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View Point

# State Health Insurance Exchanges: Partner (Hybrid) FFE-HIX is the New Reality

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The deadline for Health Insurance Exchanges to be operational is looming. To date, fifteen states and the District of Columbia have committed to establishing exchanges that meet the functional requirements of the Patient Protection and Affordable Care Act (PPACA) by the October 1, 2013 deadline. This leaves 35 states that will depend on or defer to the Federally Facilitated Exchange (FFE) for some or all of the exchange functionality. In reality, even states that started early to build their exchange platforms may have challenges in meeting the deadline.

At one end of the spectrum, we have the early adopters like New York and Oregon who were recipients of early adopter grants and have committed to building an operational exchange by October 2013. They stand a good chance of achieving their objective. States like Louisiana, Maine and Alaska have decided not to build their own state exchange and will defer to the FFE. Most States are positioned between these two poles. Some are in an active planning or solution procurement mode. Others are clearly waiting for the results of the presidential election before they decide on a preferred path. Assuming that the PPACA survives the election and other challenges, what are the options for implementing an exchange for the majority of states that fall into this middle category?

There is no single right answer to this question. Certain states, specifically Delaware, Illinois and Arkansas (Kaiser Family Foundation, September 14, 2012), have recognized that having their own exchange operational in 2013 is unrealistic and reliance on the FFE for some functionality on an interim basis is required. Their experience provides some guidance to states that are in a similar situation. The division of exchange functions between the State and the FFE will vary. In general, responsibilities break down as follows:

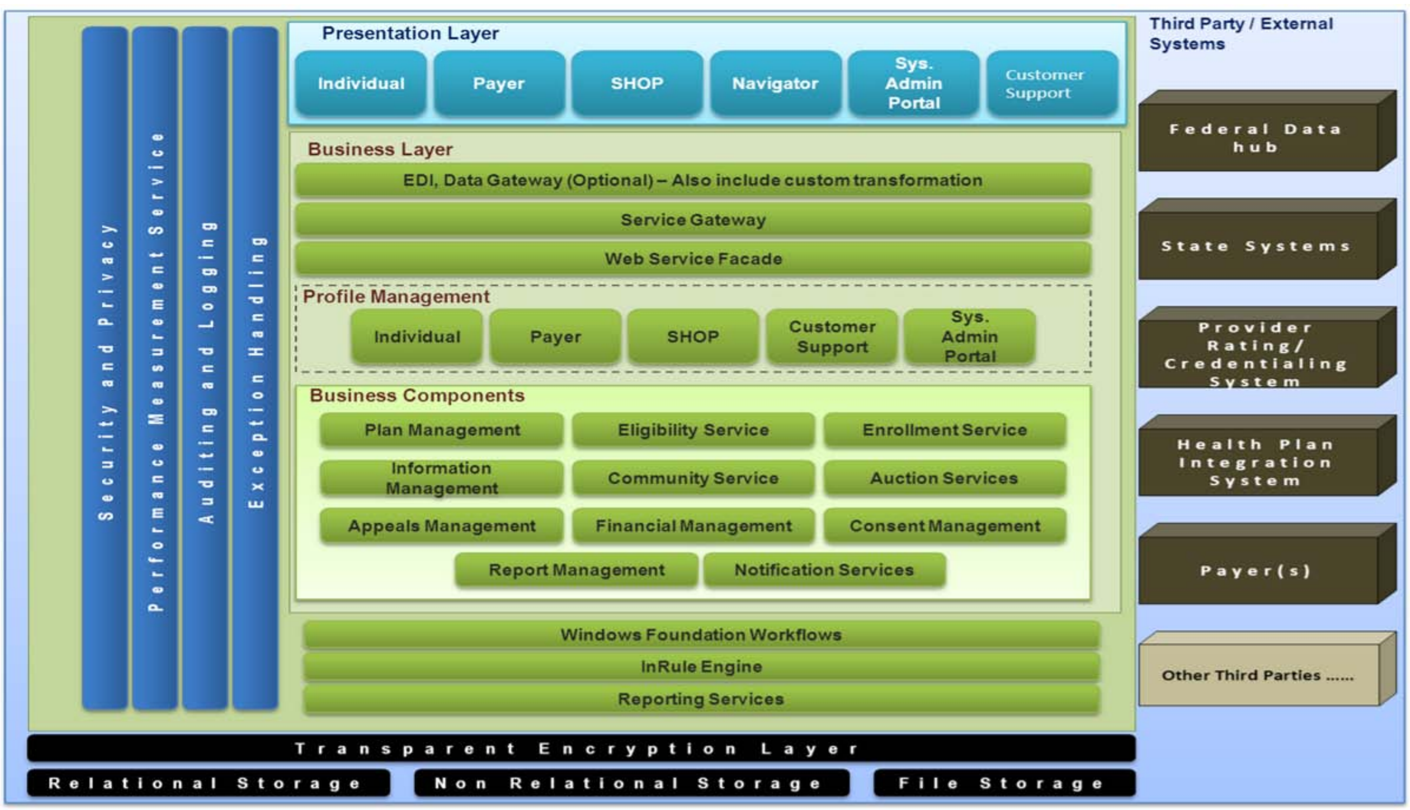
**FFE** – individual/navigator, SHOP, payer portal (presentation layer) with integrated eligibility verification, subsidy and credit calculations, and plan selection.

**State** – plan management, premium billing and financial reconciliation.

The division of labor around many other functions like member outreach, call center, etc. need to be defined as well.

Assuming that a hybrid model is the likely default strategy for many States, what are the implementation steps? Whether a state is an early innovator or tabled a decision until after the election, no single vendor is able to provide a sole source end to end solution. As October 2013 approaches, states should be looking at a modular solution with as many pre-built components as possible. The specific modules required will depend on the functions assumed by the State Exchange vs. the FFE. In any case, a system integrator with established partner relationships for critical niche functions is needed to assure that all the parts work together and connect appropriately with the FFE.

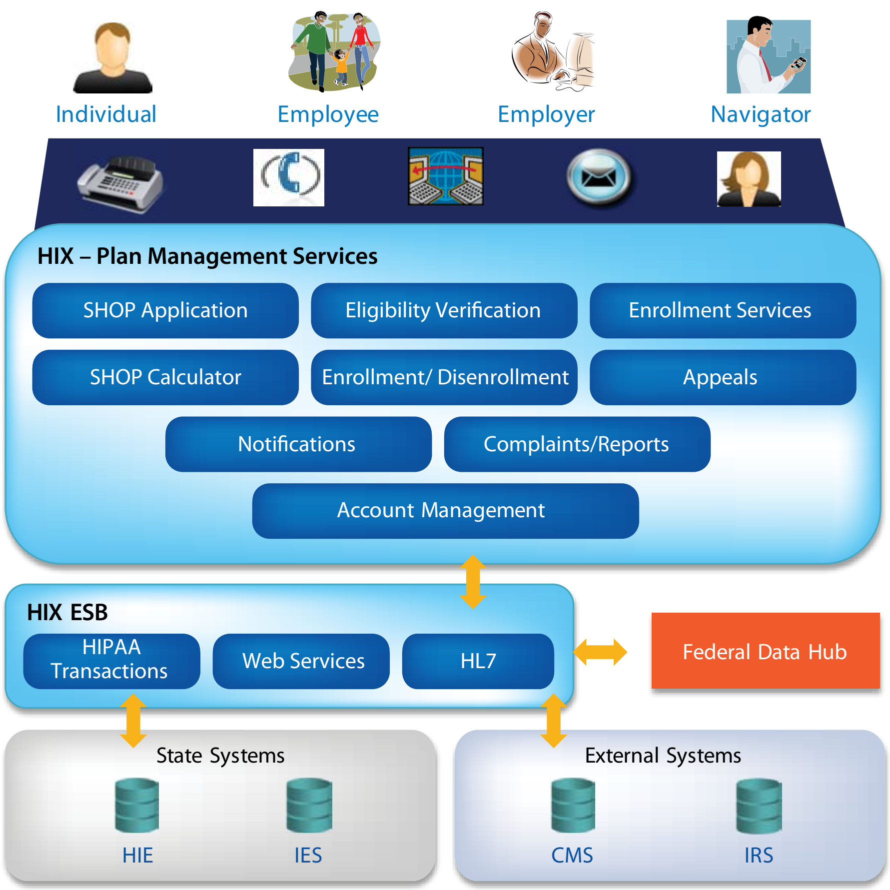
## Principal Components of HIX



Let's look at a real example. In a modular solution that was recommended to one of the states planning to implement a hybrid model, the functions that the State will assume are matched to Infosys solution partners. In this model, Infosys provides the platform that supports plan management. For example, we have fully integrated a financial partner into the platform for premium billing and reconciliation. Other partners have been engaged to provide broker management functionality, member outreach, etc.

Seamless integration between the FFE and the State Exchange is particularly important in hybrid exchange models. Much of the State Exchange functionality depends on data connections with the FFE. Many of the functions retained by the State in a hybrid exchange – i.e. plan enrollment and premium billing – depend on accurate eligibility data from the FFE. Conversely, the FFE must have accurate plan and provider information to feed the member and employer portals. It is the responsibility of the system integrator to build and assure the integrity of this EDI structure, as the high level functionality and data connections required for a typical hybrid exchange.


Given the time constraints, most states that have not started building their exchange will have to adopt a hybrid model at the outset. Many if not most will look to migrate from a hybrid to standalone exchange between now and 2015. The implementation plan should be structured such that it accounts for this transition of functionality from the FFE to the State.

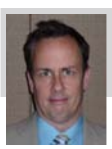


In summary, here are a few guidelines for states as they embark on their FFE partner journey:

- Determine a realistic functional division between the State and the FFE to be operational by October 2013.
- Engage an implementation partner that brings pre-built solution components to the table.
- Develop a long range plan (e.g., through 2015) to transition functionality from FFE to the State.
- Engage a systems integration partner that has the strategic partner relationships required to support the FFE partner implementation through the full functional transition to the State.

It is also important for States to think beyond implementation to sustainability. Once the end to end solution is in place, the implementation partner must be capable of managing the platform and partner relationships as requirements change and the exchange evolves through 2017 and beyond.

## About the Authors



Brian Patt is Head of Exchanges – public, private and cooperative – at Infosys Public Services.

He is responsible for platform direction, marketing, and sales across the suite of exchange services and products. With over 25 years of experience, Brian also heads global alliances and partner relations for Infosys Public Services, and provides industry leadership for practice, sales and projects.

He can be reached at Brian_Patt@infosys.com

John L. McDonald is a Senior Manager, Exchanges at Infosys Public Services

He is responsible for private exchange strategy and solution development and supports IPS public exchange initiatives. John is a former Healthcare Industry Head at Infosys and has more than 25 years of experience as a healthcare executive, consultant and entrepreneur.

He can be reached at John_McDonald01@infosys.com

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