MEMORANDUM

To: Health Connector Board of Directors
Cc: Jean Yang, Executive Director
From: Roni Mansur, Deputy Executive Director and Chief Operating Officer
        Scott Devonshire, Chief Information Officer
Date: February 7, 2014
Re: Work Order for Dell to Develop and Implement the Transaction of 834 Enrollment Files

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BACKGROUND

One of the key functions of a Health Insurance Marketplace is the ability to transmit enrollment information to Qualified Health Plan (QHP) and Qualified Dental Plan (QDP) Issuers. Specifically, new enrollment information, changes in enrollment, and disenrollment information is critical and necessary for QHP and QDP Issuers to effectuate enrollment, maintain coverage and subsequently pay claims on behalf of members. In addition, new Affordable Care Act (ACA) requirements entail transmission of enrollment information to the Centers for Medicare and Medicaid Services (CMS) for the purposes of enrollment reporting, payment of Advanced Premium Tax Credit (APTC) to QHP Issuers, and Cost Sharing Reduction (CSR) reconciliation. The standard for transmitting enrollment information, both to QHP and QDP Issuers as well as CMS, is via HIPAA-compliant 834 files. This format is both crucial for the recipients to interpret and process the information on the file, and it is a legal requirement of the ACA to use 834 Electronic Data Interchange (EDI) files.

Historically, the Health Connector has transmitted 834 files while operating both the Commonwealth Choice and Commonwealth Care programs. However, there are notable changes due to ACA requirements and new programs that entail the implementation of a new 834 enrollment file.   In general, APTC and subsidy information must be communicated, a more literal interpretation of HIPAA-compliant file format must be followed, the frequency for transmission has been increased from monthly to daily and CMS is now a recipient of enrollment information for all Health Connector members.

There are significant business and operational benefits that we will realize from the new daily 834 files, but implementation thus far has been difficult for two reasons. First, implementation must be completed with all participating QHP and QDP Issuers (of which there of 12 unique Issuers), making coordination, testing and overall project management challenging. Second, CGI was originally meant to deliver 834 enrollment files as part of the HIX-IES project on October 1st, 2013. CGI did not deliver 834s on October 1 and has consistently failed to deliver operational 834 files since that time. In context of other critical priorities (*e.g.*, program determination, shopping and plan selection for subsidized individuals and families, and overall site stability), we do not believe the 834 is on-track for delivery by CGI within a reasonable timeframe.

The Health Connector has worked with its Customer Service Contact Center & Business Operations Services vendor, Dell, to put in place several workarounds for HIX-IES components that CGI has been unable to deliver either within a reasonable timeframe or with sufficient quality. In the area of enrollment reporting to QHP and QDP Issuers and CMS, however, there are no suitable medium or long term solutions except to deliver a fully-compliant 834 file. In the immediate term, the Health Connector has leveraged transmitting enrollment information via other means; however, this is operationally

impractical for some QHP and QDP Issuers on a large scale, and involves a significant operational burden on the Issuers. Many Issuers are relying on the availability of an 834 to better effectuate enrollment in a timely and less cumbersome fashion.

Given the importance of the 834 enrollment files to Health Connector operations, the Health Connector has chosen to de-scope the 834 files from the HIX-IES project under CGI's management. The Health Connector is requesting that the Health Connector Board of Directors approve a Work Order with Dell to implement an 834. When the Health Connector issued the Customer Service Contact Center and Business Operations Request for Proposals (RFP), the Health Connector stated that the successful bidder should be able to support enrollment activities and that there will likely be additional required technology efforts that were not identified or defined at the time. Moreover, Dell has experience in developing 834s and this work is a necessary extension of Dell's financial management system. For these reasons, we believe Dell is best positioned to assume responsibility for this project.

SCOPE OF 834 PROJECT

At a high-level, the scope of the 834 project includes designing, building, jointly testing and ongoing transmission of 834 files with 12 QHP and QDP Issuers participating in non-group subsidized and unsubsidized insurance programs through the Health Connector and CMS. The work order dictates that Dell will perform enrollment activities, change and disenrollment activities as well as information exchanges with QHP and QDP Issuers and CMS.

Enrollment Activities
- 834 files will include transactions for new enrollments
- Dell will handle all errors and exceptions on the 834 file
- Plan for future functionality – receipt of inbound 834 files from QHP and QDP Issuers (*e.g.*, to handle instances where a member may pay the Issuer directly); also entails sending 999/TA1 "acknowledgement" file back to Issuers to confirm receipt and processing

Change and Disenrollment Activities
- 834 files will include transactions for disenrollment
- 834 files will include transactions for changes in enrollment information
- Dell will handle all errors and exceptions on the 834 file

Information exchanges with QHP and QDP Issuers and CMS
- Dell will review Health Connector "companion guides" and specifications and identify any gaps based on information needed by all sources
- Dell will design, build, test, and deploy the following functionality:
  - Obtain information from Dell's Financial Management System to be populated on 834 files
  - Generate multiple versions of the 834 as detailed in Health Connector specifications
  - Prepare 834 files for transmission to recipients, including setting up infrastructure with recipients via Secure File Transfer Protocol (SFTP)
  - Process inbound 834's from recipients, including appropriate 999/TA1 response files
- In addition, it is Dell's responsibility to:
  - Handle exceptions and errors
  - Reporting on 834's in Data Warehouse
  - Perform reconciliation with CMS

- *Note – above activities entail strong, coordinated joint testing with 12 QHP and QDP Issuers and CMS*

TERMS OF WORK ORDER

The Work Order provides that Dell will begin testing in February. Development will occur during February and quality assurance and carrier testing will occur during March. The 834 file transmission will go into production on or before March 31, 2014, with incentives (described below) for earlier delivery of this functionality.

Dell has assembled a team consisting of personnel to perform project management, architecture, quality assurance, business analysis, engineering, implementation and testing.

Payments will be made on a milestone basis for the development phase. Payments will not be made unless the criteria for that particular invoice are met. The anticipated schedule and associated payments are as follows:

- February 15, 2014: Completion of design document and approval of project plan – $300,000
- April 1, 2014: Successful deployment of the 834 solution in production – $400,000
- May 1, 2014: Successful exchange of 834 and related files for the period of one month after deployment – $400,000

There will be a holdback of fifteen percent (15%) from the first two milestone payments until the successful exchange of 834 and related files for the period of one month after deployment.

For the months of April 2014 through June 2017, the Health Connector will pay a fee of $0.20 per member per month (PMPM) in relation to the cost to support 834 transmissions.

Dell must deliver daily 834 files to each applicable carrier Tuesday through Saturday by 6 a.m. from April 1, 2014 through June 30, 2017 and those files must be error-free for HIPAA Validation Level 1.

In order to maintain accountability in the development and production of the 834 file exchange, the Health Connector and Dell agreed to the following penalties and incentives:

- If the successful deployment of the 834 solution in production does not occur on or before March 31, 2014, there will be a penalty of $20,000 per day.
- If the successful deployment of the 834 solution in production occurs before March 31, 2014, there will be an incentive payment of $20,000 per day for each day the solution is deployed before the deadline of March 31, 2014.
- If all applicable 834 files are not delivered error-free for HIPAA Validation Level 1, there will be a penalty of $5,000 for each day the files are not transmitted or contain errors.

Penalties and incentives associated with the date of deployment of the 834 solution will each be capped at $100,000.

BOARD RECOMMENDATION

We recommend that the Health Connector enter into a Work Order with Dell for an initial cost of

$1,100,000 plus a monthly cost of $0.20 per member per month (PMPM) from April 2014 through June 2017. Funding for the initial costs and the PMPM payments through the end of 2014 is provided exclusively through federal funds from the Level 2 Exchange Establishment Grant.

We look forward to presenting the above information and providing our formal recommendation at the Board meeting on February 13, 2014.