

A Look into Health Insurance Exchange Budgets

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Hopefully readers of Deltek's blog have seen our continual postings related to state and local budgets. In the health care and social services market, Deltek Senior Analyst Chris Cotner has provided a series of "good news" [graphs](#) that forecast an upward trend of budgets in FY 2013 and onward. Inspired by Cotner's work, I decided to take a stab at researching Level 1 Establishment Grant application [funding](#) in support of state health insurance exchanges (HIXs). For those new to the subject, these mandated exchanges are no simple task. States need to consider not only the IT and business process behind such an undertaking, but also the individual components that branch off of the larger concept, including consumer outreach; assistance; call/help desks; enrollment; eligibility determination; insurance program qualifications; appeals management; and premium and tax credit processing, just to name a few. Never mind the need for integration between Medicaid management information systems (MMISs) and existing eligibility system(s). One can correctly assume the cost to the state would be substantial, which is not-so-great news for states scrambling to make the 2014 deadline.

The state of [Illinois](#) estimates needing \$92.3 million for the implementation costs of its HIX, which consists of two primary elements: systems development/support and program operations. Systems development/support is expected to take \$75M, including \$45M for eligibility determination and enrollment, \$15.8M for website development, \$9.6M for a customer service call center, and \$4.1M for a premium billing system. Program operations are estimated to cost \$19M. [Ohio](#) contracted with KPMG to run numbers and found implementation costs for a compliant HIX to be \$63.4M. This is the top-dollar extreme utilizing KPMG's highest-cost assumptions. If Ohio decided not to implement a state-run exchange, the cost of interfacing with a federal exchange is estimated at \$20M. Below is a breakdown of Ohio's expenses for a state-run HIX:

Work Breakdown Structure	NAME	Year 1	Year 2	Year 3	TOTAL COST (ALL YEARS)
	STATE HIX Option	\$ 21,935,324	\$ 20,809,302	\$ 20,680,039	\$ 63,424,665
ST01	State HIX Release 1 Delivery - Mobilization, Requirements, Strategy and Procurement	\$ 6,758,596	\$ 363,673	\$ -	\$ 7,122,270
ST02	State HIX Software Packages Deployment	\$ 5,845,638	\$ -	\$ -	\$ 5,845,638
ST03	State HIX Release 1 Delivery - Back Office Configuration	\$ 849,393	\$ 1,274,089	\$ -	\$ 2,123,482
ST04	State HIX Release 1 Delivery - Service Delivery Configuration / Build	\$ 5,010,819	\$ 7,516,228	\$ -	\$ 12,527,047
ST05	State HIX Release 1 Integration and Conversion	\$ 506,429	\$ 759,644	\$ -	\$ 1,266,073
ST06	State HIX Release 1 Infrastructure Delivery	\$ 277,672	\$ 1,462,675	\$ -	\$ 1,740,347
ST07	State HIX Release 1 Implementation	\$ -	\$ 1,003,992	\$ 457,558	\$ 1,461,551
ST11	State HIX Release 2 Delivery - Mobilization and Requirements	\$ -	\$ 3,053,684	\$ -	\$ 3,053,684
ST12	State HIX Release 2 Delivery - Back Office Configuration	\$ -	\$ -	\$ 4,252,042	\$ 4,252,042
ST13	State HIX Release 2 Delivery - Service Delivery Configuration / Build	\$ -	\$ -	\$ 10,247,928	\$ 10,247,928
ST14	State HIX Release 2 Implementation	\$ -	\$ -	\$ 308,965	\$ 308,965
ST21	State HIX Program Management	\$ 2,486,578	\$ 2,973,116	\$ 3,011,345	\$ 8,471,038
ST22	State HIX Program Infrastructure and Expenses	\$ 200,200	\$ 2,402,200	\$ 2,402,200	\$ 5,004,600
	STATE HIX Option	\$ 21,935,324	\$ 20,809,302	\$ 20,680,039	\$ 63,424,665

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External resource costs are estimated at \$44M, other costs at \$5.4M, software at \$5M, hardware at \$1.4M, and internal resource costs are estimated to be \$7.1M. The next chart breaks down costs associated with a federally-run exchange:

Work Breakdown Structure	NAME	Year 1	Year 2	Year 3	TOTAL COST (ALL YEARS)
	FEDERAL HIX Option	\$ 6,370,023	\$ 5,988,269	\$ 8,394,389	\$ 20,752,680
FD01	Federal HIX Release 1 Delivery - Mobilization, Requirements, Strategy and Procurement	\$ 1,721,296	\$ 91,598	\$ -	\$ 1,812,893
FD02	Federal HIX Software Packages Deployment	\$ 2,219,606	\$ -	\$ -	\$ 2,219,606
FD03	Federal HIX Release 1 Delivery - Back Office Configuration	\$ 222,667	\$ 334,001	\$ -	\$ 556,668
FD04	Federal HIX Release 1 Delivery - Service Delivery Configuration / Build	\$ 768,197	\$ 1,152,295	\$ -	\$ 1,920,492
FD05	Federal HIX Release 1 Integration and Conversion	\$ 276,590	\$ 414,885	\$ -	\$ 691,474
FD06	Federal HIX Release 1 Infrastructure Delivery	\$ 148,872	\$ 820,957	\$ -	\$ 969,828
FD07	Federal HIX Release 1 Implementation	\$ -	\$ 566,329	\$ 76,414	\$ 642,743
FD11	Federal HIX Release 2 Delivery - Mobilization and Requirements	\$ -	\$ 1,465,929	\$ -	\$ 1,465,929
FD12	Federal HIX Release 2 Delivery - Back Office Configuration	\$ -	\$ -	\$ 1,961,664	\$ 1,961,664
FD13	Federal HIX Release 2 Delivery - Service Delivery Configuration / Build	\$ -	\$ -	\$ 5,111,319	\$ 5,111,319
FD14	Federal HIX Release 2 Implementation	\$ -	\$ -	\$ 77,859	\$ 77,859
FD21	Federal HIX Program Management	\$ 962,746	\$ 1,092,226	\$ 1,117,083	\$ 3,172,055
FD22	Federal HIX Program Infrastructure and Expenses	\$ 50,050	\$ 50,050	\$ 50,050	\$ 150,150
	FEDERAL HIX Option	\$ 6,370,023	\$ 5,988,269	\$ 8,394,389	\$ 20,752,680

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Federal figures estimate \$15.4M for external resource costs; software at \$1.8M; hardware at \$606,000; and internal resource costs at \$2.6M.

New Mexico requested \$34.3M for this round of funding after spending an estimated \$75M on its integrated system delivery replacement project, **ISD2R**. **West Virginia** requested and received \$9.7M, with an estimated \$7.5M in contractual costs. The state plans on applying for more funding during the Level 2 grant cycle. **Mississippi** estimates contractual costs at \$20M, including \$12M for a Web portal, \$3.3M for systems and data security, and \$4M for customer support/small businesses, including help-line functionality. **California's** numbers show total direct costs at \$40M, including \$27.8M for HIX IT, compared to **Missouri's** \$17.9M in HIX IT costs.

After looking at only seven state applications, I think it's pretty obvious that money will be flowing in the health insurance exchange world to IT vendors. Most states are near the end of planning studies, so vendors should already have integratable solutions ready to demonstrate. States ideally need systems up and running by 2013 in order to comply with the 2014 deadline. As this is new territory for states, vendors with innovative solutions are in high demand.

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