (CMCS), has developed the Establishment and Medicaid Review (Establishment Review) grant monitoring process to ensure that State recipients of Cooperative Agreements continue to make rapid progress towards the development of operational Exchanges, and to support States in their implementation efforts. The Establishment Review process augments the IT Exchange Life Cycle/ System Development Life Cycle (ELC/SDLC) Gate Review process and offers States a holistic, structured grant monitoring approach to help ensure States continue along a path towards developing an operational Exchange. The Establishment Review Process is also conducted in close coordination with the Medicaid IT Review process, with the intention of achieving on-going efficiencies by unifying requests for technology, operations information and documentation from states. It provides systematic feedback to the states on their progress toward development of an Exchange, whether State-based or Federally-facilitated, that meets the requirements of the Affordable Care Act. Finally, a State may use information and testing from its Establishment Reviews to document compliance with some Exchange Approval requirements on the Exchange Blueprint.

CCIIO strongly encourages representation from all State agencies involved in the Exchange establishment process to participate in the Establishment Reviews. For example, if the Department of Insurance will be collaborating on plan management functions such as QHP certification, CCIIO strongly encourages representation from this agency.

Establishment Review Framework

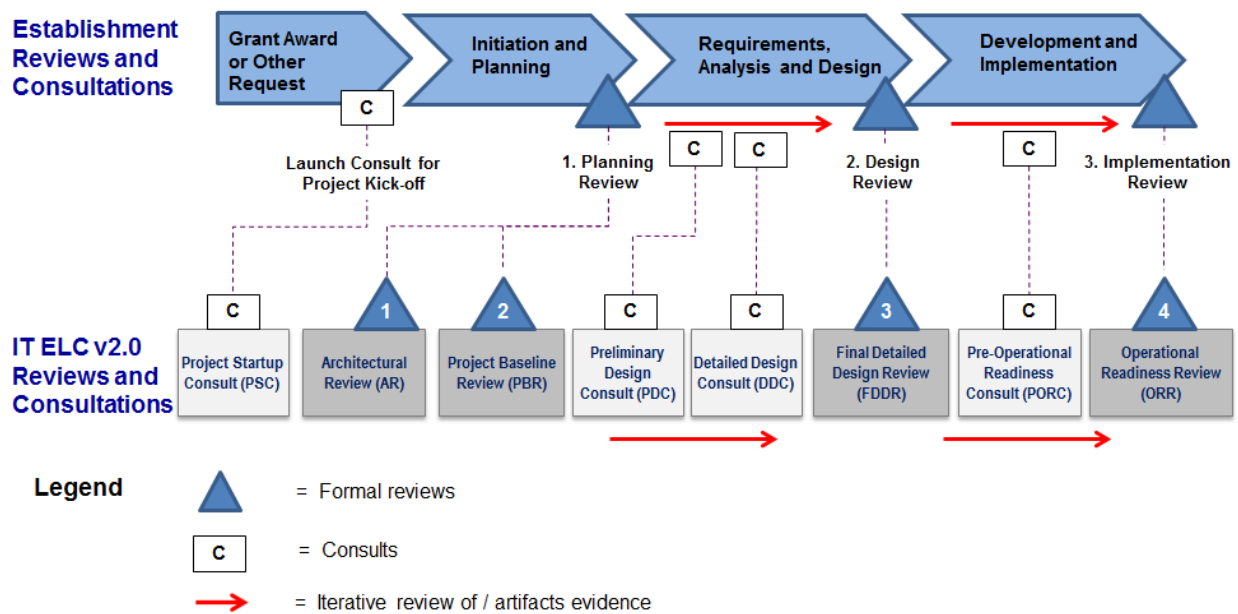
The Establishment Review process will consist of three (3) reviews – a Planning Review, a Design Review, and an Implementation Review. Planning Reviews will occur in the first quarter after the receipt of an Exchange Establishment Cooperative Agreement, and will encompass the components of the ELC/SDLC aspects of Architectural Review (AR) and Project Baseline Review (PBR) Gate Reviews, as well as key operational Exchange activities that may not have been a focus of previous IT Gate Reviews. For these reviews, States are expected to demonstrate progress toward building the foundation and framework for establishing their Exchange. It is expected that the information reviewed during the Planning Review will most likely be in a preliminary State and will need to be iterated over time. The Planning Review will set the framework for future guidance and assessment of the State's progress.

For the Design Review, States are expected to demonstrate progress in designing their Exchange consistent with their objectives to achieve key operational dates. This review will be aligned with the Preliminary Design Review (PDR), Detailed Design Review (DDR) and Final Detailed Design Review (FDDR) Gate Reviews. This will be evidenced primarily through the development of business requirements, system design plans and related specifications, test plans, detailed operational plans, and procedures that address key exchange activities.

The Implementation Review will occur at the completion of development and implementation and will provide evidence that a State’s Exchange is ready or has begun to function. This Implementation Review will comprise the Pre-Operational Readiness Review (PORR) and Operational Readiness Review (PORR) Gate Reviews.

The Establishment Review process may also include consultations that are intended to provide interim reviews and/or technical assistance to the States, but do not necessarily provide an assessment against specific activities.

The relationship among the Establishment Reviews and the IT Gate Reviews is depicted below.



The overall framework for the Establishment Reviews includes the definition of key business operations and technical activities that the States must achieve as they establish their Insurance Exchange infrastructure. Evidence used during the Reviews may be in the form of either documentation or a demonstration of specific Exchange activities and will be reviewed during a specific Establishment Review phase. During each of the three Establishment Reviews, the State recipient of the Cooperative Agreement and the review team will work collaboratively to assess the evidence that is presented and confirm that it demonstrates that the State is on a path towards successful implementation of its Insurance Exchange. These Reviews will also provide a gate mechanism for applicable funds release. This evidence will include artifacts such as the Project Management Plan, ConOps, and a Baseline State Systems inventory.

As stated previously, HHS will closely monitor, assess, and guide grantees to ensure the highest quality results are attained. Grantees will be required to complete certain planning tasks that are pursuant to ELC/SDLC practices. The applicant shall follow the ELC/SDLC framework for its planning activities (an example of an SDLC framework can be found here: http://www.cms.gov/ILCPhases/01_Overview.asp#TopOfPage.)

Timing of the Establishment Reviews

There are a number of considerations associated with the timing and schedule of the Establishment Reviews. A Baseline Schedule has been developed based on a typical state timeline. However, the schedule for a State's Reviews will be designed to accommodate the particular needs of that State. For example, the complexities introduced by States with multiple funding vehicles, have completed components of the current IT gate review process, or have Exchange activities at significantly different levels of maturity will require careful staging of their Establishment Reviews in order to ensure that the review process fosters development across all applicable activities. States with multiple Level 1 grants may be at different points in the lifecycle for different activities based on the core areas encompassed in each grant. In order to address these timing differences, the Establishment Review process will consider how variation in core area maturity will be reconciled in a State's overall plans. "Bridge Reviews" may be used as a mechanism that can serve as a bridge while the States reconcile the maturity of their various Exchange activities into a single integrated plan.

Additionally, States that have already conducted initial IT Gate Reviews will not need to go through a fully integrated Planning Review. For those States, the team will review the evidence that has already been submitted as part of IT Gate Reviews against Exchange activities and conduct a gap analysis to identify where the State is in the maturity of its overall Exchange development, and schedule Consultations and Establishment Reviews accordingly.

E. IT Gap Analysis for Project Narrative

The applicant is required to perform an IT Gap Analysis using the following criteria and provide a summary of this analysis as appropriate in its Project Narrative. Please critically evaluate your state of readiness to implement Exchange IT systems for each criterion. The topics below, as well as how the State plans to address the standards identified in Appendix F shall be addressed as the applicant conducts the analysis. In addition, provide a summary of conclusions regarding your readiness.

Technical Architecture:

- The applicant shall provide specific details regarding its current systems and how it expects the Exchange environment to differ from the As-Is environment.
 - Identify all current/legacy software
 - Identify all current/legacy hardware
 - Identify all target system software
 - Identify all target system hardware
 - Provide a mapping of the “as is” environment with proposed “to be” solution option(s) so that you demonstrate that the proposed solution(s) meets the Exchange IT system requirements
- For those applicants that are also participating in the “Cooperative Agreement to Support Innovative Exchange IT Systems,” provide details regarding their progress from the Readiness Review Assessment that was completed as part of their application and validate previously identified target system software and hardware.

F. Appendix F: Exchange Information Technology Principles

To ensure that the Exchange IT systems developed under this funding announcement meet the necessary federal requirements, the list below defines the key principles that should be considered in System planning and development. This is not to be considered a comprehensive list.

Key Principles of Exchange IT development

- The organization governing the design, development, and implementation of the core capabilities must follow standard industry ELC/SDLC frameworks including the use of iterative and incremental development methodologies. The governing body must also be able to produce requirement specifications, analysis, design, code, and testing that can be easily shared with other interested and authorized stakeholders (i.e., other States, consortia of States, or any entity that is responsible for establishing an Exchange).
- The design must take advantage of a Web Services Architecture (using XML, SOAP and WSDL or REST) and Service Oriented Architecture approach for design and development leveraging the concepts of a shared pool of configurable computing resources (e.g., Cloud Computing).
- The services description/definition, services interfaces, policies and business rules must be published in a web services registry to support both internal and external service requests that are public and private, and be able to manage role-based access to underlying data.
- Per National Institute of Standards and Technology (NIST) publications, the design and implementation must take into account security standards and controls. (For details on NIST publications, see: <http://csrc.nist.gov/publications/PubsSPs.html>).
- Applicable Standards: As appropriate, the applicant should consider the following standards. They are not intended to represent an exhaustive list.
 - Affordable Care Act Section 1561 Recommendations: Per statutory requirement, Office of the National Coordinator (ONC) has developed a set of specific recommendations that pertain to standards and protocols that facilitate enrollment of individuals in Health and Human Services programs. For details on Section 1561, see: <http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161>. Recommendation 1.1 recommends that States collaborate by using the NIEM (National Information Exchange Model) framework. This framework will allow for use of common data between multiple users and facilitate many aspects of enrollment.
 - HIPAA: The HIPAA Privacy and Security Rules provide Federal protections for personal health information held by covered entities and give patients an array of rights with respect to that information. At the same time, the Privacy Rule is balanced so that it permits the disclosure of personal health information needed for patient care and other important purposes.

- Accessibility for individuals with disabilities: Enrollment and eligibility systems should be designed to meet the diverse needs of users (e.g., consumers, State personnel, other third party assisters) without barriers or diminished function or quality, using legal requirements under Section 508 (for the Federal government), Section 504 (for recipients of Federal financial assistance), and Title II of the Americans with Disabilities Act (for State and local governments). Therefore, electronic eligibility and enrollment systems shall include usability features or functions that accommodate the needs of persons with disabilities, including those who use assistive technology. To meet these standards and to meet the needs of diverse users, applications should address how they will comply with the latest 508 guidelines issues by the US Access Board or standards that provide greater accessibility for individuals with disabilities.
- Security: The applicant shall address the Security requirements in Patient Protection and Affordable Care Act; Establishment of Exchanges and Qualified Health Plans; Exchange Standards for Employers found in 45 CFR § 155.260, and other applicable Security requirements.
- Federal Information Processing Standards (FIPS): Under the Information Technology Management Reform Act (ITMRA), Division E, National Defense Authorization Act for FY 1996 (P. L. 104-106), the Secretary of Commerce approves standards and guidelines that are developed by the National Institute of Standards and Technology (NIST) for Federal computer systems. These standards and guidelines are issued by NIST as Federal Information Processing Standards (FIPS) for use government-wide. NIST develops FIPS when there are compelling Federal government requirements such as for security and interoperability and there are no acceptable industry standards or solutions. See Recommendation 5.3 in Section 1561 recommendations for more details:
<http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161>.
- As appropriate, systems should be interoperable and integrated with State Medicaid/Children's Health Insurance Program (CHIP) programs and be able to interface with HHS and other data sources in order to verify and acquire data as needed. States are encouraged to achieve interoperability with other health and human services programs for purposes of coordinating eligibility determinations, referrals, verification or other functions. Examples of additional core Exchange activities that could be added, initially or eventually, include Exchange administration, and qualified health plan administration (including data and certification management).

Additionally, Exchange IT systems are to be designed in a way in which they are both comprehensive in function, yet support reuse by other States. The key system modules shall include, but not be limited to:

- 1) Eligibility
- 2) Enrollment
- 3) Premium tax credits administration
- 4) Cost-sharing assistance administration

5) Health plan management to support Qualified Health Plan certification

Please review the most recent guidance on Exchange IT Systems released by HHS for additional information on requirements for Exchange IT Systems and the seven standards and conditions.

IT Guidance 2.0 can be found at:

http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf

For Medicaid Program; Federal Funding for Medicaid Eligibility Determination and Enrollment Activities final rule please see:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2011_register&docid=fr19ap11-6.pdf

For more information on the specific, time-limited exception to OMB Circular A-87 cost allocation principles in relation to federally-funded humans services programs, please see:

<http://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Data-and-Systems/Downloads/Cost-Allocation-IT-Systems.pdf> and **<http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SMD-01-23-12.pdf>**

G. Guidance for Preparing a Budget Request and Narrative in Response to SF 424A

INTRODUCTION

This guidance is offered for the preparation of a budget request. Following this guidance will facilitate the review and approval of a requested budget by ensuring that the required or needed information is provided. This is to be done for each 12 month period of the Cooperative Agreement project period with a quarterly budget breakdown provided unless the applicant is unable to breakdown the budget item quarterly. Applicants should be careful to only request funding for activities that will be funded by this funding opportunity, *Cooperative Agreement for the Establishment of the Affordable Care Act’s Health Insurance Exchanges*. Any other grant funding provided by HHS, including Exchange Planning grants, Early Innovator Cooperative Agreements, and all previously awarded Exchange Establishment Cooperative Agreements should not be supplanted by this Exchange Establishment Cooperative Agreement funding.

States may apply for and receive multiple awards under the *Cooperative Agreement to Support Establishment of the Affordable Care Act’s Health Insurance Exchanges*. As part of each application for funding, States must only request funding for activities not already funded/supported by a previous award. Each award made under this funding opportunity should support separate activities and new funding should not be supplanted by prior funding. In the budget request, States should distinguish between activities that will be funded under this Cooperative Agreement application and activities funded with other sources. Other funding sources include: Exchange Planning grants, Early Innovator Cooperative Agreements, all previously awarded Exchange Establishment Cooperative Agreements, other HHS grant programs, and other funding sources as applicable.

A. Salaries and Wages

For each requested position, provide the following information: name of staff member occupying the position, if available; annual salary; percentage of time budgeted for this program; total months of salary budgeted; and total salary requested. Also, provide a justification and describe the scope of responsibility for each position, relating it to the accomplishment of program objectives.

Sample budget

Personnel

Total \$ _____
 Exchange Establishment Grant \$ _____
 Funding other than Establishment Grant \$ _____
 Sources of Funding _____

| <i>Position Title and Name</i> | <i>Annual</i> | <i>Time</i> | <i>Months</i> | <i>Amount Requested</i> |
|--------------------------------|-----------------|-------------|------------------|-------------------------|
| <i>Project Coordinator</i> | <i>\$45,000</i> | <i>100%</i> | <i>12 months</i> | <i>\$45,000</i> |
| <i>Susan Taylor</i> | | | | |

| | | | | |
|---|----------|------|-----------|----------|
| <i>Finance Administrator</i> <i>John Johnson</i> | \$28,500 | 50% | 12 months | \$14,250 |
| <i>Outreach Supervisor</i> <i>(Vacant*)</i> | \$27,000 | 100% | 12 months | \$27,000 |

Sample Justification

The format may vary, but the description of responsibilities should be directly related to specific program objectives.

Job Description: Project Coordinator - (Name)

This position directs the overall operation of the project; responsible for overseeing the implementation of project activities, coordination with other agencies, development of materials, provisions of in service and training, conducting meetings; designs and directs the gathering, tabulating and interpreting of required data; responsible for overall program evaluation and for staff performance evaluation; and is the responsible authority for ensuring necessary reports/documentation are submitted to HHS. This position relates to all program objectives.

B. Fringe Benefits

Fringe benefits are usually applicable to direct salaries and wages. Provide information on the rate of fringe benefits used and the basis for their calculation. If a fringe benefit rate is not used, itemize how the fringe benefit amount is computed.

Sample Budget

Fringe Benefits

Total \$ _____
Exchange Establishment Grant \$ _____
Funding other than Establishment Grant \$ _____
Sources of Funding _____

25% of Total salaries = Fringe Benefits

If fringe benefits are not computed by using a percentage of salaries, itemize how the amount is determined.

Example: Project Coordinator — Salary \$45,000

| | | |
|----------------------------------|---|----------------|
| <i>Retirement 5% of \$45,000</i> | = | <i>\$2,250</i> |
| <i>FICA 7.65% of \$45,000</i> | = | <i>3,443</i> |
| <i>Insurance</i> | = | <i>2,000</i> |
| <i>Workers' Compensation</i> | = | _____ |
| <i>Total:</i> | | _____ |

C. Consultant Costs

This category is appropriate when hiring an individual to give professional advice or services (e.g., training, expert consultant, etc.) for a fee but not as an employee of the grantee organization. Hiring a consultant requires submission of the following information to HHS (see **Required Reporting Information for Consultant Hiring later in this Appendix**):

1. Name of Consultant;
2. Organizational Affiliation (if applicable);
3. Nature of Services to be Rendered;
4. Relevance of Service to the Project;
5. The Number of Days of Consultation (basis for fee); and
6. The Expected Rate of Compensation (travel, per diem, other related expenses)—list a subtotal for each consultant in this category.
7. Justification of expected rates, including examples of typical market rates for this service in your area

If the above information is unknown for any consultant at the time the application is submitted, the information may be submitted at a later date as a revision to the budget. In the body of the budget request, a summary should be provided of the proposed consultants and amounts for each.

D. Equipment

Provide justification for the use of each item and relate it to specific program objectives. Maintenance or rental fees for equipment should be shown in the “Other” category. All IT equipment should be uniquely identified. As an example, we should not see a single line item for “software.” Show the unit cost of each item, number needed, and total amount.

Sample Budget

Equipment

Total \$ _____
Exchange Establishment Grant \$ _____
Funding other than Establishment Grant \$ _____
Sources of Funding _____

| <u>Item Requested</u> | <u>How Many</u> | <u>Unit Cost</u> | <u>Amount</u> |
|-----------------------|-----------------|------------------|---------------|
| Computer Workstation | 2 ea. | \$2,500 | \$5,000 |
| Fax Machine | 1 ea. | 600 | 600 |
| | | Total | \$5,600 |

Sample Justification

Provide complete justification for all requested equipment, including a description of how it will be used in the program. For equipment and tools which are shared among programs, please cost allocate as appropriate. States should provide a list of hardware,

software and IT equipment which will be required to complete this effort. Additionally, they should provide a list of non-IT equipment which will be required to complete this effort.

E. Supplies

Individually list each item requested. Show the unit cost of each item, number needed, and total amount. Provide justification for each item and relate it to specific program objectives. If appropriate, General Office Supplies may be shown by an estimated amount per month times the number of months in the budget category.

Sample Budget
Supplies

Total \$ _____
Exchange Establishment Grant \$ _____
Funding other than Establishment Grant \$ _____
Sources of Funding _____

| | | | |
|---|---|--|---------|
| <i>General office supplies (pens, pencils, paper, etc.)</i> | | | |
| <i>12 months x \$240/year x 10 staff</i> | = | | \$2,400 |
| <i>Educational Pamphlets (3,000 copies @) \$1 each</i> | = | | \$3,000 |
| <i>Educational Videos (10 copies @ \$150 each)</i> | = | | \$1,500 |
| <i>Word Processing Software (@ \$400—specify type)</i> | = | | \$ 400 |

Sample Justification

General office supplies will be used by staff members to carry out daily activities of the program. The education pamphlets and videos will be purchased from XXX and used to illustrate and promote safe and healthy activities. Word Processing Software will be used to document program activities, process progress reports, etc.

F. Travel

Dollars requested in the travel category should be for **staff travel only**. Travel for consultants should be shown in the consultant category. Travel for other participants, advisory committees, review panel, etc. should be itemized in the same way specified below and placed in the “**Other**” category.

In-State Travel—Provide a narrative justification describing the travel staff members will perform. List where travel will be undertaken, number of trips planned, who will be making the trip, and approximate dates. If mileage is to be paid, provide the number of miles and the cost per mile. If travel is by air, provide the estimated cost of airfare. If per diem/lodging is to be paid, indicate the number of days and amount of daily per diem as well as the number of nights and estimated cost of lodging. Include the cost of ground transportation when applicable.

Out-of-State Travel—Provide a narrative justification describing the same information requested above. Include HHS meetings, conferences, and workshops, if required by HHS. Itemize out-of-state travel in the format described above.

Sample Budget

Travel (in-State and out-of-State)

Total \$ _____
 Exchange Establishment Grant \$ _____
 Funding other than Establishment Grant \$ _____
 Sources of Funding _____

In-State Travel:

| | | |
|---|---|----------|
| 1 trip x 2 people x 500 miles r/t x .27/mile | = | \$ 270 |
| 2 days per diem x \$37/day x 2 people | = | 148 |
| 1 nights lodging x \$67/night x 2 people | = | 134 |
| 25 trips x 1 person x 300 miles avg. x .27/mile | = | 2,025 |
| <i>Total</i> | | \$ 2,577 |

Sample Justification

The Project Coordinator and the Outreach Supervisor will travel to (location) to attend an eligibility conference. The Project Coordinator will make an estimated 25 trips to local outreach sites to monitor program implementation.

Sample Budget

Out-of-State Travel:

| | | |
|---|---|-------|
| 1 trip x 1 person x \$500 r/t airfare | = | \$500 |
| 3 days per diem x \$45/day x 1 person | = | 135 |
| 1 night's lodging x \$88/night x 1 person | = | 88 |
| Ground transportation 1 person | = | 50 |
| <i>Total</i> | | \$773 |

Sample Justification

The Project Coordinator will travel to HHS, in Atlanta, GA, to attend the HHS Conference.

G. Other

This category contains items not included in the previous budget categories. Individually list each item requested and provide appropriate justification related to the program objectives.

Sample Budget

Other

Total \$ _____
 Exchange Establishment Grant \$ _____
 Funding other than Establishment Grant \$ _____

Sources of Funding_____

| | |
|--|----------------------|
| Telephone | |
| (\$ ___ per month x ___ months x #staff) | = \$ <u>Subtotal</u> |
| Postage | |
| (\$ ___ per month x ___ months x #staff) | = \$ <u>Subtotal</u> |
| Printing | |
| (\$ ___ per x ___ documents) | = \$ <u>Subtotal</u> |
| Equipment Rental (describe) | |
| (\$ ___ per month x ___ months) | = \$ <u>Subtotal</u> |
| Internet Provider Service | |
| (\$ ___ per month x ___ months) | = \$ <u>Subtotal</u> |

Sample Justification

Some items are self-explanatory (telephone, postage, rent) unless the unit rate or total amount requested is excessive. If the item is not self-explanatory and/or the rate is excessive, include additional justification. For printing costs, identify the types and number of copies of documents to be printed (e.g., procedure manuals, annual reports, materials for media campaign).

H. Contractual Costs

Cooperative Agreement recipients must submit to HHS the required information establishing a third-party contract to perform program activities (**see Required Information for Contract Approval later in this Appendix**).

1. Name of Contractor;
2. Method of Selection;
3. Period of Performance;
4. Scope of Work;
5. Method of Accountability; and
6. Itemized Budget and Justification.

If the above information is unknown for any contractor at the time the application is submitted, the information may be submitted at a later date as a revision to the budget. Copies of the actual contracts should not be sent to HHS, unless specifically requested. In the body of the budget request, a summary should be provided of the proposed contracts and amounts for each.

I. Total Direct Costs \$_____

Show total direct costs by listing totals of each category.

J. Indirect Costs \$_____

To claim indirect costs, the applicant organization must have a current approved indirect cost rate agreement established with the cognizant Federal agency. A copy of the most recent indirect cost rate agreement must be provided with the application.

Sample Budget

The rate is ___% and is computed on the following direct cost base of \$_____.

| | | | |
|------------------|----------|----|--|
| <i>Personnel</i> | | \$ | |
| <i>Fringe</i> | | \$ | |
| <i>Travel</i> | | \$ | |
| <i>Supplies</i> | | \$ | |
| <i>Other</i> | \$ _____ | | |
| <i>Total</i> | \$ | | $x \text{ ___\%} = \textit{Total Indirect Costs}$ |

If the applicant organization does not have an approved indirect cost rate agreement, costs normally identified as indirect costs (overhead costs) can be budgeted and identified as direct costs.

REQUIRED REPORTING INFORMATION FOR CONSULTANT HIRING

This category is appropriate when hiring an individual who gives professional advice or provides services for a fee and who is not an employee of the grantee organization. Submit the following required information for consultants:

1. Name of Consultant: Identify the name of the consultant and describe his or her qualifications.
2. Organizational Affiliation: Identify the organization affiliation of the consultant, if applicable.
3. Nature of Services to be Rendered: Describe in outcome terms the consultation to be provided including the specific tasks to be completed and specific deliverables. A copy of the actual consultant agreement should not be sent to HHS.
4. Relevance of Service to the Project: Describe how the consultant services relate to the accomplishment of specific program objectives.
5. Number of Days of Consultation: Specify the total number of days of consultation.
6. Expected Rate of Compensation: Specify the rate of compensation for the consultant (e.g., rate per hour, rate per day). Include a budget showing other costs such as travel, per diem, and supplies.
7. Method of Accountability: Describe how the progress and performance of the consultant will be monitored. Identify who is responsible for supervising the consultant agreement.

REQUIRED INFORMATION FOR CONTRACT APPROVAL

All contracts require reporting the following information to HHS.

1. Name of Contractor: Who is the contractor? Identify the name of the proposed contractor and indicate whether the contract is with an institution or organization.
2. Method of Selection: How was the contractor selected? State whether the contract is sole source or competitive bid. If an organization is the sole source for the contract, include an explanation as to why this institution is the only one able to perform contract services.

3. Period of Performance: How long is the contract period? Specify the beginning and ending dates of the contract.
4. Scope of Work: What will the contractor do? Describe in outcome terms, the specific services/tasks to be performed by the contractor as related to the accomplishment of program objectives. Deliverables should be clearly defined.
5. Method of Accountability: How will the contractor be monitored? Describe how the progress and performance of the contractor will be monitored during and on close of the contract period. Identify who will be responsible for supervising the contract.
6. Itemized Budget and Justification: Provide an itemized budget with appropriate justification. If applicable, include any indirect cost paid under the contract and the indirect cost rate used.

H. Appendix H: Guidance for Preparing Budget Request by Exchange Activity

INTRODUCTION

Applicants are required to identify cost by Exchange Activity. Following this guidance will facilitate the review and approval of a requested budget by ensuring that the required or needed information is provided. Applicants should be careful to only request funding for activities that will be supported by this funding opportunity, *Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges*. Any other grant funding provided by HHS, including Exchange Planning grants, Early Innovator Cooperative Agreements, and/or previously awarded Exchange Establishment Cooperative Agreements should not be supplanted by this Exchange Establishment funding. States may apply for and receive multiple Cooperative Agreement awards under this funding opportunity announcement. As part of each application for funding, States must only request funding for activities not already funded/supported by a previous award. Each award made under this funding opportunity should support separate activities and new funding should not be supplanted by prior funding.

The following are the Exchange Activities that need to be identified by cost, if the applicant wishes to receive funding.

Exchange Activity Categories:

1. Legal Authority and Governance
2. Consumer and Stakeholder Engagement and Support
3. Eligibility and Enrollment
4. Plan Management
5. Financial Management, Risk Adjustment, and Reinsurance
6. Small Business Health Options Program (SHOP)
7. Organization and Human Resources
8. Finance and Accounting
9. Technology
10. Privacy and Security
11. Oversight, Monitoring, and Reporting
12. Contracting, Outsourcing, and Agreements

Small Business Health Options Program (SHOP) and oversight will be incorporated throughout the above activities.

For each core area and business function above, please include the following information:

1. Total Cost
2. Percent of cost that is fixed and/or variable (explain)
3. Amount of Cost by Object Class Code (OCC) (Personnel, contractual, equipment, travel, other, etc)-If contractual, include % by OCC of those costs).
4. Amount of costs being requested by this Cooperative Agreement application
5. Amount of cost being requested by another source (indicate that source(s))
6. Assumptions or other narrative

Sample:

Exchange Activity: Plan Management

1. Total Cost: \$250,000

2. Amount of cost that is fixed and/or variable: 60% fixed; 40% variable (based on numbers of meetings)

3. Amount of Cost by Object Class Code (OCC) (Personnel, contractual, equipment, travel, other, etc)-If contractual, include % by OCC of those costs).

Dollar amount of personnel

Dollar amount contractual (90% personnel; 10% space)

Dollar amount travel

Dollar amount other (supplies, flyers, etc)

4. Percent of costs being requested by this Cooperative Agreement application; 100%

5. Identify the percentage of costs being requested by another source (indicate that source(s)): 0

6. Assumptions or other narrative; Assume six staff working on this function at 100% time for six months.

I. Appendix I: Federal Procurement Requirements for Grantees

A grantee may acquire a variety of commercially available goods or services in connection with a grant-supported project or program. Grantees can use their own procurement procedures that reflect applicable State and local laws and regulations, as long as those procedures conform to the following applicable U.S. Department of Health and Human Services (HHS) regulations²:

- HHS regulations at 45 CFR Part 92, Procurement Requirements for State, Local and Tribal Governments <http://www.hhs.gov/opa/grants/toolsdocs/45cfr92.html>.
- States must follow the requirements at Title 45 CFR Part 92.36(a). Generally, States must follow the same policies and procedures they use for procurements from non-Federal funds <http://www.hhs.gov/opa/grants/toolsdocs/45cfr92.html>.

Note: Regardless of the portion of the project that is supported by Federal funds, the applicant will be required to follow the Federal procurement requirements for all contracts related to the project.

Responsibility

The grantee is responsible for the settlement and satisfaction of all contractual and administrative issues related to contracts entered into in support of an award. This includes disputes, claims, protests of award, source evaluation, or other matters of a contractual nature.

Simplified Acquisition

Simplified Acquisition Procedures shall be used to the maximum extent practicable for all purchase of supplies or services not exceeding the simplified acquisition threshold. The threshold for purchases utilizing the Simplified Acquisition Procedures cannot exceed \$100,000. Procurement actions may not be split to avoid competition thresholds. The simplified acquisition procedures were not developed to eliminate competition but to reduce administrative costs, improve opportunities for small, small disadvantaged, and women-owned small business concerns, promote efficiency and economy in contracting, and avoid unnecessary burdens.

Avoiding Conflicts of Interest

Grantees shall avoid real or apparent organizational conflicts of interests and non-competitive practices in connection with procurements supported by Federal funds. Procurement shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft grant applications, or contract specifications, requirements, statements of work, invitations for bids, and/or requests for proposals shall be excluded from competing for such procurements.

Contracts Pre-existing to the Grant Award

When a grantee enters into a service-type contract in which the term is not concurrent with the budget period of the award, the grantee may charge the costs of the contract to the budget period in which the contract is executed if:

² Non-profits should consult procurement requirements outlined in 45 CFR Part 74.

- The awarding office has been made aware of this situation either at the time of application or through post-award notification.
- The contract was solicited and secured in accordance with Federal procurement standards.
- The recipient has a legal commitment to continue the contract for its full term.

Contract costs will be allowable only to the extent that they are for services provided during the grant's period of performance. The grantee will be responsible for contract costs that continue after the end of the grant budget period. Modifying existing, open contracts is generally unallowable.

Factors that should be considered when selecting a contractor are:

- Contractor integrity;
- Compliance with public policy;
- Record of past performance;
- Financial and technical resources;
- Responsive bid; and
- Excluded Parties Listing (Debarred Contractors <https://www.epls.gov/>).

Contracts will be normally competitively bid unless:

- The item is available only from a single source;
- After solicitation of a number of sources, competition is determined inadequate; or
- Meets the requirements of simplified acquisition.

J. Appendix J: Application Check-Off List

REQUIRED CONTENTS

A complete application consists of the following materials organized in the sequence below. Please ensure that the project narrative is page-numbered. The sequence is:

- Forms/Mandatory Documents (Grants.gov) (with an electronic signature)
 - SF 424: Application for Federal Assistance
 - SF-424A: Budget Information
 - SF-424B: Assurances-Non-Construction Programs
 - SF-LLL: Disclosure of Lobbying Activities
 - Project Site Location Form(s)

- Required Letter(s) of Support and/or Agreement(s) (Governor, State Medicaid Director, and State Insurance Commissioner; as applicable); if applicant is not the same entity that currently receives Exchange grant or Cooperative Agreement funding, a letter, memorandum of understanding, or other agreement delineating the different entities receiving funds, the coordination of timelines, and the entity responsible for each Exchange Activity

- Additional Letters of Support

- Applicant's Application Cover Letter

- Project Abstract

- Project Narrative

- Work Plan

- Budget Narrative

- Required Appendices
 - Organizational Chart & Job Descriptions for Key Personnel
 - Letters of Agreement and/or Description(s) of Proposed/Existing Project
 - Cost Allocation Methodology Appendix
 - Level Two Eligibility Documentation (as applicable)