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BANKING, COMMERCE AND INSURANCE
July 19, 2012

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The Committee on Banking, Commerce and Insurance met at 9:00 a.m. on Thursday, July 19, 2012, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public briefing regarding health insurance exchanges. Senators present: Rich Pahls, Chairperson; Beau McCoy, Vice Chairperson; Mark Christensen; Mike Gloor; Chris Langemeier; Pete Pirsch; Ken Schilz; and Paul Schumacher. Senators absent: None.

SENATOR PAHLS: Good morning. I think we all are up here. I want to thank you for coming to the Banking, Commerce and Insurance Committee meeting today. My name is Rich Pahls and I represent District 31, which is actually the Millard area of Omaha. Today this meeting will be a briefing regarding the Patient Protection and Affordable Care Act. Today we will only take testimony from the Department of Insurance and we'll get right to the point here. I think I will have the senators introduce themselves, starting...

SENATOR SCHILZ: Ken Schilz, District 47, Ogallala.

SENATOR SCHUMACHER: Paul Schumacher, District 22, Platte, Colfax, and Stanton Counties.

SENATOR LANGEMEIER: Chris Langemeier, District 23.

SENATOR PIRSCH: Pete Pirsch, District 4, Douglas County.

SENATOR MCCOY: Beau McCoy, District 39, western Douglas County and Omaha.

SENATOR GLOOR: Mike Gloor, District 35, Grand Island.

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SENATOR PAHLS: And a good many of you know Jan Foster. She keeps us in line all the time, appreciate her hard work. And also we have our page is Alex Wunrow from Minnesota. I think what we're going to do is we're just going to start right now with the director.

BRUCE RAMGE: Okay. Thank you.

SENATOR PAHLS: Yes.

BRUCE RAMGE: Good morning, Senator Pahls and members of the Banking and Insurance Committee. It's our pleasure to be here today. And my name is Bruce Ramge. I'm the director of the Insurance Department and the exchange planning project manager. For the record, my name is spelled B-r-u-c-e R-a-m-g-e. Joining me in today's overview will be Martin Swanson. Martin is the Department of Insurance chief policy counsel and assistant exchange planning project manager. And, Martin, would you like to let them know how your name is spelled, please?

MARTIN SWANSON: It's M-a-r-t-i-n S-w-a-n-s-o-n.

BRUCE RAMGE: (Exhibits 1, 2, 3, and 4) Before we get started into our presentation, I'd like to just give a brief explanation of some of the materials that we provided. You'll see one here with bold letters, "State-Based Exchange," from the National Governors Association and this is a document that outlines the differences between the various options, whether it be a state-based exchange, a state-federal partnership, or a federal exchange model. There's also a letter from the National Governors Association that highlights some of the questions related to exchange issues that was sent July 2. And then there's also a letter from the National Association of Medicaid Directors and that poses some questions more targeted toward Medicaid and its operability with exchanges, in light of the recent Supreme Court decision. And then also we have a copy of the presentation which we will be covering today which gives an outline of our

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activities with regard to the exchange. Today what we'd like to do is talk about really three broad topics. One is the overview of the health insurance exchanges and its requirements. Some of this may be repetitive from what we have explained before; some of it may be new. The next section will be to go over Nebraska's progress towards planning and designing an exchange. And then last we'd like to discuss what the next steps would be in this process.

SENATOR PAHLS: Director, can we ask you questions throughout your presentation or would they interrupt the flow?

BRUCE RAMGE: Yes, please. Yes, please, I think that would be preferable. Since there's so much material here, it would be good to go ahead and ask them as they come up.

SENATOR PAHLS: Okay. And then let me also add, the information that you have provided right that's in front of me, it's on...and your...is that going to be available to the public?

BRUCE RAMGE: We can provide this to you in electronic format or if someone wants to contact the Department of Insurance we will provide it on request.

SENATOR PAHLS: Okay. So they will have access. Okay.

BRUCE RAMGE: Yes.

SENATOR PAHLS: Thank you.

BRUCE RAMGE: You're welcome. So starting with the overview of the health insurance exchange requirements, basically, the federal healthcare law requires that Americans have health insurance and it's referred to as the individual mandate, and it expands

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Medicaid to all persons with income below 133 percent of the federal poverty level. However, because of the recent Supreme Court decision, it was found that this expansion is basically a new program and it is unconstitutional unless the expansion is elected at the option of each state. The law imposes new regulations on health plans sold in the newly created exchanges and in the individual and small group markets, and it creates exchanges through which individuals and small businesses can purchase private coverage. Under federal law, the states decide whether exchange will be a state-based exchange; a partnership exchange, which is a federal and state model; a federal exchange; or a regional exchange, however, the regional exchanges have really not been pursued by any state because of the time constraints and a lack of feasibility on a practical and operational level. This next slide is basically an implementation time line, and I won't go over every point but maybe cover some of the more important upcoming points. Going clear forward to January 1 of 2015, that's the date when exchanges will no longer be able to receive federal funds. They have to be financially self-supporting at that time. Two thousand and fourteen, January 1, 2014, is the date that exchanges must be fully operational; however, the enrollment process into insurance policies through the exchanges must begin by October 1, 2013. Another important date is November 16 of 2012. That's the date where the states that elect to conduct a state-based or state partnership model must provide a blueprint application for certification to the U.S. Department of Health and Human Services.

SENATOR PAHLS: And you're going to speak more to that later on?

BRUCE RAMGE: Yes.

SENATOR PAHLS: Okay. Thank you.

BRUCE RAMGE: Yes. There are many things that we know now about exchanges and the requirements. We've learned a lot over our last...since our last briefing but there are still many requirements and guidelines yet to follow and to come. Exchanges must

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perform a variety of functions, including: determining the eligibility of consumers for enrollment into a qualified health plan and for insurance affordability programs--that includes premium tax credits, Medicaid/SCHIP, which is the program for our children through Medicaid, although this is a subject area that requires more analysis as a result of the Supreme Court decision; certifying health plans as qualified health plans to be offered in the exchange; facilitating the enrollment process of individuals and employees into qualified health plans; operating the exchange Web site to facilitate comparison and selecting health insurance coverage for eligible individuals and small employers; and then also operating a toll-free hot line for consumer support and that would be providing grant funding to navigators for consumer assistance, conducting outreach, marketing, and education to consumers regarding exchanges. Additional requirements for the exchange are providing assistance to consumers. It will be the exchange's responsibility to determine eligibility determinations and that would be like to determine if their income level qualifies them for a tax credit to help pay for the coverage they select. It would also be the exchange's responsibility to make certain that they don't have existing coverage available through their employer. It will work on tax credits, cost sharing, and also determine eligibility of employers; be responsible for taking applications and enrolling people, giving them assistance because the application process can be done in person, on paper, over the Web site, or by telephone. And it will also be responsible for a variety of notices and communications to consumers and as well as the health plans, the insurance companies and providers and employers. Also, the service and call center operations or the consumer assistance anticipates the management of the navigator program. Now federal rules issued have prohibited the states from requiring licensing of navigators, however, the states may implement training and perhaps registration of these individuals in order to track. And it's also been determined that brokers and producers are able to assist individuals and small employers through the exchange. Another important requirement for an exchange is financial management and that's very complex because it also requires data collection and reporting to the federal government, and the data must be in a prescribed and usable format, and also there will be some financial requirements for billing, especially on the small group side, the SHOP

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exchanges. The premium aggregation is a function that will be complex but it basically will aggregate the premium that comes from the employers and the employees and then put that together and forward it to the insurers. The Small Business Health Options Program, or SHOP, that's the portion of the exchange that services the small businesses. And as of 2014, that small business is defined as...it's 1 through 100 or 2 through 100?

MARTIN SWANSON: One through one hundred.

BRUCE RAMGE: One through one hundred, thank you, Martin. And so as you can see just from all of these various requirements, the operation of an exchange is really very complex. Your next slide here is just basically a visual. I really won't cover it all but I know a lot of people like to see how things work visually. I will point out that at the very end that the insurance provided to individuals and to small groups can come from a variety of sources: from qualified health plans, those are the existing or new insurers; co-ops, which is basically a new type of insurer which is similar to a mutual insurer; or a multistate plan which is selected and apparently managed by...through the federal government, however, there are still details to come out about the requirements for a multistate plan. For example, we don't know whether they will need to be licensed in each state or not. At the very bottom there's just a note that says that exchanges will serve individuals and small markets differently and that's primarily because for the individual side it will be management of tax credits and on the small employer side there will be the premium aggregation function. At this time, I'm going to ask Martin to give you an overview of the Nebraska exchange planning team's progress.

MARTIN SWANSON: Thank you, Director. Good morning again, Senators. Since we last met, we've had a Supreme Court decision. The Patient Protection and Affordable Care Act has been ruled constitutional because it was a tax, not a penalty, and then so we'd have to be in compliance with the individual mandate and all the material that goes with it. However, there was part of the decision that was, quite frankly, unexpected by

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everybody that the new Medicaid expansion mandate has been ruled unconstitutionally coercive and, as such, it's a new a distinct program that is optional for states. And basically, no penalty can be imposed upon states that choose not to participate in Medicaid expansion and this has an impact for the exchange in that if, depending on how the rulings come down from the federal government, in their interpretation of it, and the states', you know, consideration of it, the impact to...there's an impact to potentially the technology needs and the volume needs of the exchanges. And since we don't know the breadth of the ruling yet, we're waiting for, again, for interpretation and guidance from the federal government, then we'll maybe have a better idea of the impact it will have on exchanges, but it may have a significant impact. If Nebraska does not participate in the Medicaid expansion program, then individuals' income starting at 100 percent of the federal poverty level will be eligible to purchase insurance inside the exchange to qualify for federal premium tax credits and cost-sharing reductions. We estimate roughly around 28,400 uninsured Nebraskans have incomes between 100 percent of the federal...or around 100 percent of the federal poverty level using United States Census data. However, we do want to study this number a little bit more.

SENATOR GLOOR: Mr. Chair.

SENATOR PAHLS: Yes, I'm sorry.

SENATOR GLOOR: Can I ask a question?

SENATOR PAHLS: Go ahead.

SENATOR GLOOR: Let me ask a question about the income, if I could, Martin. So is this estimate, 28,400, just based upon income? I mean we haven't done any...we know in an ag state we have people who have assets,...

MARTIN SWANSON: Right.

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SENATOR GLOOR: ...large assets,...

MARTIN SWANSON: Right.

SENATOR GLOOR: ...holdings and farms and whatnot. This does in fact just take a look at what we know, from an income, the actual number of people who might qualify.

MARTIN SWANSON: Right, and that's why I want to study the number more, but I believe it is just on income.

SENATOR GLOOR: Yeah, okay. Thank you.

SENATOR PIRSCH: And just to clarify, since we've stopped, you're saying 28,400 uninsured Nebraskans have incomes between 100 percent of the federal poverty level, you mean 0 to 100, right?

MARTIN SWANSON: Correct.

SENATOR PIRSCH: We're not talking 100 to 100 and...

MARTIN SWANSON: What we're talking...well, we're talking who would be eligible within a 90 to 1, that range, yes.

SENATOR PIRSCH: Okay.

SENATOR SCHUMACHER: Is that 100 percent to 133 percent? I mean it says between, but there's only one side of the between in this.

MARTIN SWANSON: Right. It would be up to 100, between 100 and 133.

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SENATOR SCHUMACHER: Okay.

SENATOR PIRSCH: Okay.

MARTIN SWANSON: With the...there's another margin there, too, but approximately that number. But...

SENATOR PAHLS: But that number is subject to change.

MARTIN SWANSON: Well, that number, that 28,000, yes, that's why we want to study this more. It depends on what the policymakers want to...decide to do. But, yeah, that number is, we think, around that area and those are people who could get on the exchange and get insurance from a qualified health plan and have insurance cards to go to the physicians, hospitals.

BRUCE RAMGE: And just to be clear, the subsidies, though, are available all the way up to 400 percent of the modified adjusted gross income.

MARTIN SWANSON: That's correct.

SENATOR PAHLS: Okay.

MARTIN SWANSON: This would add new people to the exchange.

SENATOR SCHUMACHER: The Medicaid, that's different from people who buy off the exchange, isn't it?

BRUCE RAMGE: Yes.

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SENATOR SCHUMACHER: So this particular...maybe I've...you've flipped the thingy on me here, but this 100 to 133 percent, those are folks that would qualify for Medicaid if we were to do a Medicaid expansion.

BRUCE RAMGE: Yes.

MARTIN SWANSON: Yes. Okay.

SENATOR SCHUMACHER: Right. But so those are not folks, this 28,000, give or take, figure is not folks who would be buying off of the menu off of the...on the Web site.

MARTIN SWANSON: If there was no expansion, these people are now eligible, we believe, to get on to the exchange to purchase health insurance.

SENATOR SCHUMACHER: With what kind of money?

MARTIN SWANSON: They'll be heavily subsidized by the federal government with tax, advance tax credits.

SENATOR SCHUMACHER: So the people in this 100 to 133 percent range, they will be able to go on to the Web site and buy insurance with tax credits.

MARTIN SWANSON: Yes.

SENATOR SCHUMACHER: And is that tax credits against their income or is that refundable tax credits?

MARTIN SWANSON: It's advance tax credits funded by the federal government saying if you're within a certain range, depending on your income level, you get X amount of dollars for your purchase.

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SENATOR SCHUMACHER: So if they're refundable tax credits then that's going to eat into the federal Treasury in order to make them possible to buy that insurance off the exchange.

MARTIN SWANSON: There will certainly be a cost to the federal government, absolutely.

SENATOR SCHUMACHER: Right. So what's the difference between subsidizing them that way with credits and just biting the bullet and doing a Medicaid expansion?

MARTIN SWANSON: Costs to the state, the state taxpayers.

SENATOR SCHUMACHER: But...

MARTIN SWANSON: There's matching rates for...under the Medicaid Program that we will be responsible for later on, but however here the federal government would have to be responsible for the...

SENATOR SCHUMACHER: Ninety to one hundred percent is federal under the Medicaid, and a hundred percent is federal under the just forget about Medicaid expansion and just let them go buy a bunch of insurance with credits? Is that what we're talking about?

MARTIN SWANSON: Yeah, under the...if there was no Medicaid expansion, these people would be eligible to purchase health insurance from a health insurance company on the exchange with advance tax credits.

SENATOR SCHUMACHER: And 100 percent of it will be paid for by federal tax money through a credit program.

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MARTIN SWANSON: Yes, through federal money, yes.

SENATOR SCHUMACHER: So that's...I mean when we conceptually look at that, that's the game here is whether or not we can shift that additional 10 percent to the federal government because the federal government is going to give them money for credits that are refundable, in other words, give them a check, and they can turn around and buy insurance, or whether or not we do a Medicaid thing and we might get clipped by...for 10 percent of it.

MARTIN SWANSON: That's one of the things we all are looking at, of costs to the totality of taxpayers.

SENATOR SCHUMACHER: So we don't know the answers to those things, is that...

MARTIN SWANSON: Well, that's one of the things we're working for answers as well from the federal government on guidance. One of the questions that the...I believe the Governors Association and I believe the Medicaid directors are asking and the National Association of Insurance Commissioners as well: How does this work? We want to make sure we're right on this issue because it does have a significant impact to state taxpayers, federal tax...all taxpayers.

SENATOR SCHUMACHER: But one thing you can say to us confidently today is that if we do not do a Medicaid expansion, these percent, this 100 to 133 percent level people, that gap, is going to be completely taken care of by tax credits; we shouldn't worry anymore.

BRUCE RAMGE: It's not clear whether it would be a 100 percent tax credit. It may drop down to, what, 2 percent?

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MARTIN SWANSON: Right. It depends on some further regulation from the federal government. But, yes, they will be mostly covered we believe.

SENATOR SCHUMACHER: Now we've gone a long way here. We've gone from 100 percent no problem, to mostly. Did I just hear a 2 percent figure?

BRUCE RAMGE: Two, that they would be responsible for 2 percent of the...

MARTIN SWANSON: Right. That's what we estimate right now.

BRUCE RAMGE: But that's still...

SENATOR SCHUMACHER: So 98 percent would be federal.

BRUCE RAMGE: But they're still...

MARTIN SWANSON: Of costs.

BRUCE RAMGE: ...that's one thing, I just want to point out, that we've not got definite guidance from the U.S. Department of Health and Human Services on since the Supreme Court decision in terms of exactly how these credits will work for that segment of the population. They have indicated that, because of the way the law is written, the (inaudible) for credits will drop down to the 100 percent level from the original plan of 133 percent. But we don't have all the specific guidelines yet at this time.

SENATOR PAHLS: When do you anticipate getting those guidelines, I mean in all honest...

BRUCE RAMGE: I mean...

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MARTIN SWANSON: Senator, we've asked that question to the federal government several times and they have code words and we've heard "very soon," which may mean a week, could be tomorrow, could be next week. We hope it's sooner rather than later.

SENATOR PAHLS: Well, will that affect that November 16 information, blueprint, or not?

MARTIN SWANSON: It may. They cancelled several calls regarding the blueprint application process, perhaps to refine the blueprint. We know that they have taken comment and there will be a new blueprint application being out. I cannot say for certain they'll move the date.

SENATOR PAHLS: Okay. Senator Pirsch.

SENATOR PIRSCH: The way they've structured that then is tiers, right? What specificity have they given with respect to those tiers and how they'd...? You mentioned it goes up to...subsidies available up to 400 percent of the FPL, right?

MARTIN SWANSON: Right.

SENATOR PIRSCH: So what do we know about those tiers?

MARTIN SWANSON: We know they're broken down by metal level and which...depending on what plans you have. But one thing we don't know that's critical to figure out cost for the program is cost-sharing requirements. That has not been released by the federal government as of yet. That will affect every person that buys a policy on the exchange as far as how much they can expect to save from copayments, coinsurance, deductible levels, premiums payment. So that's kind of a key aspect of this. We just don't know as of yet but we're hoping that comes out sooner rather than later as well.

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SENATOR PIRSCH: And one other quick thing: Now I've heard 133 percent of poverty, but that's really 138 percent, isn't it? I've heard that figure as well.

MARTIN SWANSON: There's a...I'm sorry. Go ahead, Director.

BRUCE RAMGE: Yeah.

SENATOR PIRSCH: And could you explain that 5 percent variance?

BRUCE RAMGE: Yeah, the 5 percent, it's more of a Medicaid issue rather than an insurance issue, but I believe that there's a 5 percent income disregard that's used when Medicaid determines their eligibility and that's about the extent of my knowledge on that 5 percent, so...

MARTIN SWANSON: And just to be clear, it's modified adjusted gross income. It's a term of art they've created in the statute.

SENATOR PIRSCH: Okay. Thank you.

SENATOR PAHLS: Senator McCoy.

SENATOR McCOY: Thank you, Mr. Chairman. And on the handouts that you gave us from the National Association of Medicaid Directors and the National Governors Association with a long list of questions, but I want to make sure I clarify some clear in my mind. Basically what I'm hearing both of you say is we really have received no answers yet to these questions of these letters. I think the Governors Association letter is the 2nd of July and the Association of Medicaid Directors is the 3rd of July, no answers to any of these questions yet.

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BRUCE RAMGE: That's correct. We're watching for those responses.

SENATOR McCOY: And if you wouldn't mind expanding just briefly on, and that was going to be one of my questions anyway because the last session you told us that it was possible these deadlines, mainly the November 16 deadline, might be extended. And you're saying that some of the calls relating to that deadline in particular have been cancelled as of late?

MARTIN SWANSON: They've started to pick back up but they were cancelled for about a week, week-and-a-half period, right in the middle of everybody's planning, designing focus, but...

SENATOR McCOY: And I guess my follow-up question to that would be in the past when some of these deadlines have been extended, is that something that was an indicator of those deadlines being extended, that calls would be cancelled, maybe shuffled around, or is this something new or...?

MARTIN SWANSON: This is new because of the Supreme Court decision, I believe. This decision really stunned people in Washington, D.C. It stunned the folks that are working on the project on the federal level. We, you know, we talked to them weekly and they were just like, we did not anticipate this ruling. So they're trying to interpret it just as we are.

SENATOR McCOY: So maybe a lot of information to get through ahead of a November 16 deadline.

MARTIN SWANSON: Absolutely.

SENATOR McCOY: Okay. Thank you.

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MARTIN SWANSON: Thank you.

SENATOR PAHLS: Senator Pirsch.

SENATOR PIRSCH: Yeah. You had mentioned that because of this unexpected turn of events, with respect to the mandatory nature of the Medicaid expansion, was...had a potential impact to exchange technology and volume. If it were such that the state did not go ahead with the Medicaid expansion, can you kind of flesh out in terms of...either in terms of technology or volume what you're talking about, that it would...I'm assuming that if there is no Medicaid expansion, no additional coverage, that that would somehow lessen the amount of the requirement in terms of what the exchange might need to handle in volume and technology? Can you talk to...?

BRUCE RAMGE: Yeah. I believe that without the Medicaid expansion it would increase the volume of individuals buying through the commercial market, and so there would be more participants on that side of the exchange. But then there would be not the volume coming through with...the exchange door to go to Medicaid.

SENATOR PIRSCH: And so obviously more people shopping on the health insurance exchange site. But in terms of either costs to the state, what just generally would that mean if you're building out your exchange a little bit more to cover?

BRUCE RAMGE: The most complicated piece of building an exchange, quite honestly, is the interface between the systems with the various state Medicaid systems because of just the immense complexity of designing a system that would work that way. So I anticipate it would reduce probably both operational costs and building costs, but that's again something we need to do more study on, more review to get more firm numbers.

SENATOR PIRSCH: Yeah, because you'd still, obviously, have to have an exchange that could interface with the Medicaid. It's just the level would be somewhat different. So

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I wonder if that...

BRUCE RAMGE: It would. I assume that would be much different because it would not be required to make Medicaid determinations. Is that correct, Martin?

MARTIN SWANSON: That's one thing we're trying to find out from the federal government. That's one of the big issues.

SENATOR PIRSCH: Okay. Thank you.

BRUCE RAMGE: Yeah.

SENATOR PAHLS: Well, the question I have, is it the technology part that would make it more difficult? I'm...

BRUCE RAMGE: Yes.

SENATOR PAHLS: That's the part.

MARTIN SWANSON: Yes. That's...yes, that's a large part of it. This is, you know, I've heard some commentator say this is the largest nondefense IT project in the United States's history. If you eliminate that part of it, that may help...

SENATOR PAHLS: If that's gone then life would be different.

BRUCE RAMGE: Uh-huh.

MARTIN SWANSON: Yeah, possibly.

BRUCE RAMGE: And it would also make, Senator Pahls, it would also make a large

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difference on the customer service side, because with the combined Medicaid and insurance exchange the individuals there would have to be able to handle all sorts of information on both sides and appeals for those who...appealing Medicaid decisions and things like that. So there would be more complexity that way too.

SENATOR PAHLS: So I...if I'm answering some of those questions, I really would have to have my act together because of all...how complex it is...

BRUCE RAMGE: Absolutely.

SENATOR PAHLS: ...because all the different types of questions that would be asked of me.

BRUCE RAMGE: Yes.

SENATOR PAHLS: Okay. Senator Pirsch.

SENATOR PIRSCH: Would those build-out costs be covered, though, by the federal government, the creation costs, right? It would just be the state would be...would bear the operating costs going forward with that.

BRUCE RAMGE: Operational. Yes.

SENATOR PIRSCH: So to that extent, would there be, I guess, increased...

MARTIN SWANSON: If you're talking, Senator, if you're talking inclusion of Medicaid, there's different formulas for the cost allocations. For the exchange build, pure exchange, it's 100 percent until you become fully functional, you operate on your own. For Medicaid, to increase our technologies, it would be a 90/10 point. So there's...and you have to define what all those touch points are, and that's another issue we've been

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trying to deal with it and figure out as well.

SENATOR PIRSCH: In other words, the fleshing out the boundary lines between what constitutes the Medicaid and what constitutes the exchange is a little hazy right now so...

MARTIN SWANSON: It is and that's correct.

SENATOR PIRSCH: All right.

MARTIN SWANSON: And there's also different potential rules that you have to put in play when you issue a request for production as well, and that...just different rules.

SENATOR PIRSCH: We have those requests in to the federal government to delineate that as well?

MARTIN SWANSON: As well, and we've hired consultants to help us with that project as well.

SENATOR PAHLS: Senator Gloor.

SENATOR GLOOR: Mr. Swanson, is the 90/10 for IT development, is that just for the development? How about the ongoing operational expense? Does that ultimately shift to the state?

MARTIN SWANSON: Well, it...after three years, 100 percent and then, yes, it would.

SENATOR GLOOR: Yeah.

MARTIN SWANSON: Absolutely.

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SENATOR GLOOR: Thank you.

SENATOR PAHLS: Senator Schumacher.

SENATOR SCHUMACHER: Now one thing you mentioned was the regional exchanges have not been looked at very...because of time constraints, but it seems that not much has been done on it except asking questions on a state level. Why not get half a dozen states with similar demographics together and buy one computer programmer and program this animal, and then have each state tweak it, rather than everybody trying to go at it alone?

BRUCE RAMGE: I'll address that. There has been a great deal of daily interface with all the other states and in terms of developing the business plans and sharing information, sharing ideas. And we believe that there will be a handful of information technology vendors who basically will be servicing the exchange and they're going to benefit from not having to reinvent the wheel for every state. So from that aspect, there has been a great deal of contribution among the states in working together. But in terms of one system that every state used that might be housed in Iowa, Nebraska, Wyoming, wherever, there's not been that level of consideration yet just because of the operational difficulties of the nuances between the states. Every state is very different, especially in terms of the interface with the Medicaid programs. Back before the Supreme Court decision, it was anticipated that every state would have to be interfacing with their Medicaid programs. So it...I don't think anyone saw that it was feasible to do a combined regional exchange.

SENATOR SCHUMACHER: If that's the case, and we miss these deadlines because we do not set up a state exchange and the Legislature doesn't authorize a state exchange, then how can we expect this federal exchange to do it for all the states that have missed the deadlines?

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BRUCE RAMGE: Yeah. I think we'd like to talk more about what we're doing in order to achieve these deadlines, so if you would kind of hold off on that line of questioning until we're complete, then we can discuss that further.

SENATOR PAHLS: And, Director, if we are asking questions that you say you will answer later on, just let us know, then we'll back off it.

BRUCE RAMGE: Yeah.

SENATOR PAHLS: I mean I understand.

BRUCE RAMGE: Yeah.

SENATOR PAHLS: That makes sense to be organized that way.

BRUCE RAMGE: Okay.

SENATOR PAHLS: Okay. We will let you proceed.

MARTIN SWANSON: Oh, thank you, Senator. Meetings and briefing that we've held before do need to be held. We hold them all the time. We talk to stakeholders every day. The only ones we can't talk to right now are potential vendors because we're in the process of getting a request for proposal completed through our consultants and through our hard work, and it just wasn't...isn't right to talk to vendors in this particular moment in time. One of the things that we did since our last briefing is we have attended what's called a federal gate review and this is where the federal government assesses what progress you've made in your planning and your designing of your exchanges. They do this for all states who are interested in doing it. And what they said to us is, you're doing a great job.

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SENATOR PAHLS: Would you say that one more time?

MARTIN SWANSON: We're doing a great job.

SENATOR PAHLS: Okay.

MARTIN SWANSON: (Laughter) And one of the things that, you know, we've received favorable comments from them. They review all the progress for every state that does this. One thing I'll tell you is that they've said to us that Nebraska has conducted an extremely thorough stakeholder engagement process to date. They've hosted a series of public stakeholder meetings across the state, and the state is extremely committed to expanding transparency for its consumers and utilizing (inaudible) to reduce costs. So we were very happy to hear that from our federal colleagues. We've also, since when we last met, issued a second request for information, or called an RFI, on the subject of exchange information technology solutions. We received nine responses when the vendors that we looked at indicate about a 12- to 16-month implementation process. And keep in mind these are tight deadlines the federal government has set up for us and all states are in the same position with these tight deadlines. We've contracted with Navigant Consulting to assist the department in designing an exchange based on the business needs of the state and existing infrastructure.

BRUCE RAMGE: The exchange planning team is currently drafting business model flows of exchange functions to determine the business and technical requirements, and those business flows are a method by which the plans drive the technology and create the back office procedures. A great deal of time has been spent on determining these rules that are really necessary before any type of IT development can take place. In addition to the business rules for...or examples of business rules include things to facilitate eligibility and enrollment, both for individuals and small employers, the health plan management. And by health plan management, that's a function that the

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Department of Insurance already does and that's policy form and rate review. And so we believe that the exchange can leverage the existing infrastructure with the Department of Insurance as much as possible for this. Business planning also is taking place for financial management and data exchange, also leveraging existing capabilities where we can. Business rules for consumer assistance, compliance, auditing, and reporting: Every exchange will have strict auditing requirements and review. The exchange team is currently drafting an exchange information technology system strategy and architectural diagram, and this is very information technology intensive. Quite honestly, it goes over my head. We've been really fortunate to bring on board a team member from Brenda Decker's area, from the CIO, to help oversee this process, and that's been very helpful to us. We're currently drafting a request for proposal to solicit proposals and select beneficial solutions for a Nebraska exchange should we be asked to go forward, and they're proposed documents. We plan to meet with stakeholders. In short, the planning team has been really getting ready to move from the design phase into a more refining period, and during this refining period we're going to request input of subject matter experts and stakeholders.

SENATOR PAHLS: Okay, that makes me curious. Now you do plan to meet with stakeholders on the model, because, you know, after my reading in the papers, it's like things are happening and nobody knows what's going on.

BRUCE RAMGE: Yes.

SENATOR PAHLS: And you believe once that happens that will clear up some of that haziness in some people's eyes?

BRUCE RAMGE: Yeah, I certainly hope so, because it will be beneficial both ways, for other individuals to have a better idea of what the planning and process design, which direction it's going, but also for us to get input on to make certain that the business flow assumptions are good and work well for Nebraska.

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SENATOR PAHLS: And you will, if change needs to be made, you are willing to make those changes? Is that what I'm hearing?

BRUCE RAMGE: Absolutely. Absolutely.

SENATOR PAHLS: It's not just going to be telling; it's going to be a mutual back and forth.

BRUCE RAMGE: Yes. Yes.

SENATOR PAHLS: Is that the plan?

BRUCE RAMGE: Yes.

SENATOR PAHLS: Well, then let me ask you one more question because you have this group that are...this Navigant. Am I saying that right, Navigant Consulting?

MARTIN SWANSON: Yes.

BRUCE RAMGE: Yes.

SENATOR PAHLS: Now where are they? Where are they?

MARTIN SWANSON: They're located out of Chicago.

SENATOR PAHLS: Okay. And I'm assuming they're a national organization...

MARTIN SWANSON: Yes.

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SENATOR PAHLS: ...and they are meeting with a number of states.

MARTIN SWANSON: Yes, they are. Well, they met with South Dakota for sure. They're in the process of other...bidding with other states as well.

SENATOR PAHLS: Okay. That's what I'm trying to say. So this is beyond what's happening with the department. I mean you...this...the outside help is giving you a lot of direction is what you're telling me.

MARTIN SWANSON: Yes, especially on the technology side.

SENATOR PAHLS: Yes.

MARTIN SWANSON: We have a subcontract called Optomy (phonetic) or Optimity. Sorry if I'm mispronouncing that, but they're very helpful and help us design these IT business flows, which are complicated little boxes that you have to design in order to make your computers go.

SENATOR PAHLS: Okay. Okay.

MARTIN SWANSON: Quite the process.

SENATOR PAHLS: Okay. So, to me, you're laying the groundwork, is what you're telling me.

MARTIN SWANSON: Absolutely.

SENATOR PAHLS: And after once the groundwork is laid, then it will be shared more openly, I'm using a word,...

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BRUCE RAMGE: Yes.

SENATOR PAHLS: ...with stakeholders and they will have input?

BRUCE RAMGE: Absolutely.

SENATOR PAHLS: Okay. Thank you.

BRUCE RAMGE: Okay.

SENATOR PAHLS: Senator Schumacher.

SENATOR SCHUMACHER: Yes. Of the...how many states have adopted an exchange so far?

BRUCE RAMGE: Well, I would have to get back to you with that.

MARTIN SWANSON: There's been paperwork filed from Hawaii, California, Oregon, a few other states.

SENATOR SCHUMACHER: Where do they get their answers from to all these questions?

MARTIN SWANSON: Well, that's a very good question, Senator. We're doing our due diligence in our process, like other states are, a majority of the states.

SENATOR SCHUMACHER: Just from a little bit of a higher level, where do you see the responsibility for making the decisions on whether to proceed with a federal or state exchange, how to proceed, communication with stakeholders? Where do you see that responsibility lie, in your office or with the Legislature?

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BRUCE RAMGE: Well, we've been tasked by the Governor to go forward. This is an insurance exchange and the thinking was that the Insurance Department would be an appropriate place to do this. And had we not gone forward, obtain grants, and done all this study, we wouldn't be at the place where we are now with having our options open in the event the state makes a decision to go with the exchange. So I'd just like to point out that we are being diligent, doing a thoughtful process, trying to obtain as much information as we can to make a decision that's right for Nebraska. And other...

SENATOR SCHUMACHER: Okay. And who makes that decision?

BRUCE RAMGE: ...other states...well, as we've mentioned before, we can...a decision to...by November 16 can be effected by an executive order from the Governor and that will be acceptable to the U.S. Department of Health and Human Services.

SENATOR SCHUMACHER: Do you have a letter from the U.S. Department saying that that will be acceptable? And how is the U.S. Department the proper agency to make a decision on authority in Nebraska?

BRUCE RAMGE: Maybe I'll turn that back to Martin.

MARTIN SWANSON: Senator, they've indicated that is acceptable. In fact, Kentucky just filed an executive order the other day.

SENATOR SCHUMACHER: Where in Nebraska statute or Nebraska Constitution do you get that authority from?

MARTIN SWANSON: I believe Article I, Section 4 of the constitution, plus there's been...

SENATOR SCHUMACHER: Could you read me Article I, Section 4 of the constitution?

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MARTIN SWANSON: I don't have it with me, Senator. I apologize.

SENATOR SCHUMACHER: Okay. Article I, Section 4?

MARTIN SWANSON: Right.

SENATOR SCHUMACHER: Okay.

MARTIN SWANSON: Additionally, there has been several executive orders issued by Governors since 1960 that have given departments and to create commissions and create exactly what we're doing here.

SENATOR SCHUMACHER: You're relying on Article I, Section 4 of the constitution for your authority.

MARTIN SWANSON: In addition to previous executive orders issued by numerous Governors over the past few decades.

SENATOR SCHUMACHER: And could you tell...do you have a list of those? I mean I would think that's some of the research that was done.

MARTIN SWANSON: We can provide that to you, Governor (sic).

SENATOR SCHUMACHER: I was told that we could provide that list six months ago and nothing ever happened.

MARTIN SWANSON: Well, we can provide it to you, Senator.

SENATOR SCHILZ: When you...

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SENATOR PAHLS: Senator Gloor.

SENATOR SCHILZ: Sorry. When you make this decision and...or if the Governor makes this decision, will there be money that will have to be expended by the state of Nebraska? Or will you promise through that, that there will be money that has to be spent by the state of Nebraska?

MARTIN SWANSON: Currently, we're operating under federal grants...

SENATOR SCHILZ: Uh-huh.

MARTIN SWANSON: ...called a level one grant.

SENATOR SCHILZ: Right.

MARTIN SWANSON: Eventually, if we decide to build, if policymakers decide to build, then we apply for a level two grant, which will pay for the creation of the exchange. And then after 2015, it's out of the state's...it's either through user fees or through various tax. It depends on what the...how the policymakers want to fund it. We have provided some solutions in our last briefing on how that could happen but, yeah, it will be paid for by Nebraskans after that point one way or the other.

SENATOR SCHILZ: But not till 2015, correct?

MARTIN SWANSON: That's correct.

SENATOR SCHILZ: Okay. Thank you.

SENATOR PAHLS: Senator Gloor.

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SENATOR GLOOR: Thank you, Chairman Pahls. And I guess this question would be for either one of you. Senator Schumacher has me thinking. Have you uncovered in your planning and design work so far any state laws that are going to have to be changed or any potential new state laws that will have to be passed? So is the Legislature going to have to carry something forward as relates to this design process?

BRUCE RAMGE: I guess I feel most comfortable talking about the insurance laws in particular. Now that a lot of the insurance portions of this Affordable Care Act have been put in place, there are some discrepancies between the state laws and what is required under the federal law. Last session the Legislature did, I think, a very wise thing by adopting the provision that policies, insurance policies, have to conform to not only state law but to the federal law, and that is a really good stopgap measure and it will allow us the opportunity to go in and look at all those really specific issues where there is conflict in the law and, over the course of the next few years, address those where needed and prioritize. I think that I'd ask Martin's opinion, since he's health counsel, what his thoughts are.

MARTIN SWANSON: That has helped quite a bit. It gives our authority to make sure under our...we do markets, it's called market conduct reviews, to go in and say are you complying with X law, are you complying with Y law. And that has been very helpful and hopefully that will be a stopgap measure until all this...you know, we're still waiting on regulations to assist us in these, in what we need to do, and it may not be now, maybe later, but till we have those we cannot really give you an answer. But what we've done has been, quite frankly, coveted by other states. They liked what we did in that area, so...

SENATOR GLOOR: That's good information to know. Thank you.

SENATOR PAHLS: But would you tell them we have already in law now that allows you

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to do what you need to do.

BRUCE RAMGE: Yes.

SENATOR PAHLS: And we did that last...

BRUCE RAMGE: Yeah, was it last session or 2011?

MARTIN SWANSON: I think in 2011 already.

BRUCE RAMGE: I think it was 2011.

SENATOR PAHLS: That's what I thought. Okay. Okay. Senator Pirsch.

SENATOR PIRSCH: So time line wise, when we talked about the upcoming date, November 16, 2012, for blueprint application for certification, is it clear what will be required of the state to submit, in terms of deliverables, to the federal government and what is...you know, what is that date...the significance of that date? What do we have to deliver and what does that put us on a course for?

BRUCE RAMGE: And, yes, there's specific requirements set out for the blueprint and there will be consultations and additional gate reviews between that time to, in other words, to prereview what the state is designing for their blueprint submission to help the states go forward, so...

SENATOR PIRSCH: We...

MARTIN SWANSON: If I may...I'm sorry, Senator. If I may add, as we...there are modifications to the blueprint ongoing, from what we understand from the federal government, but if we successfully pass certain gate reviews, those application

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requirements may be waived.

SENATOR PIRSCH: The application requirements. So in other words, the formal commitment to going forward, that decision whether to go forward with a state-based exchange or federal exchange, may be waived is what you're saying.

MARTIN SWANSON: Certain aspects of how you get there for approval by the federal government may be waived. In other words, right now we're in the process of filing what's called archival documents, what have you done lately documents, what have you done in the past, what are you going to do for planning in the future. We provide those to the federal government as far as, you know, what...the parameters of those. They review them. They say, okay, well, then you've met Section 1.1 or you've met Section 1.2; you're good to go if you decide to go forward with your application to be a state-based exchange or a partnership exchange. And then the Secretary ultimately still has to approve it.

SENATOR PIRSCH: So there could be, theoretically, after November 16, 2012, even if we provided those documents, this is how we could or this is what we've done planning, that doesn't irrevocably commit us to the rolling out of a state-based health exchange.

MARTIN SWANSON: The commitment, the commitment comes on November 16 to what you plan on doing. We are preparing as if, you know, for a state-based exchange. It will be left to the policymakers to make that decision, obviously. But all these documents that we're providing to them now are preparing for that moment, being what direction the state wants to go.

SENATOR PIRSCH: And which direction the state wants to go, but when does that choice have to be irrevocably committed to by the state policymakers?

MARTIN SWANSON: Well, the first step is November 16 with that application.

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SENATOR PIRSCH: Okay.

MARTIN SWANSON: However, let's say hypothetically a state becomes a federally facilitated exchange, meaning the federal government runs it, or it becomes a partnership. The state can still take it back. We can give notice. This is one of the processes we're still trying to figure out from the federal government, by the way, but we can give them notice saying, federal government, we've finally caught up with our technology, we've finally caught up on our planning; hey, can we have it back now? And they will say, sure, take it back. But you've got to give them notice and then you work through the details of how you get that back from the federal government. So there's always that opportunity.

SENATOR PIRSCH: Sure, for the next year, right?

MARTIN SWANSON: For as long...yeah, as long...

SENATOR PIRSCH: Whatever you're...you'll make a designation whichever way for the first year, and then you can take it back. I understand in the future you can switch. But I guess what I'm saying is what is the blueprint that federal HHS has laid out in terms of this is when you must have made a designation by, choose one way or the other and...

MARTIN SWANSON: That's November 16.

SENATOR PIRSCH: November 16.

MARTIN SWANSON: Yes.

SENATOR PIRSCH: So we'll know November 16 which one.

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MARTIN SWANSON: Correct.

BRUCE RAMGE: Yes.

SENATOR PIRSCH: Okay.

SENATOR PAHLS: Senator Schumacher.

SENATOR SCHUMACHER: You mentioned several times the federal gate review report. Has that report been made available to this committee, the complete thing?

MARTIN SWANSON: We can make that letter, that said that we were doing well, to you, absolutely.

SENATOR SCHUMACHER: The entire federal gate report?

MARTIN SWANSON: It's just...right now it's just a letter.

SENATOR SCHUMACHER: Oh, so this is not a comprehensive report. It's just kind of a cover letter.

MARTIN SWANSON: It's a letter saying, here, we appreciate what you've done, please send us these...you know, we received these documents, please send in these further documents. And then we go through the next step. It's right...what happens, Senator, is we have meetings in Washington, D.C., and go over tons of material, tons of questions, and work our way through that process and they give us a letter back saying, okay, you've met this, the next step is this.

SENATOR SCHUMACHER: Now you've mentioned again several times that you're prepared to proceed with a state exchange depending on what state policymakers

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decide. When and who is going to be the decider?

BRUCE RAMGE: I believe that will be you and the Governor and...

SENATOR SCHUMACHER: And how does the Legislature make a decision before November 16?

BRUCE RAMGE: I would encourage you to visit with Senator Pahls and the Governor's Office on expressing your input. But we work...well, we will...

SENATOR SCHUMACHER: Okay. Wait, wait a minute. Wait a minute. Expressing our input, who is...we're talking about who makes this decision. I mean the committee here can't vote for the Legislature. Who makes this decision on whether we...who is the policymaker here in this particular case? Now I think you cited that the authority may be under executive order under Article I, Section 4. Was that correct?

MARTIN SWANSON: I misspoke on that, Article IV, Section 1. Sorry about that, Senator.

SENATOR SCHUMACHER: Article IV...

MARTIN SWANSON: Article IV, Section 1.

SENATOR SCHUMACHER: Article IV, Section 1, okay, because Article I, Section 4 was belief in God. (Laughter)

MARTIN SWANSON: Senator, I'm doing a lot of praying right now, to be honest with you.

SENATOR LANGEMEIER: That was going to be my next question.

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MARTIN SWANSON: That was my dyslexic moment, I apologize.

SENATOR SCHUMACHER: (Laugh) Okay.

BRUCE RAMGE: To go back to your question, you know, we discussed earlier in our previous briefing that the exchange can...a state exchange can be accomplished through an executive order. There's been really nothing new or no changes since that time to change that provision. By November 16 it could be accomplished in that manner with submission of the appropriate blueprint and an executive order. And there's really no new changes that would really...so I really have nothing more to add.

SENATOR PAHLS: Okay. Just a second. Senator Gloor.

SENATOR GLOOR: Thank you, Chairman Pahls. If we wanted to defer to a regional exchange and then take it back in the future, we've talked about regional options out there, if we want to defer to a federal exchange, we take it back in the future, is there any reason we couldn't take back a portion of the state if we felt we were set up? Let's say it's from an IT standpoint but any number of issues. We decided we want to take back the metropolitan areas and leave the rural areas for federal exchange, is there any provisions that would allow us to take back portions or establish two different portions in the state?

MARTIN SWANSON: No, I don't believe so. I think it's got to be a state.

SENATOR GLOOR: All or none.

MARTIN SWANSON: All or none, that's correct.

SENATOR GLOOR: Are we sure about that?

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MARTIN SWANSON: Well, I'm fairly certain about that but...

SENATOR GLOOR: Of course, we're not sure about a lot of things, but...

MARTIN SWANSON: Well, it...there's, again, the take-back question is up in the air as far as how that process would work. I think what you've outlined would make it even more difficult to do because I think the federal government and the states have all anticipated they take it all back.

SENATOR GLOOR: Okay. Thank you.

SENATOR PAHLS: Okay. Senator Schumacher.

SENATOR SCHUMACHER: Section 1, Article IV, says that we're going to have...or Article IV, Section 1, excuse me, says that we're going to have four executive officers or the executive officers are the Governor, Lieutenant Governor, Secretary of State, Auditor, State Treasurer, and Attorney General. It says they'll be chosen at an election. It says that each candidate for Governor shall select a Lieutenant Governor. The Governor shall be ineligible to the office of Governor for four years after the expiration of two terms; that the books and records shall be kept in Lincoln; that the executive officers shall reside within the state during their terms of office; and that the executive department shall perform such duties as may be provided by law, presumably passed by the Legislature. The heads of the departments established by law, other than those elected as provided herein, shall be appointed by the Governor, subject to the provisions of the constitution, the various heads shall have the power to appoint and remove all subordinates. How do you read into that the authority that you claim?

MARTIN SWANSON: The general power of the Governor to do those things and, plus, they can...the Governors, like I said, through periods of time, since the '60s at least,

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Governors Nelson, Johanns, Governor Heineman have all issued executive orders under a power of the Governor to do certain things.

SENATOR SCHUMACHER: Each of those executive orders had at their root, in order to be valid, an act of the Legislature. An executive order cannot give rise to authority for more executive orders. Where is the authority? I'm not trying to be argumentative here. I just want to know where the authority to make this decision, that has to be made by November 16, lies, at least from your perspective. The committee may have a different perspective. Asking a straightforward, simple question: Where is the authority to make this decision that is going to be made, in your guys' words, the policymakers of this state?

MARTIN SWANSON: Again, I believe the power can lie with the Governor. The federal government has said that it's very acceptable to do so.

SENATOR SCHUMACHER: And where is it written that the federal government defines the power structure within the state of Nebraska?

MARTIN SWANSON: As we said, that Kentucky, other states have gone this route to do that so...

SENATOR SCHUMACHER: Do we have the Kentucky Constitution?

MARTIN SWANSON: Not in front of me but again...

SENATOR SCHUMACHER: No. But we certainly aren't bound by the Kentucky Constitution in Nebraska.

MARTIN SWANSON: Sorry, go ahead, Director.

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SENATOR SCHUMACHER: Well, I mean...

BRUCE RAMGE: Well,...

SENATOR SCHUMACHER: ...I think we can establish this is a real question.

BRUCE RAMGE: ...Senator, I just want to point out, our expertise is on the insurance side. We've been tasked to go forward with planning and designing the exchange. We've been doing that. And this is a question that may not really be our area of expertise, so I'd just like to...

SENATOR PAHLS: Yeah, let me add to this. Right, I know what you're doing. You're doing what was set forth to you, and in fairness, answering that question may be out of your domain. We'll need to find that answer and probably not by these two individuals because probably everybody in this room would have a different perception. So let's...I think your question has been noted, Senator,...

SENATOR SCHUMACHER: Okay. Thank you.

SENATOR PAHLS: ...and I think we should move on to, yes, Senator Pirsch.

SENATOR PIRSCH: Yeah, and notwithstanding that issue that will be, I'm sure, discussed and settled on another day, but is the task, that whomever is appropriate in this state will be tasked with, in making a decision to expand or to authorize a state-based exchange or not, but...so one of the questions that I just wanted to...maybe I'm jumping the gun here and your later films...

BRUCE RAMGE: Yes, that's fine.

SENATOR PIRSCH: ...are going to flesh out just exactly the differences that we could

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effectuate as a state in running our own exchanges compared to the federal government. So if that is...

BRUCE RAMGE: Sure. I think we can talk about that right now, I think.

SENATOR PIRSCH: Is that part of your presentation?

BRUCE RAMGE: We'll go ahead and discuss that now and if we repeat ourselves we'll just...

SENATOR PIRSCH: Okay. Yeah, and that's what...the relative advantages and disadvantages, how much...and through the HHS and the ACA, how much discretion is left to states in terms of doing anything, making choices?

BRUCE RAMGE: The functions and the processes of an exchange, whether it be state-based or federal, are very formulaic. There are not a lot of deviations really left to the states. The prime difference would be where the customers, the users of the exchange, are supported in terms of customer service and also in terms of reviewing the plans that are offered on the exchange, who does that. Martin, can you think of other issues?

MARTIN SWANSON: Well, Senator, if we actually go forward in the slides, we can talk a little bit more about the differences.

SENATOR PIRSCH: Let's do that then.

BRUCE RAMGE: Okay.

SENATOR PAHLS: Yeah. Just before we go, I do know Senator Schilz has a question.

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SENATOR SCHILZ: Yeah, thank you. Back on the...you talked about the level two, phase two grant that's coming through. Will that cover all the costs that...?

BRUCE RAMGE: All the costs of building.

SENATOR SCHILZ: Of building it.

BRUCE RAMGE: Yes.

SENATOR SCHILZ: Okay. And then by 2015, we have to come up with ways to pay for it ourselves, correct?

BRUCE RAMGE: Yeah. Correct.

SENATOR PIRSCH: Operating, right?

BRUCE RAMGE: Operating, yes.

SENATOR SCHILZ: Right. And so the question is, if and when the Governor, through this executive order, sets this up or...can we back off of that? Can we say now we've decided not to go forward with a state exchange? Because here's my question: By doing this, by going forward, it seems that we are obligating the state at a certain point to spend money, and if the state is going to spend money then that's always been the purview of the Legislature. And I just want to make sure that we're not promising something that somebody doesn't have the authority to do. But I'm not...I'm like you guys.

BRUCE RAMGE: Okay.

SENATOR SCHILZ: I'm sitting out here on the periphery, trying to figure out exactly

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where this is at.

BRUCE RAMGE: Sure. Yeah, and the ongoing operational costs could be accomplished through a variety of ways or a combination of ways, and since some of the...

SENATOR SCHILZ: Well, will those be laid out in that plan that you set forward?

MARTIN SWANSON: Yeah, it eventually will be, Senator, that's correct, and that's why we're...

SENATOR SCHILZ: On November 16 will those be?

MARTIN SWANSON: Right. That's exactly what we're meeting with. We laid out a plan initially when we briefed you last time.

SENATOR SCHILZ: Uh-huh.

MARTIN SWANSON: We want to make sure we revisit our stakeholders with that particular plan...

SENATOR SCHILZ: Uh-huh.

MARTIN SWANSON: ...to see how we pay for this particular, you know, operation of government, essentially.

SENATOR SCHILZ: Right.

MARTIN SWANSON: If it's tasked within the department, that's what it's going to be.

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SENATOR SCHILZ: And then those fees or whatever would have to be passed by the Legislature, correct?

MARTIN SWANSON: More than likely, but we can...what we can do, I mean...you know, and to go back to one of your questions before I forget, Senator, is you asked can...if we go forward on November 16 saying we're going to build a state-based exchange, can you say no later on, you can say no later on,...

SENATOR SCHILZ: Okay.

MARTIN SWANSON: ...just like you can take it back...

SENATOR SCHILZ: Right.

MARTIN SWANSON: ...from the federal government as well.

SENATOR SCHILZ: Okay. Thank you.

SENATOR PAHLS: Senator Gloor.

SENATOR GLOOR: I know we want to keep moving forward, but Senator Schilz's question has me thinking. The fact that we defer to a federal exchange doesn't mean that your department still won't have operational responsibility for running that exchange, correct?

BRUCE RAMGE: That's correct, yes.

SENATOR GLOOR: Okay. And those parts that we don't do, isn't there reason to expect that we're going to be...I mean the federal government isn't likely to say, fine, we'll take on the expense. Aren't they likely to send us a bill on a regular basis for those

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components that we can't or won't do?

MARTIN SWANSON: They...the federal government has told us for the first year at least they will not charge a state or somebody to access the federal hub, which is yet to be built, by the way. We don't know after year one. They have not told us that.

SENATOR GLOOR: Mystery cost.

BRUCE RAMGE: Yes.

MARTIN SWANSON: Yes. There's a question mark.

SENATOR GLOOR: So we have some mystery costs.

BRUCE RAMGE: Yes.

MARTIN SWANSON: That's one of the things we've tried to ask them. We've also asked them, federal government, we'd like to do a cost comparison because we're pretty diligent here in Nebraska about figuring out costs; what does it cost for your federal exchange to run? They have told us, we probably won't have that information until late autumn at best, perhaps even after the November 16 deadline.

SENATOR GLOOR: So part of your challenge is figuring out the dollars associated with our operations, our three options, one of which, regional, we have pushed off to the side here, but of the two options we're looking at realistically, trying to figure out the expense when there are an awful lot of mystery numbers floating around out there. Do we think by the 16th we'll have a better idea?

BRUCE RAMGE: We certainly hope so.

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SENATOR PAHLS: I know it's been said in the media that we're going very slow. Would part of the argument be is because you just don't have the answers, not because you're...you just don't have the information to go? Is that part of the reason that...

BRUCE RAMGE: That's part of it, Senator Pahls. We've been doing a lot of, you know, deep-in-the-weeds work here in terms of the business requirements and the IT structure, and so that's been work with the consultants.

SENATOR PAHLS: Okay.

BRUCE RAMGE: It's been numerous, countless meetings between the Department of Insurance and Nebraska Department of Health and Human Services. It's been a lot of time devoted by our staff, by our legal department, by the individuals who are dedicated to doing the planning and design work. But we believe now that we're moving into that phase where we'll again pick up our stakeholder engagement.

SENATOR PAHLS: Okay. Okay. Senator McCoy.

SENATOR McCOY: Thank you, Mr. Chairman. And, Director, if you wouldn't mind expanding maybe a little bit more on this; when we touched, that kind of led me into a thought process. Where do we stand vis-a-vis other states as far as in the process? I guess that will be my question, where we're at.

BRUCE RAMGE: I believe that our planning and design process is on par with all the...with any other state. I mean every state is in this similar situation of trying to flesh this out and design and plan. And from the feedback that we get from our federal counterparts, I'm confident that we are as far along as nearly any state. And so I hope...I mean I hope that answers your question. I don't know if there's a way to measure. I know some states have jumped forward and made a decision right away. That doesn't necessarily mean that they are farther along in planning and designing this because

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they're still having to go through the same process that we are. But we've been doing this in a really thoughtful and...manner to make certain that we know exactly what the requirements are and trying to design something that's best for Nebraska.

SENATOR McCOY: And I would make as a follow-up comment, I returned home very late last night from Council of State Governments, Midwest Conference in Cleveland, Ohio, and had the opportunity to spend a number of days with some of my colleagues, as a number of us did in the room, from 11 of the Midwestern states. And I, be candid, I was shocked in visiting with some of those legislators just at where some of their states are in this process and it's all over the map. It's...you know, there's a lot to be done, obviously, in a short period of time, but those conversations always went back to, well, we just automatically assumed that Department of Health and Human Services is going to extend the November 16 deadline or at least there's just...I heard from a number of...from some very large states in the Midwest that they're...what they're doing is even on a scale even larger and a magnitude even larger than what we're talking about here in our state of Nebraska. And there were comments made there's just no way possible to put this together by then. So...and you mentioned Kentucky and we've seen I think the Governor of Maine make some comments about kind of where they're at in the process. And so I appreciate that information because it appears, just anecdotally, from one...in the last few days as I talked to folks, that there are some wide-ranging places in the time line that...or I shouldn't say the time, there's wide-ranging places for different states in where they're at. And it appears that we're...

BRUCE RAMGE: Well, we are working very diligently to try to be able to meet all those time lines and the time line even initially, from day one that this federal law was passed, I've always said it's way, way too aggressive. And we're tasked with being able to meet those deadlines and we continue to do our best. So they are aggressive. They'll be very difficult for any state to meet and be really different even for the federal government to meet, I believe.

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SENATOR PAHLS: Okay. Senator Schumacher.

SENATOR SCHUMACHER: Just one, not to delay things, one question: You know, it's kind of been represented that maybe half...there's some federal dictate or something that says it will be halfway easy to flip back and forth between state and federal exchange. Let's suppose that we don't create a valid state exchange on schedule and we default to the federal government, okay? And the federal government goes ahead and it builds this computer and puts this \$50 million program in and it sits in a basement in Washington whirring away and doing its thing, and we say, golly, gee whiz, we kind of wish we had a state exchange. And lo an behold, 2015 is when we face this issue. Up to that point, the federal government has been picking up the tab. But now, in order for us to get our own thing in the basement here whirring away, we're going to have to spend \$50 million and we don't have \$50 million, so we're kind of stuck with the federal exchanges. Is that a reasonable scenario?

MARTIN SWANSON: They reissued some of the time lines for grants. The last one is available at the end of 2014.

SENATOR SCHUMACHER: Well, that's why I used the 2015 number.

MARTIN SWANSON: Right. And you can use that for a while but, yeah, the money does run out. That is true.

SENATOR SCHUMACHER: Okay. So by not acting in a proper way in establishing a state exchange now, one of the risks we face is that if we're unhappy with the way the feds are running it for us, we might have a bill in 2015 or beyond of \$50 million to \$80 million to move it away and buy our own machine that whirs in the basement here.

BRUCE RAMGE: Yes.

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SENATOR SCHUMACHER: Okay.

BRUCE RAMGE: Yes.

SENATOR PAHLS: We'll let you continue.

BRUCE RAMGE: Oh, okay. Thank you. I believe earlier we talked about the contract with Navigant. We've also contracted with INS Consulting to examine whether or not the state should conduct reinsurance, risk adjustment, and risk corridor programs. Now this is really down in the weeds, and I apologize, but this basically relates to reinsurance. And the final federal regulations on this may not be released until after the state needs to make a decision. INS Consulting really concluded that the state should really not consider running their own programs. I'd like to point out the federal government already runs similar reinsurance programs for Medicare Advantage and so they have some experience in doing this. But we will continue to consult with insurers and other stakeholders on this point before making a final recommendation. Martin.

MARTIN SWANSON: Let's...this goes back to Senator Pirsch's question about the viable options for the exchanges, the operational options, I should say: a state-based exchange, where the state operates all activities but can use federal services, such as the premium tax credit and cost-sharing determinations. There's various exemptions. There's the risk adjustment program, reinsurance program, just as Director Range just talked about. The federal exchange, that's where the United States Health and Human Services operates all activities. The federal government has indicated, however, that they would be willing to enter into an agreement for the state to carry out plan management on their behalf. Quite frankly, the federal government is not used to approving insurance plans. We do that every day. And under state-federal partnership exchange the state operates activities for plan management, consumer assistance, or both, and the United States Health and Human Services will administer, operate, and retain authority over exchange activities. Under a state-based exchange,...Director, if

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you want to go to the next slide, I'm sorry,...

BRUCE RAMGE: Oh, sure.

MARTIN SWANSON: ...all exchange activities are established and operated by the state. However, the U.S. Department of Health and Human Services will review and approve the establishment and implementation processes. Any changes must be approved by the federal government. This is any changes that we make to our program--substantial changes we think, we're not sure what the word means yet--has to be approved by the federal government after the operation of a state-based exchange is established. All planning, establishing, and testing activities are funded by grants from the United States Department of Health and Human Services through 2014. State-based exchanges must be financially sustainable beginning January 1, 2015, by assessing fees, as determined by the state. No federal funding is available after January 1, 2015. States that will not have the exchange in operation by January 1, 2014, may opt to enter into a partnership with the federal exchange temporarily.

SENATOR PAHLS: Yes.

SENATOR McCOY: If I may, before you move into the federal exchange, next slide, do you mind going back real quickly and going over again? So we don't really know the level of autonomy that we would have under a state exchange when you say any changes must be approved by the federal government?

MARTIN SWANSON: The word I think they leave is substantial or something similar to that word and that...we don't know what that means yet.

SENATOR McCOY: So that's yet to be determined by...

MARTIN SWANSON: Federal government.

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SENATOR McCOY: ...rules and regs.

MARTIN SWANSON: Yes.

SENATOR McCOY: Okay.

SENATOR PIRSCH: And to clarify that further, whether it's any changes or substantial, what the degree is then to what? Is this the...is there a template laid out by the department in their...

MARTIN SWANSON: The template will be established by the blueprint, Senator.

SENATOR PIRSCH: Okay, in their blueprint to the states, right? And so how...to what degree of particularity do they spell out what we must do and what we are permitted to, you know, the parameters where we're given discretion?

MARTIN SWANSON: One of the areas of discretion that you have in a state-based exchange, for example, is are you going to be a state that decides to be any willing insured to come on board, or are you going to be a limited contracted marketplace for insured.

SENATOR PIRSCH: Market facilitator in this area, yeah.

MARTIN SWANSON: Right, right, those terms of art.

SENATOR PIRSCH: So that's clear that's one area.

MARTIN SWANSON: That's a big one. Right, that's a big one.

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SENATOR PIRSCH: Okay. What else? Any other important type of...?

MARTIN SWANSON: Well, potentially, plan management. Now, like I said before, the federal government has indicated they would enter into a memorandum of understanding with the states to do that, but if you don't enter into that or if that's not offered, because it could be off the table, don't know, then the federal government could operate and approve plans to go on to your exchange. The same may be similar, too, with the federal government determining in a federal exchange if the network is adequate or not for your insurance plans. Right now, that's what we do at the department. That's another example.

SENATOR PAHLS: Senator Gloor.

SENATOR GLOOR: Well, let's be candid with ourselves about the autonomy with a state-based exchange. We may run the state-based exchange but the federal regs are going to (inaudible), like the Medicaid program.

MARTIN SWANSON: That's...

SENATOR GLOOR: We run our own Medicaid program but there are federal regs that very much control how that program operates.

MARTIN SWANSON: That is absolutely correct, Senator.

SENATOR GLOOR: Okay. And let me ask a network question. This is a concern that I bring from my past life. Have we gotten any guidance or are we prepared to deal with the issue of an insurer who may come to the state with 80 percent coverage of Nebraskans within their network, contracted providers--physical therapists, hospitals, physicians--but, in fact, that 80 percent is a narrow sliver of the state of Nebraska along the eastern border and, in fact, the further west you get the less effort they put into

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network development for their provider network--a big concern of mine when it comes to the real day to day. I mean we're talking about a lot of issues here, but here's a real, down-to-earth, nitty-gritty thing of somebody having...we don't want somebody to have to drive 60 to 80 miles to get to a provider for somebody who is part of the insurance exchange and they've made that decision, that this is who I want.

BRUCE RAMGE: Yeah. I don't know that they have expanded any network adequacy requirements beyond what the current model or reg, law in place here in Nebraska, but you are correct that that is of concern, and especially for those new types of plans that are allowed under the law and whether or not the federal government will be diligent in requiring those multistate plans to come in and establish an adequate network. We're fortunate here that there are one or two existing rental networks available and I would guess that that is what initially any new insurer would do coming into the state.

SENATOR GLOOR: But I don't think we can...I guess my plea is, guess my plea is let's not count on them doing the right thing and getting a rental network that has broad coverage. We need...

BRUCE RAMGE: We can certainly start asking questions to...

SENATOR GLOOR: We need to.

BRUCE RAMGE: ...the U.S. Department of HHS on that.

SENATOR GLOOR: I think most of our established insurers have done a great job over the years having thorough networks.

BRUCE RAMGE: Yes. Yes.

SENATOR GLOOR: But anybody new that comes in with a multistate member can

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easily, easily say, hey, I've got 70 percent of Nebraskans easily covered.

BRUCE RAMGE: Right.

SENATOR GLOOR: That 70 percent may be in a ten-county area, and that could be a problem. That is problematic.

BRUCE RAMGE: Yeah, just...and just anecdotally, to give you some level of comfort, there is one co-op plan that has come in to discuss a possibility of operating in our state,...

SENATOR GLOOR: I'm aware of that.

BRUCE RAMGE: ...and they have really established the fact that they will be using a...

SENATOR GLOOR: Network.

BRUCE RAMGE: ...network. And so it's something we certainly are aware of and cognizant of and will enforce. It's just that question on those plans where the federal government is able to make the choice, and that again is another reason why the state should maintain as much control as possible over this.

SENATOR GLOOR: Would you...to the extent of having our own state-based exchange?

BRUCE RAMGE: Yes. Yes.

MARTIN SWANSON: Well, even one of the issues with the multistate, Senator, if I...I'm sorry, Director, to follow that...

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BRUCE RAMGE: Go ahead.

MARTIN SWANSON: ...is they've indicated that they may only substantially comply with our licensing requirements. Well, part of our requirements would be to have an adequate network, obviously, and so that is a big concern. Now that's whether you have a state-based, federally facilitated, or a partnership plan. That's a big issue for the states. All the states are saying, oh no, no, no, you have to be licensed under...that's not fair competition to other insurers. But so far there's been a big debate in Washington between that agency and even the White House about how that's going to be playing out.

SENATOR GLOOR: We've got to pay very close attention to that issue.

MARTIN SWANSON: I think on those (inaudible) we do.

BRUCE RAMGE: We agree.

SENATOR PIRSCH: So just...

SENATOR PAHLS: Senator Pirsch.

SENATOR PIRSCH: So just to clarify, there's nothing specific in the ACA or the regs that have been issued by HHS, fed HHS, that would change whatever, tighten or guard, require the state to have adequacy of networks, some sort of a paradigm in that area. Is that right?

MARTIN SWANSON: That's...other than what they've issued before saying that there must be an adequate network, that's right.

SENATOR PIRSCH: Is it just...okay. So they've issued that but there's no,...

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MARTIN SWANSON: Right.

SENATOR PIRSCH: ...I mean, that will have to be fleshed out in the future. They'll decide whenever.

BRUCE RAMGE: Uh-huh.

MARTIN SWANSON: Or, right, Senator, or defer to what the state has in place. I mean that's an issue some states have. We don't necessarily have that in Nebraska.

SENATOR PIRSCH: So you, in your mind, does that create...you're saying though...I thought you were just saying that is a distinction that would argue in favor of the state electing to run their own exchange.

MARTIN SWANSON: It's possibly one of those aspects. But you know, again, even if you had a federally facilitated exchange, the federal government may come in and say, okay, we agree for you to do this, because it's one of the issues and we know our state; you really don't in Washington. We know that we need providers in the Sandhills, we need providers out in western Nebraska. Here we think are the plans that are adequately able to cover that. We approve these plans, we believe they are qualified health plans. And they get on a federally facilitated exchange. So it could happen either way.

SENATOR PIRSCH: Okay. So it doesn't necessarily argue in favor of electing a state-based exchange that you'd have.

MARTIN SWANSON: Not necessarily.

SENATOR PIRSCH: Okay.

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MARTIN SWANSON: But it's one aspect to still keep in the back of our minds.

SENATOR PIRSCH: Okay. Thank you.

MARTIN SWANSON: On the slide of federal exchange overview, the United States Department of Health and Human Services will establish, operate, will have authority over all exchange activities, which may include eligibility, enrollment outreach, consumer assistance, navigators, SHOP, etcetera. The U.S. Department of Health and Human Services is developing a unified federal exchange infrastructure that can address different needs of the states. The federal exchange's role is limited to certification and management of the qualified health plans. The states, it's important to note, will continue to perform their traditional regulatory role. Plan management, as I think Director talked about before, is reconsideration of certification, recertification, annual process for plan review, decertification, data that will be displayed on the Web site, user fees, and accreditation approaches. Many details yet to be are uncertain, such as costs, tax credit availability, transitions to a state-based exchange, and we're awaiting further guidance on those issues. And I'd just, Senator Pirsch, as we talked about, the federal government has indicated that it may enter into an agreement with a state to carry out plan management. And one of the things that's been in the news lately, you may have heard that the specific text of the Patient Protection and Affordable Care Act did not include specific authorization for federal exchanges to pay for the advanced payment of tax credits. There has been federal rule making by the IRS on this point, but it's unclear whether that federal rule making will stand. I know some entities have been pondering or, if you read the news, are thinking about challenging this issue on legal grounds because in that section of law it refers to a state exchange receiving the tax credits versus a federal exchange. So this is another issue that we have to keep in mind as well. Under a state-federal partnership, the United States Department of Health and Human Services will administer, operate, and retain authority of all exchange activities. However, states may elect to assume primary responsibility for plan

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management where the state will conduct analyses and reviews to support qualified health plan certification, collect and transmit necessary data to the United States Department of Human Services, and manage certified qualified health plans. And also consumer assistance, the state will provide in-person application and other assistance to consumers, including eligibility determinations, comparing coverage options, selecting and enrolling in a plan, and this would include the navigator program. The United States Department of Health and Human Services will be responsible for the management of the Web site and the consumer hot line. One thing to note is that specific details on the navigator program have not been finalized and the states are discussing that very issue with the federal government as we speak. Now that we've discussed three models, I'd like to alert the committee to a couple of specific issues. I'll discuss the IRS regulation and the director will talk about essential health benefits. One of the things we learned when we went to one of our many conferences in Washington and talking to the federal government was that the IRS had issued some regulations regarding the tax portion of the Patient Protection and Affordable Care Act and how the exchanges will need to have access to income verification for the qualification of those taxpayers between 100 and 400 percent of modified adjusted gross income. This level of personal financial information requires additional privacy and security measure in place with the exchange information technology systems, operating procedures, staff training, and monitoring requirements. These are very strict rules that the IRS has formulated. Navigators, as well, must comply with these strict requirements. And navigators are not required, according to the federal government, to carry errors and omission insurance to protect themselves and perhaps even the state. And the exchange, if there's a violation that occurs, that may place the state at risk for a lawsuit. I'll turn it over to Director Ramege to talk further about essential health benefits.

BRUCE RAMGE: Yes. One of the requirements in the federal law is that plans that are sold through the exchange or any plan sold to qualify for the tax credits is...meets minimum standards or referred to as essential health benefits standards. And the U.S. Department of Health and Human Services really adopted the standards and, really,

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they told the states that they would advise us of what plans we could select from. There were really four choices. That would be the largest commercial HMO in the state, the state employee benefit plan, the federal employee benefit plan, or among the three largest small group health plans. In just late June of this year they gave us those plans which we could then select from, so we are in the process of analyzing those. We have contracted with a vendor, Mercer, and who has provided us with a good analysis. That information is being placed up on the department's Web site within the next few days. It's gone up to our Web designer with a request to post that. And we will be meeting with, again, with interested parties and making a recommendation, sometime during September, back to the Governor as what we feel is the best option for Nebraska.

SENATOR PAHLS: Yeah, Senator Gloor.

SENATOR GLOOR: Thank you, Chairman Pahls. Who runs the state's largest HMO currently?

BRUCE RAMGE: Coventry.

SENATOR GLOOR: Thank you.

MARTIN SWANSON: One thing to follow up on, Senator Pahls and Senator Gloor, on that issue regarding the September 30 date regarding the choice, we know we have to select somebody, select within the third quarter of this year when we just...there has been no regulation issued on essential health benefits as of yet. And we've now heard, as of yesterday, that date might be pushed up. We don't know.

SENATOR PAHLS: You mean from the 30th of September, closer?

MARTIN SWANSON: Yes. They told the National Association of Insurance Commissioners that it's possible that that date might be moved up sooner than the 30th.

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That was just information we learned yesterday.

SENATOR PAHLS: Okay. Then let me ask this: If you're going to get input from stakeholders, how is that going to happen then?

MARTIN SWANSON: Right away. (Laugh)

BRUCE RAMGE: Right away. Yeah, we'll be sending out e-mails to all of the individuals who have already, you know, expressed to have their name on our contact list and we'll have a series of meetings and...

SENATOR PAHLS: Which will be soon, is what you're telling me.

BRUCE RAMGE: Yes. Yes, that's probably one of our next main tasks.

SENATOR PAHLS: Okay. Senator Schumacher.

BRUCE RAMGE: Yes.

SENATOR SCHUMACHER: Yes, a phrase has been used here several times, stakeholders, is there a list of stakeholders available to the committee and to the public?

MARTIN SWANSON: It's everybody.

BRUCE RAMGE: Yeah, everybody who has expressed interest in terms of they contact our department and we basically just record their e-mail. And so when information goes out, it can be sent.

SENATOR PAHLS: Just give us a few examples so that maybe that would make it clear.

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BRUCE RAMGE: Well, like insurers, health insurers. That would be an example. Other advocacy groups who have been following the process, and just various individuals. I really can't be more specific than that, because I'm not...

SENATOR SCHUMACHER: So this is an e-mail. Somebody gets some information they had sent this group, and out it goes.

BRUCE RAMGE: Yes. And we also operate a Facebook page and also try to put information out on our Web site to keep it as open as possible.

SENATOR SCHUMACHER: But when you gather information from stakeholders, so what you're telling us then, that is just generally listening to whoever talks to you.

BRUCE RAMGE: Yes.

SENATOR SCHUMACHER: I mean there's not a...you don't call a specific list of people and say, hey, what do you think of this deal?

BRUCE RAMGE: No. No.

SENATOR SCHUMACHER: The e-mail list that you routinely e-mail to, is that available? Is that a lot of people on that list?

MARTIN SWANSON: There are several people on that list. I mean you include folks from the hospitals, providers that have contacted us; specific groups, like the Dieticians Association, is another example. We've met with them.

SENATOR SCHUMACHER: A dozen people?

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MARTIN SWANSON: More than a dozen. We have...

SENATOR SCHUMACHER: Less than 50?

MARTIN SWANSON: Oh, I don't know for sure. It's a long list, Senator.

SENATOR SCHUMACHER: Okay. But somewhere around 50, then?

MARTIN SWANSON: Oh, it's at least.

BRUCE RAMGE: That's probably...there's been obviously some interest in this process.

SENATOR SCHUMACHER: Now when you...you said you're going to make a recommendation to the Governor sometime before the end of the quarter. Will a recommendation be made to the committee, too, as to what action we should take?

BRUCE RAMGE: We can certainly do that. We'll communicate with Senator Pahls. So you're...and then if you would share that information. Because then that way you can be fully aware of what's transpiring.

SENATOR PAHLS: Okay.

BRUCE RAMGE: Okay.

MARTIN SWANSON: Well, we've talked a little bit today about what some of the federal rules that we're still waiting for, and it's kind of good to go over it a little bit more again. That we're waiting for new rules after the Supreme Court's decision: Is the "no wrong door" policy still valid? What is the definition of Medicaid expansion and what does that definition mean for the operation of an exchange? We're waiting on risk adjustment, risk corridors, reinsurance definitions and then policy. We're waiting for the regulation on the

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essential health benefits. And again, last night, as I go home and check e-mail after I get home from work, the federal government issued a regulation on quality measures and reporting essential health benefits, which is not...the essential benefit regulation, it's part of that process. So yet another regulation was issued last night that adds to my weekend fun, I suspect. Final guidance regarding federal exchange is yet to be issued. And within the regulation of the exchange itself, I think I counted up about 200 instances where there will be forthcoming guidance. And we've got some it, we don't have all of it. One of the big ones we don't have is on the appeals process. We don't know...this is when a person comes in and says, hey, I needed a tax credit and you didn't give it to me; or I'm eligible for Medicaid and you didn't do that; or various other aspects of, hey, I've been aggrieved. Until we know that process, we can't plug that into our business process systems. And, quite frankly, the other part of it is, will then the Administrative Procedures Act be applicable to the appeals process? And if it is, that could create more work, not only if they feel aggrieved and lost at our level, let's say; they could appeal it to district court then, and maybe even up to the Court of Appeals or the Supreme Court. So there's a lot of things we need to think through with this, and we're waiting anxiously for that regulation as well. And these are just certain examples. And we also have provided those letters to you earlier about the...from the National Governors Association, the Medicaid Association. The National Association of Insurance Commissioners asked questions. We asked questions. We're waiting for those answers. Some of the policy assumptions that we have made is that the exchange will be operated from the Department of Insurance. There will be a single exchange that serves both the individual and small employer markets. All exchange certified health plans will be able to sell within the Nebraska exchange; and the Nebraska exchange will not limit the number of qualified health plans. And that the exchange service and call centers will be located and staffed in Nebraska.

SENATOR PAHLS: You're telling me these are--and I'm reading the top line--assumptions.

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MARTIN SWANSON: Assumptions. That's correct.

SENATOR McCOY: Mr. Chairman.

SENATOR PAHLS: Senator.

SENATOR McCOY: Thank you, Mr. Chairman. If I may, and if you wouldn't mind expanding a little bit on that. And I know this is a policy assumption at this point, but is there a short answer to why you believe that the exchange ought to be operated within the Department of Insurance? I understand there's really no short answer to any of these questions, but.

BRUCE RAMGE: Well, basically the exchange is an insurance-based function. And a lot of the functions of an exchange really interact with what the Department of Insurance already does. We have staff there with insurance expertise. We believe that, you know, of all places in the state government, that that's the most appropriate location.

MARTIN SWANSON: Well, let's talk a little bit about costs. This is difficult as well. We have federal requirements that we know of, and there's parts that we do not know. We also have a worry about vendor availability capacity. We do know of, you know, at least...we've talked about the nine that responded to our inquiry. But we do know of four or five entities that are...you know, that are further along than others in the process of creating what is needed by the states to get a state-based exchange on-line. Keep in mind, all states are fighting these same deadlines. They're tight. They're very difficult. So that's what we're worried about is what the cost will be, so.

SENATOR PAHLS: But do you believe you will have vendors available? I heard you use the word "nine," but.

MARTIN SWANSON: Well, no, we should have vendors available once we...so we had

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nine respond to our request for information. We hope to have at least that amount of choice when we issue a request for production. As we briefed you earlier this year, the consultant reported that the estimated cost to build a state exchange would be around \$61.4 million to \$86.9 million, with about \$17.5 million to operate annually. We suspect that these costs will double based...because those estimates were done before any regulations were issued. And, quite frankly, every time a regulation is issued, it's going to cost the state more money. It just does; like the IRS regulation that we talked about earlier. Add another, perhaps about a million bucks, because of the security issues that we'd have to work on.

SENATOR PIRSCH: You're talking about a million bucks to the operating costs, because the start-up creation costs are largely borne by the federal government. But the...

MARTIN SWANSON: That's correct. With the ongoing...

SENATOR PIRSCH: So you're saying...so more like \$18.5 million, is that what you're saying? Annual operating costs?

MARTIN SWANSON: That's right. And this is all taxpayer money. That's correct. And this is...to create it would be more than that. I'd double that; per past, double that estimate. We'll know, once we get the requests answered by the vendors. You know, components of that cost estimate include IT, staff, outreach, maintenance, and the...you know, all those things cost money. And the costs may vary, you know, dependent upon the court interpretation. And, in total, we believe if you add all the programs together, Medicaid, if Medicaid was to be expanded, and with our program, you would...based upon the Milliman report and our thinking too, that it could be about a billion dollars in taxpayer money. So it's...

BRUCE RAMGE: Okay. We've really covered what the department has done up to now

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and what some of the requirements are. I know we've gone deep into the weeds on some of these, and I apologize if we've opened a firehose of information here, but. You're probably wondering now, okay, what is the Nebraska Department of Insurance and the exchange planning team's next steps? So, just in general, I would like Martin to go over those. Martin is involved in this daily. It takes up 99.9 percent of his time.

MARTIN SWANSON: It's my other duties as assigned part of my jobs. Go to the next slide, Director.

BRUCE RAMGE: Yes.

MARTIN SWANSON: This is kind of what we need to do to get approved. Regulations implementing the exchanges require the U.S. Department of Health and Human Services to approve or conditionally approve the readiness of a state-based exchange no later than January 1, 2013. A conditional approval right now could be, hey, you've made it far enough along that we can consider you a state-based exchange; keep making progress so that you're operational by October 1, 2013. To receive approval or conditional approval, the state must complete and submit an exchange blueprint; include a declaration letter signed by the Governor; and the application that we've talked about earlier. Again, that's due November 16, 2012. And approval means that we've demonstrated the ability to satisfactorily perform the exchange requirements. There has been a new grant process, that we talked about a little bit earlier, that guidance has been released that clarifies how funds can be used and for what purposes. Start-up expenses that funds can be applied, include consumer outreach, testing, training, and necessary system improvements. The partnership exchanges may receive funding for start-up expenses and costs associated with transition to a state-based exchange. And states participating in a federal exchange may receive funds to support a transition to a partnership and/or a state-based exchange. But all funds must be awarded by December 31, 2014. And within that time frame of the new announcement, several new grant dates were announced. And I'll turn it over to the Director for these other next

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steps.

BRUCE RAMGE: Okay. Just to recap, we've moving forward with the design in the state-based exchange. And I hope this discussion has pointed out to you that we are doing this in really a thoughtful and diligent manner, because we truly want to have the state's option available and that an ultimate decision can be made that's good for this state and not...you know, every state is different. Some states have jumped forward with this. And we think that really putting some thoughtful and careful planning and design into this project is the appropriate way to go. We've continued our study. We have more study to do on the scope of the Supreme Court decision, and more guidance yet to come from the federal government. And we continue to welcome input from everyone, from all parties. We believe it would be beneficial to continue to have some briefings and discussion here with this committee, and we hope that that can be accomplished. Martin, I'd like you to give some more of the specifics and some more of the details on where we're going.

MARTIN SWANSON: Thank you, Director. Well, we're going to develop a procurement and acquisition strategy. We're going to try to look at multiple vendors, service contracts, and talk about hosted technologies. We're going to conduct phase II stakeholder meetings. We're going to develop a marketing and outreach strategy. We're going to issue a request for proposal and receive proposals from solutions vendors, and select a vendor. We're going to continue, because we must, under our grant, to go through gate reviews with the Centers for Medicaid and Medicare Services, and complete the blueprint application. We're going to develop a funding strategy and submit grants for additional funding. And await further guidance from CMS in many areas. And with that, any further questions or discussions, we'd be happy to take those.

SENATOR PAHLS: Senator Pirsch.

SENATOR PIRSCH: Yeah, just a couple to clarify. And you...so, in kind of looking at

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cost benefit, I mean that's the ultimate issue we're looking at, is what the state is going to have to elect to run its own exchange or default to the federal government. And so to that end, it's good...it seems like from this we can...your statement is costs may be \$18.5 million annual to continue to run it. Is the federal costs, as well, you suspect those will be double that, which would put yours and maybe \$120-some million or up to \$170 million. Are there other costs that are encapsulated there, or is that it?

BRUCE RAMGE: There are. Actually, the costs to our agency to enforce the provisions. It will likely create a need for a few additional full-time employees. And I believe that that initial study that we did outlined some specific numbers. And as we go forward, we certainly, you know, try to take advantage everywhere possible of existing capabilities.

SENATOR PIRSCH: Um-hum. It seems, on the benefit side, you know, the cost-benefit analysis, the discretion, the extra discretion that Nebraska would enjoy by having its own...running its own exchange, is a little more hazy, from what I garner, because there's unanswered questions is what I heard you say.

BRUCE RAMGE: Yes.

SENATOR PIRSCH: So I'll turn to a different quick question though.

BRUCE RAMGE: Okay.

SENATOR PIRSCH: But with respect to, and we kind of glossed over this, the navigator issue; they don't have E&O insurance. How would that, you know, particular issue, and...be addressed? What kind of discretion would the state have in dealing with navigator individuals' eligibility, that kind of thing, if we were to do our own thing?

BRUCE RAMGE: Yes. The state can certainly...on state-based exchanges the state could screen the applicants, initially, and...although there is a requirement that they be

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selected from specific types of organizations and individuals. And again, the state would probably need to monitor the activities and make certain that they were giving appropriate information, that their training was in place, and that they were not going beyond what a navigator can do. A navigator can't sell or solicit or negotiate a contract, but they can give assistance to individuals on knowing how to access the exchange. So there's a fine line, actually, between what a licensed agent or broker is permitted to do and what a navigator's role would be.

SENATOR PAHLS: But by reading that, though, the navigator does not...you don't really have much power over the navigator, though, do you?

BRUCE RAMGE: That's correct.

SENATOR PAHLS: And if I'm an agent or a broker, you have some significant hammer over me.

BRUCE RAMGE: Yes, because of their license. Yes, because of the licensing function and our ability to address issues in an administrative matter with their license. Yes. Yes.

SENATOR PAHLS: Okay. Okay.

SENATOR PIRSCH: (Inaudible) just, in general (inaudible). Oh, go ahead. I'm sorry.

SENATOR PAHLS: Senator Gloor.

SENATOR GLOOR: Thank you, Chairman Pahls. Let me go back to the issue of stakeholders. As I recall, information about exchanges is supposed to be shared with workers by their employer. Does that ring a bell, in terms of how the information is supposed to ultimately find its way out to the work force about options they have available. Have we...have you had phone calls from major employer groups? I mean,

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have they come to stakeholder meetings? I'm thinking about the chambers of commerce, or the State Chamber of Commerce, as an example, some of those entities?

MARTIN SWANSON: We have or will continue to reach out to the chambers. But, you know, large employers would include hospitals.

SENATOR GLOOR: Certainly.

MARTIN SWANSON: And we've certainly talked to the hospitals, so.

SENATOR GLOOR: Certainly. And then a commentary...well, not a commentary, I would say. And don't apologize for a firehose of information coming our way. And, by the way, the operant word around here, as Senator Langemeier can attest to, is pipeline, not firehose, I think when it comes to information. (Laughter) But, I mean, there is a ton of information that's out there. And this has been extremely helpful for me.

BRUCE RAMGE: Thank you.

SENATOR GLOOR: I mean, I read and read and read, and then you get distracted. To be able to sit down here this morning and have the dialogue about it, bring it all together, it is a pipeline of information coming down here; a firehose of information coming down here. And I would hope, as you continue to move forward, we figure out a way to continue to share and get that update. It's helped me a lot, and, frankly, it's helped me feel a little bit more comfortable that this is a serious process you're undertaking to move forward. And I appreciate that.

BRUCE RAMGE: Yeah, that would be our pleasure. And it's helpful for us, as well, to hear the feedback and questions from this committee.

SENATOR PAHLS: Because I do think when there's that unknown, there's always that

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suspicion out there. And, you know, in my past life I can recall when people were unsure about things, the stories come up. And I think what you've given, the information you've given us today, has enlightened us an awful lot.

BRUCE RAMGE: Great.

SENATOR PAHLS: I still have...the thing that I...because by reading the media, the stakeholders, somehow they need to be...feel...I know you're going to have a phase II stakeholder meeting--and we've had a question: Who are the stakeholders? I mean, this has been in the media so much, I'm sure people realize something is going on here. But you are going to reach out to them.

BRUCE RAMGE: Yes. You know, initially we had...we called it the road show.

SENATOR PAHLS: Right. Yes.

BRUCE RAMGE: We went around to several different cities in this state, and we plan to do that again. And we're still developing those plans and hope to accomplish that soon.

SENATOR PAHLS: Okay. I think that would probably alleviate. And another question I think is Senator Schumacher's question about the Governor's authority. If somehow...not you, but the people out there listening, could get that answer back to us.

BRUCE RAMGE: Okay.

SENATOR PAHLS: Senator Langemeier.

SENATOR LANGEMEIER: Senator Pahls. Director, I want to thank you for the update. And I guess I want to do a couple little housekeeping things first.

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BRUCE RAMGE: Okay.

SENATOR LANGEMEIER: I guess I'd like to formally request, for myself and my 49 colleagues, that you send us, each and every one of us, this in a digital form.

BRUCE RAMGE: All right.

SENATOR LANGEMEIER: Okay?

BRUCE RAMGE: Yes.

SENATOR LANGEMEIER: Because I know you'll get that request. The other thing I would ask, and maybe this isn't the moment and you want to think about it a little bit. But when you started this, Senator Pahls asked you if this would be available. And you said it would, upon request. Where do you want those requests to go? Do you want to give me a phone number, right now, or do you want to give me an e-mail? Because I'm sure there's a hundred people in the audience here that is going to make that contact.

MARK RAMGE: Yes. Let's give you a phone number and e-mail. And, Martin, I'll let you...

SENATOR LANGEMEIER: So do you have somebody that can take their e-mail, that you can send it back? Do you...?

BRUCE RAMGE: Okay, let's have them go to J.P., if that's okay?

SENATOR LANGEMEIER: And you can think about that a minute if you don't know exactly what person should get it.

MARTIN SWANSON: We'll get that number to you.

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SENATOR LANGEMEIER: But before we're done today?

BRUCE RAMGE: Okay.

SENATOR LANGEMEIER: Maybe...I see a lot of Banking Department staff here.

MARTIN SWANSON: Sure.

SENATOR LANGEMEIER: Maybe there's somebody that we could designate to receive that, because I think you're going to get plenty of calls.

BRUCE RAMGE: Okay. And I didn't want to make it sound like everybody should contact Senator Pahls; so they can contact us directly.

SENATOR LANGEMEIER: That's exactly what I'm trying to do, is avoid it from his office and my office, but.

BRUCE RAMGE: Yeah. We don't want to give you a...

SENATOR PAHLS: Not me. It would be Jan. (Laugh)

BRUCE RAMGE: No, we wouldn't do that to you, Jan.

SENATOR PAHLS: But again, I think if we can make that clear.

BRUCE RAMGE: Okay.

SENATOR PAHLS: Because again that's just that get rid of that mystery. And there's an awful lot of good information that you've handed out to us. Thank you.

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BRUCE RAMGE: All right.

SENATOR LANGEMEIER: Thank you.

BRUCE RAMGE: You're welcome.

SENATOR PAHLS: Senator Schumacher.

SENATOR SCHUMACHER: Thank you, Mr. Chairman. And thank you for your time and your patience with us today. Could you add the members of the Legislature to that e-mail list that, when you e-mail out to stakeholders, so we all get copies of what you're communicating to the stakeholders?

BRUCE RAMGE: Certainly. Would you like the full Legislature or this committee?

SENATOR PAHLS: Let's do the whole.

BRUCE RAMGE: Full Legislature? Okay.

SENATOR SCHUMACHER: I would think everybody. You know, to the extent we have any authority to do anything, we probably should be in on it (inaudible). (Laughter)

SENATOR LANGEMEIER: If it's digital, it's easy to send to everybody.

BRUCE RAMGE: All right. Thank you.

SENATOR SCHUMACHER: It's easy to delete, too. (Laugh) I want to just spend a minute on getting my head around the issue--we talked a lot about exchanges--but on Medicaid expansion. And it looks like the hole that we're looking at is that 100 to

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130-some percent group. Are those people getting care now, or are they just dying?

BRUCE RAMGE: I believe that a lot of them are getting care that's probably not...that the hospitals provide. And whether or not the hospitals and physicians then are compensated for that care...that's a problem. There are also, like, some public health clinics. But I think that the question about that is more something that the Health and Human Services Department here at the state would have a better understanding of than we at the Department of Insurance. Yeah.

SENATOR SCHUMACHER: Okay. I mean, I haven't read any news articles lately about anybody going without care, and I would expect those would be reported if there were many of them. So if that care is being provided now, unless we believe in free lunches, somebody is picking up the tab. Who would that be at the present time?

BRUCE RAMGE: I believe that there's probably a lot of cost shifting. I think that's one of the things that we're aware of, where, you know, it just has to be built into the cost. And everyone, you know...

SENATOR SCHUMACHER: So the cost shifting is kind of a soft term...

BRUCE RAMGE: It is.

SENATOR SCHUMACHER: ...that means that people who have insurance or who are paying their bills in cash are picking it up.

BRUCE RAMGE: Yes.

SENATOR SCHUMACHER: So they're being taxed now. Really, I mean. By the system...well, maybe not by the government, but by the system. I mean, they're picking up the tab. So isn't our task to figure out whether that way of picking up the tab is more

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cost-efficient than a particular expansion of Medicaid would be?

BRUCE RAMGE: I think that's a fair question.

SENATOR SCHUMACHER: But is it...? I mean, I hope it's a fair question. What's the fair answer? (Laughter)

BRUCE RAMGE: Yes, yes. I mean, I don't have a...I don't have an answer. But, yeah, it's...

SENATOR SCHUMACHER: But isn't that our task, to figure out that?

BRUCE RAMGE: It's certainly a consideration. It certainly is. []

SENATOR SCHUMACHER: And would the decision on that task, principally, in our structure, rest with this body and the Legislature as a whole? Because we're going to end up having to levy a tax or spend tax money--and that's kind of our deal. Thank you.

BRUCE RAMGE: Thank you.

SENATOR PAHLS: Senator Pirsch.

SENATOR PIRSCH: And so with respect to what we were talking about earlier, the other provision of the ACA, which deals with subsidization as you're going out, and that's up to, what, 300 percent of the...? And it was adjusted gross income, is that...?

BRUCE RAMGE: Yes. Of the modified adjusted gross income.

SENATOR PIRSCH: Modified adjusted gross income.

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BRUCE RAMGE: Yes.

SENATOR PIRSCH: So this would be a new facet, is that right? A new law that we would...?

BRUCE RAMGE: Yes. You know, the original Affordable Care Act or the federal law anticipated those subsidies starting at the 133 percent--or 138 if you add on the 5 percent disregard. And because of the way the law is structured for those states that do not elect to expand the Medicaid population, the subsidies then drop down to 100 percent of modified adjusted gross income.

SENATOR PIRSCH: So it would...although it was designed primarily for that 133 percent up to 300 percent,...

BRUCE RAMGE: Yes.

SENATOR PIRSCH: ...it would have coverage of the...starting at 100 percent.

BRUCE RAMGE: Yes. Yes. And I'm not certain how that came about, because I don't believe it anticipated originally that that would be an option. But it's just the way the law was written.

SENATOR PIRSCH: And this is all federal money? Federal tax credit?

BRUCE RAMGE: Federal, yes.

MARTIN SWANSON: Taxpayer money.

SENATOR PIRSCH: And you said it's not totally. But I guess my understanding, that there were tiers that would be implemented.

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BRUCE RAMGE: Graduated.

SENATOR PIRSCH: Would the graduated tiers, would that include...the first tier I would assume would be the most generous in terms of granting tax credits. Would that...so then it would start at, under this new paradigm, 100 percent of the federal poverty level; and then go up to...? Where does that first tier end? Do we know? Would that cover the 133 percent?

MARTIN SWANSON: I believe so. Yes, Senator.

SENATOR PIRSCH: And that...would that be at 100 percent level or was that 90 percent or 98 percent? Is that what you said you thought?

MARTIN SWANSON: I think 98.

SENATOR PIRSCH: Okay. And so if you could...if you happened to have that latest type of correspondence from federal HHS with respect to we now will honor 100 percent and above, and the tier, that information with respect to if you were at 100, say, 115 or 120 percent of that, how much? And you believe it's 98 percent. But if I could see that kind of a breakdown.

BRUCE RAMGE: You'd like to see the percentage of breakdown. Yes.

SENATOR PIRSCH: Yeah, that would be...I think that would be educational for me, so. Thanks. I appreciate it.

BRUCE RAMGE: Okay. We can get that to you.

MARTIN SWANSON: And when we get a response or when Medicaid directors get a

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response back on one of their questions, which was just that, we'll be happy to provide that to you as well.

SENATOR PIRSCH: Okay.

SENATOR PAHLS: Senator Schumacher.

SENATOR SCHUMACHER: Just one follow-up on the question I had before. To the extent some states expand Medicaid and pick up 90 percent or 100 percent reimbursement from the feds, and to the extent some states do not and continue to cost-shift to their policyholders and to the people who pay in cash, those states that do not, will not they not only be, through their rate mechanism and their billing mechanism, be paying their bill; but then helping the other states pay most of their bill too? Kind of like a Cornhusker double kick in the butt?

BRUCE RAMGE: Maybe through the federal tax structure. I think that the premiums and the rate-setting for the insurance plans are on a state-by-state basis. So if you look at it in terms of taxes versus the insurance rates, I think you'd probably have a different answer.

SENATOR SCHUMACHER: But if the states would say, okay, we're going to take the check from the federal government for 90-100 percent, and hope that the federal government doesn't go bye-bye someday and not send that check, we're going to take that; and some of that money in that pot is Nebraska money or coming from states that do not do exchanges...or do not do Medicaid expansion. So those states are contributing to that federal money that's going back to the states that have opted in. And the states that have not opted in, say, you know, we've got to continue to do like we did, and that's cost shift. So our people are paying for our people through cost shifting and for other people through federal taxes. I mean, is that a fair analysis, or am I off in never-never land again?

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BRUCE RAMGE: I understand what point you're making, and I don't know how to measure that. But it's a...yeah, it's a valid question and point. And again, I don't, you know, have any way to measure that, because we don't know where the states are going to end up.

SENATOR SCHUMACHER: But, I mean, isn't it kind of just reason? If you pay...if you're stuck paying the way we are now in the states that decide not to do it, and they also got to pay...you know, IRS isn't going to look the other way on April 15. They're going to send money into the government so they can give it to the states that are in on the deal. You pay twice.

BRUCE RAMGE: Martin, have you heard any discussion on that?

MARTIN SWANSON: No, not especially. But, you know, even with the tax subsidy within the exchange, it's a matter of transferring from another party to another.

SENATOR SCHUMACHER: Well, I'm not talking exchange; I'm talking Medicaid expansion now.

MARTIN SWANSON: Okay. I understand, but that's...yeah, we don't have that.

SENATOR PAHLS: Senator Schilz.

SENATOR SCHILZ: Thank you. And this is nothing huge, but, you know, we're talking about housekeeping stuff. And would it be possible to have this uploaded, this information, to your Web site, to make it easier?

BRUCE RAMGE: Oh. Sure.

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SENATOR SCHILZ: That would...and I think people could find it on that there, then.

BRUCE RAMGE: Okay. Yep.

SENATOR SCHILZ: As well as sending it out, too. I tend to lose papers.

BRUCE RAMGE: All right.

SENATOR PAHLS: Senator McCoy.

SENATOR McCOY: Thank you, Mr. Chairman. And thank you, Director Ramge and Mr. Swanson, for being here this morning and for this wealth of information, which is very helpful. I'd like to talk for just a moment, if we could, on...I noticed the last bullet point on your last slide was a "Await further guidance from CMS for many areas." I would assume that there are number of different issues there, but one of them being what we just talked about with expansion of Medicaid. Is that correct?

BRUCE RAMGE: That's correct, yes.

SENATOR McCOY: Is that part of what's encompassed in that bullet point?

BRUCE RAMGE: Yes.

MARTIN SWANSON: Yes.

SENATOR McCOY: And I would go back to some of the questions to the federal Department of HHS, that the National Association of Medicaid Directors and also the National Governors Association have asked, have been along the same lines of, what options are there out there for states if they don't expand Medicaid? I mentioned earlier, I returned late last night from a CSG Midwest Conference in Cleveland. And we had a

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number of experts from Washington, D.C., and across the country, that spoke to us during this conference. And a topic of conversation--it's not a new concept--was Medicaid block grants, and how this may come into play, or may not, with the Supreme Court decision and the option for states to expand Medicaid or not. I don't believe that's been addressed yet this morning, but, coincidentally enough, or perhaps if wasn't, there's a very intriguing article this morning on the Governing.com Web site, that a lot of us look at. And it's on that very subject. And some of our counterparts in other states in the Midwest are really exploring this, all of sudden, again. Would you mind addressing that just a little bit? And I guess my ultimate question is, is that something that in all of your discussions with the counterparts in the other states that you're discussing, is that an ongoing conversation right now between the state level and the federal level, that you're aware of? Is that, you know, 30-year-old concept, basically, going to perhaps be an option as we go forward?

BRUCE RAMGE: I think the discussions so far, that I've seen, has been just a few articles in the press. I don't know that there's been any discussion on the insurance side about the block grants. And we're...there's, you know, the folks in the Medicare areas too; so they may be having discussions about that, that we're just not aware of. But I have seen articles where there's increased interest in the block grant approach.

MARTIN SWANSON: I saw the article this morning that you're referencing. I didn't get a chance to read it, because the copier jammed and I had to get these printed off for you. But, I mean, we'll go back and read it and take a look at it, certainly.

BRUCE RAMGE: And I believe that the block grant concept offers flexibility to the states, from what my understanding is.

SENATOR McCOY: Thank you.

SENATOR PAHLS: Any final question up here? Well, again, I want to thank you,

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because you have enlightened us a little bit. And my final words will be: To be continued.

BRUCE RAMGE: Thank you.

SENATOR LANGEMEIER: Before we do that, have you decided who you want to be the contact person to get these phone calls?

BRUCE RAMGE: Oh, yes. Martin?

SENATOR LANGEMEIER: Or are you just going to put it on your Web site?

BRUCE RAMGE: We'll just put it on our Web site.

MARTIN SWANSON: We'll just put it on our Web site.

SENATOR LANGEMEIER: Put it on your Web site. Okay.

SENATOR PAHLS: Okay. Thank you.