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

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

Announcement Type: New

Funding Opportunity Number: TBD
CFDA: 93.525

Date: June 2012

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

Level One Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

Level Two Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

Anticipated notice of award: 60 days after application due date

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

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OVERVIEW INFORMATION

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

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

Announcement Type: New

Funding Opportunity Number: TBD

Catalog of Federal Domestic Assistance (CFDA) Number: 93.525

Key Dates:
Date of Issue: June 2012
Letter of Intent: Optional, may be submitted one month prior to application due date.

Level One Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

Level Two Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

Anticipated notice of award: 60 days after application due date

Period of Performance: Level One Establishment: Up to one year after date of award; Level Two Establishment: Up to three years after date of award
Pre-Application Conference Calls: (See Section III.4 for more information)

I. FUNDING OPPORTUNITY DESCRIPTION

1. Purpose

This Funding Opportunity Announcement (FOA) provides States, the District of Columbia, and consortia of States, with financial assistance for the establishment of health insurance Exchanges (Exchanges). Throughout this announcement, States, the District of Columbia, and consortia of States will all be referred to as "State(s)." States may choose whether to apply for *Level One Establishment* or *Level Two Establishment*. States can also choose at what point to apply for grant funding based on their own needs and planned expenditures. If there are any activities that are distinct for the District of Columbia or consortia, these will be identified separately.

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Level One Establishment is open to States that are participating in either the Federally-facilitated Exchange, including States that will be collaborating with the Federally-facilitated Exchange on certain activities, or developing a State-based Exchange. In an effort to promote flexibility, States may transition between different Exchange models and will update their project plans accordingly. *Level Two Establishment* is open to States that are establishing a State-based Exchange.

This cooperative agreement is designed to give States multiple opportunities to obtain funding to support their progress toward the establishment of an Exchange. States may initially apply for either *Level One* or *Level Two Establishment* cooperative agreements. *Level One Establishment* grantees may reapply for another *Level One Establishment* cooperative agreement at a subsequent application deadline.

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

The Affordable Care Act provides that each State pursuant to section 1311(b) may elect to establish an Exchange that would: 1) facilitate the purchase of qualified health plans (QHPs); 2) provide for the establishment of a Small Business Health Options Program ("SHOP Exchange") designed to assist qualified employers in facilitating the enrollment of their employees in QHPs offered in the SHOP Exchange; and 3) meet other requirements specified in the Affordable Care Act.

These grants are a critical step so that States can be on track for achieving certification in accordance with Section 1321 of the Affordable Care Act and rulemaking. They provide critical funding to facilitate establishment of an Exchange in a State in accordance with Section 1321 of the Affordable Care Act and rulemaking. They support a process that will lead to State action, by legislation or other means, to create an Exchange entity with the authority necessary to meet all the Exchange requirements of the Affordable Care Act. In States that choose, now or at a later point in the process, not to establish an Exchange, the Department of Health and Human Services (HHS) working with the State, will establish a Federally-facilitated Exchange for residents and small businesses in the State. Funding under this announcement can also be used by the State to build the systems necessary to effectively link to the Federally Facilitated Exchange operating in its State. As additional

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information on the Federally-facilitated Exchange and the Partnership model is developed, this will be available on the CCIIO website: http://cciio.cms.gov/.

2. Authority

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

3. Background

On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed into law. The two laws are collectively referred to as the Affordable Care Act. The Affordable Care Act includes a wide variety of provisions designed to expand coverage, provide more health care choices, enhance the quality of health care for all Americans, hold insurance companies more accountable, and lower health care costs.

The Affordable Care Act provides each State with the option to set up a State-based Exchange. If a State elects not to operate an Exchange, or in the case of an Exchange that does not meet the requirements of the law, HHS shall (directly or through agreements with a not-for-profit entity) establish and operate such Exchange within the State. An Exchange is an organized marketplace to help consumers and small businesses buy health insurance in a way that permits easy comparison of available plan options based on price, benefits, and quality. By pooling people together, reducing transaction costs, and increasing price and quality transparency, Exchanges create more efficient and competitive health insurance markets for individuals and small employers.

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

Exchanges will carry out a number of functions as required by the Affordable Care Act, including certifying qualified health plans, administering premium tax credits and cost-sharing reductions, responding to consumer requests for assistance, and providing an easy-to-use website and written materials that individuals can use to assess eligibility and enroll in health insurance coverage, and coordinating eligibility for and enrollment in other insurance affordability programs (including advance payments of the premium tax credit, cost-sharing reductions, Medicaid, CHIP and, where applicable, BHP).

HHS has used a phased approach to provide States with resources for implementing Exchanges. On September 30, 2010, HHS awarded the first phase of Exchange funding to 48 States and the District of Columbia. Exchange Planning grants assist with initial planning activities related to the implementation of the Exchanges. In connection with those planning grants, nine core areas were identified for States to focus on in the planning process: Background Research, Stakeholder Involvement, Governance, Program Integration, Regulatory/Legislative Actions, Technical

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Infrastructure, Finance, Resources and Capabilities, and Business Operations. States that received these funds have been carrying out planning activities under each of these nine core areas.

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

In an effort to ensure that all States have the opportunity to receive resources to plan and implement an Exchange, HHS announced a third funding opportunity on January 19, 2011 for those States that did not already receive Exchange Planning grant funds.

In order to give Territories the opportunity to receive similar resources, HHS announced a funding opportunity on January 20, 2011 that provided early implementation funding to Territories that elect to establish an Exchange consistent with Federal requirements.

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

In this sixth phase of HHS funding, Cooperative Agreements to Support Establishment of the Affordable Care Act’s Health Insurance Exchanges, funding is made available to States for the establishment of the Exchanges and Exchange-associated activities. These funds may be used to support activities in States that are participating in any of the Exchange models (Federally-facilitated, Partnership, or State-based). As such, these funds are available for establishing a State-based Exchange, to develop activities that are potential areas of collaboration under the Partnership model, to support State activities to interface with the Federally-facilitated Exchange, and to support Exchange-associated activities. Grants may be awarded through the end of 2014, and grant funds are available for such activities, which are integral to establishing an Exchange.

The process of “establishing” an Exchange may extend beyond the first date of operation and may include improvements and enhancements to key functions over a limited period of time. Funds may be used to establish Exchange functions and operating systems and to test and improve systems and processes. In addition, a State that does not have a fully certified State-based Exchange on January 1, 2013 can continue to qualify for and receive a grant award, subject to the Funding Opportunity Announcement (FOA) eligibility criteria.

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4. Program Requirements

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

(A) Exchange, Associated, and Administrative Activities

(B) Early deliverables;

(C) Requirements for Exchange IT systems;

(D) Expectations of reuse and collaboration; and

(E) Demonstrating grantee progress through reporting and reviews.

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

A: Exchange, Associated, and Administrative Activities

In an effort to build a strong foundation for a certified and sustainable Exchange, this funding opportunity focuses on the intensive development, building, and testing of systems and business processes needed to establish an Exchange. Regardless of which entity operates the Exchange (Federal, State, or a Partnership), certain activities must take place for full exchange establishment in compliance with the ACA.

In connection with these Establishment cooperative agreements, HHS has identified 11 Exchange, Associated, and Administrative Activities. These activities are elaborated on in Appendix A (for State-based Exchanges) and Appendix B (for Federally-facilitated Exchanges and Partnership) of the funding opportunity announcement.

Exchange Activities

Exchange Activities:

1. Legal Authority and Governance
2. Consumer Engagement and Support
3. Eligibility and Enrollment
4. Plan Management
5. Financial Management

Administrative Activities

6. Organization and Human Resources
7. Technology
8. Finance and Accounting

Associated Activities (operate in and outside of the Exchange)

9. Risk Adjustment
10. Reinsurance
11. Quality

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

All of the above activities must be performed in a fully functioning Exchange, but depending on the model those activities may be performed by a State, its designee, or the Federal government. The responsible party for the Exchange, Administrative, and Associated activities will vary depending on whether or not the Exchange model is operated by the State, is a Partnership model, or is the Federally-facilitated Exchange.

States applying for Level One interested in a State-based Exchange may focus on any or all activities listed in Appendix A (Level Two must address all areas). States interested in a Federally-facilitated Exchange or Partnership may apply for the activities identified as potential areas of collaboration in Appendix B. States have flexibility to apply quarterly for additional funding as they work to establish an Exchange in their State and may focus their work plans toward (1) certification by January 1, 2013, or in future years, (2) the start of operations and health insurance coverage for enrollees on January 1, 2014, or in future years, and (3) self-sustainability within one year of the Exchange being operational

B: Early Deliverables

This funding opportunity allows States the flexibility of transitioning between models over time; for example, from a Federally-facilitated Exchange to a State–operated Exchange. In an effort to promote efficiency in the use of public dollars, there are certain activities that every State grantee will be asked to develop first, as an "early deliverable," no matter which Exchange model. If the State has already completed any of these activities, please highlight this in the discussion of past progress in the project narrative of the application. For all States, the following activities are required:

1. An operational gap analysis of the "as-is" services and capacity of existing State activities compared to the activities required for Exchanges. This includes but is not limited to activities such as plan management, financial management, eligibility and enrollment support and integration from Medicaid/CHIP and other human services, consumer engagement and support, including education and outreach, and processes and administrative structures for Medicaid and CHIP appeals.
2. An IT Gap analysis of the "as-is" systems. Please refer to Appendix E on the IT Gap Analysis for additional guidance. If the State has already completed the initial IT Gap Analysis, please update to reflect changes to the "to-be" system including any changes to interfaces regardless of Exchange model.
3. Actuarial and market analysis
4. Stakeholder and Tribal consultation (demonstration of completed activities and a plan for continuing this deliverable)
5. Budget and long-term operational cost analysis

C. Exchange IT Systems Requirements

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All Exchange IT Systems must comply with Federal requirements. Systems must be interoperable via integration or interfacing with both the State Medicaid and Children's Health Insurance Program (CHIP) programs and be able to interface with HHS in order to verify and acquire data as needed. States are encouraged to consider how the Exchange system can be integrated with other health and human services systems in the state since the eligibility function the Exchange will perform has significant similarities to eligibility determinations in other programs. Further, States are encouraged to consider steps necessary to achieve interoperability with other specific health and human services programs for purposes of coordinating eligibility determinations, referrals, verification or other functions. Additionally, the Exchange must interface with other private systems such as but not limited to issuer information systems, in order to perform Exchange activities. See appendix F for IT systems requirements.

D. Opportunities for Reuse, Collaboration and Sharing

In carrying out activities related to the Exchange IT Systems components of Exchange establishment, it is expected that States will carry out due diligence in assessing the applicability of artifacts, models, and other applicable items or activities developed by other States (or consortia of States). Additionally, applicants must address how they will carry out due diligence in assessing the applicability of the system models in their own State. If the applicant does not intend to use the models developed by other States or their own existing State systems, this must be justified. States may choose to develop their own systems, which may be done in many ways, including use of commercial off the shelf products (COTS); or States may adapt systems developed by other States.

States are expected to carry out due diligence in seeking opportunities for reuse, sharing, and collaboration in Exchange, Administrative, and Associated Activities beyond Exchange IT Systems. States are to evaluate opportunities that exist in their own State and other States where efficiencies may be found.

E: Demonstration of Progress

Each State applying for funding will be required to develop and submit a Work Plan that includes milestones for each of the Exchange, Administrative, and Associated Activities according to the length of the project period for each award. For example, a State applying for a *Level Two Establishment* award will need to provide a Work Plan with milestones supporting the completion of the Exchange, Administrative and Associated activities for the full project period (up to three years from the anticipated date of award). HHS will work closely with each State to keep the State's Work Plan up to date as additional guidance on Exchanges is published, and will provide technical assistance as needed to facilitate State progress. Each State's progress under this Cooperative Agreement will be evaluated against its work plan.

State progress will be assessed through the Establishment review process, progress reports, and other grant monitoring activities. More information will be provided on these reports in the Notice of Grant Award. States will also participate in the Establishment review process. At each of these reviews, States will present evidence of progress made towards completion of specific activities. More information on the Establishment Review process is found in Appendix D. If

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the grantee does not show progress toward the identified milestones, HHS may restrict funds for activities until progress toward the completion of milestones is demonstrated.

II. AWARD INFORMATION

1. Total Funding

In determining grant amounts, HHS will look for efficiencies and consider if the proposed budget is sufficient, reasonable and cost effective to support the activities proposed in the State's application. Grants will only fund costs for implementation activities and functionalities that are *integral* to Exchange operations and meeting Exchange requirements, including those defined in future guidance and regulations issued by HHS.

2. Award Amount

Funds are available to support grants as necessary to fulfill the purpose of this funding opportunity to the fifty States, District of Columbia, and/or consortia of States. The award amount will vary based on application category and the specific needs of each State. Additional funding may be requested by grantees to support increased costs for the scope of work in the approved grant application. The applicant will be required to submit a justification to support the budget request. Both the budget and budget justification to provide additional funds are subject to approval by the respective program and grant officials.

3. Anticipated Award Dates

The anticipated award date for both *Level One Establishment* and *Level Two Establishment* awards is approximately 60 days after the application due date.

4. The Period of Performance

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

5. Number of Awards

The number of awards will be based upon the number of eligible entities. See also Section III.1.

6. Type of Award

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

III. ELIGIBILITY INFORMATION

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1. Eligible Applicants

This funding opportunity is open to States (to include consortia of States and the District of Columbia) that received an initial award under the funding opportunity, *State Planning and Establishment Grants for the Affordable Care Act's Exchanges* or *Limited Competition for State Planning and Establishment Grants for the Affordable Care Act's Exchanges*, No. IE-HBE-10-001 (Exchange Planning Grants).

The Governor (the Mayor, if from the District of Columbia) may designate a governmental agency or quasi-governmental entity to apply for grants on behalf of that State. Exchanges that have been established by the State as non-profits are eligible to apply for funding if designated as the applicant entity by the State. Quasi-governmental organizations and non-profits serving as the grantee must have been created or established by the State (through legislation or other legal authority, and have State oversight (i.e. the governing body is established, appointed, and overseen by the State and the entity is subject to specific limitations on its authority to act as established by the State). In addition, the grantee must comply with all grant regulations that apply to State grantees.

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

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

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

2) A letter of support from the State Medicaid Director agreeing to collaborate with the Exchange on developing shared functionalities and ensuring coordinated approaches to shared or related functions, and briefly describing likely key areas of collaboration. The letter should also include a statement about avoiding duplication of efforts, specifically, not funding Medicaid and/or CHIP specific functions with Exchange grant funds. A signed agreement addressing the aforementioned areas between the applicant entity and the State Medicaid agency will be accepted in lieu of a letter of support.

3) A letter from the Commissioner of the State Department of Insurance agreeing to work with the Exchange on implementation and coordinate efforts as appropriate. A signed agreement addressing the aforementioned areas between the applicant entity and the State Department of Insurance will be accepted in lieu of a letter of support.

4) If the applicant entity is not the same entity that currently receives Exchange grant or cooperative agreement funding, a letter, memorandum of understanding, or other agreement must be provided delineating the different entities receiving funds, the coordination of timelines and

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entity responsible for each of the Exchange and Associate Functions. Basically, these entities must coordinate so as not to duplicate activities or supplant funds.

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

There are two application categories for this funding opportunity:

Level One Establishment is open to States that received Exchange Planning Grants. States which received funding under Cooperative Agreements to Support Innovative Exchange Information Technology Systems (Early Innovator Cooperative Agreements) and/or Cooperative Agreements to Support Establishment of State-Operated Health Insurance Exchanges are also eligible to apply. These cooperative agreements provide up to one year of funding to States.

Level Two Establishment is open to States that received Exchange Planning Grants. States which received funding under Cooperative Agreements to Support Innovative Exchange Information Technology Systems (Early Innovator Cooperative Agreements) and/or Cooperative Agreements to Support Establishment of State-Operated Health Insurance Exchanges are also eligible to apply. Level Two Establishment awards will provide funding for up to three years after the date of award. This category is designed to provide funding to applicants for the establishment of a State-based Exchange and that can demonstrate specific eligibility criteria outlined below:

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

B. Has established a governance structure for the Exchange.

C. 1) Submits a complete budget through Exchange establishment;
2) Submits an initial plan discussing long-term operational costs of the Exchange; and
3) Submits a plan outlining steps to prevent fraud, waste, and abuse.

D. Submits a plan describing how capacity for providing assistance to individuals and small businesses in the State will be created, continued, and/or expanded, including provision for a call center.

Central Contracting Registration (CCR) Requirement: All prime grantees must provide a DUNS number in order to be able to register in FSRS as a prime grantee user. If your organization does not have a DUNS number, you will need to obtain one from Dun & Bradstreet. Call D&B at 866-705-5711 if you do not have a DUNS number. Once you have obtained a DUNS Number from D&B, you must then register with the Central Contracting Registration (CCR) at www.ccr.gov. Prime grantees must maintain current registration with Central Contracting Registration (CCR) database. Prime grantees may make subawards only to entities that have DUNS numbers. Organization must report executive compensation as part of the registration profile at www.ccr.gov by the end of the month following the month in which this award is made, and annually thereafter (based on the reporting requirements of the Federal

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Funding Accountability and Transparency Act of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252 and implemented by 2 CFR Part 170)). After you have completed your CCR registration, you will now be able to register in FSRS as a prime grantee user.

The Grants Management Specialist assigned to monitor the subaward reports and Executive Compensation is Iris Grady (**divisionofgrantsmanagement@cms.hhs.gov**).

2. Cost-Sharing / Matching Medicaid Federal Financial Participation
State Cost-Sharing and Matching payments are not required for this program. Please refer to Section IV.5.B.vi. for more information about how States must address the cost allocation for Medicaid, the Children's Health Insurance Program (CHIP), and other federally financed health and human services programs in connection with the IT systems developed or modified to support the Exchange. Before submitting a cost allocation plan, States should consult the most recent guidance issued by HHS regarding cost allocation among Medicaid/CHIP, Exchanges, and human services programs for the most up-to-date information and instructions. IT Guidance 2.0 can be found at:

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

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For more information on A-87 waivers, please see:

http://www.cms.gov/Medicaid-Information-Technology-MIT/02_Tri-Agency %20Letter.asp#TopOfPage

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

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

3. Other
This funding opportunity is open to eligible States, consortia of States, and the District of Columbia to establish Exchanges.

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

4. Pre-Application Conference Call
HHS will hold pre-application conference calls for potential applicants. The conference calls will provide an overview of this project, budget guidance, review the guidance provided by this

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Funding Opportunity Announcement and other available materials, and will include an opportunity for States to ask questions.

A schedule of pre-application calls as well as the recording and transcript of each call will be on the CCIIO website: **http://cciio.cms.gov/resources/other/index.html#peg**.

IV. APPLICATION AND SUBMISSION INFORMATION

1. Address to Request Application Package

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

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

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

Specific instructions for applications submitted via http://www.grants.gov:

- You can access the electronic application for this project on http://www.grants.gov. You must search the downloadable application page by the CFDA number **93.525.**
- At the http://www.grants.gov website, you will find information about submitting an application electronically through the site, including the hours of operation. HHS strongly recommends that you do not wait until the application due date to begin the application process through http://www.grants.gov because of the time delay.
- All applicants must have a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number. The DUNS number is a nine-digit identification number that uniquely identifies business entities. Obtaining a DUNS number is easy and free. To obtain a DUNS number, access the following website: www.dunandbradstreet.com or call 1-866-705-5711. This number should be entered in the block with the applicant's name and address on the cover page of the application (Item 8c on the Form SF 424, Application for Federal Assistance). The name and address in the application should be exactly as given for the DUNS number.

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- The applicant must also register in the Central Contractor Registration (CCR) database in order to be able to submit the application. Applicants are encouraged to register early. You should allow a minimum of five days to complete the CCR registration. Information about CCR is available at http://www.ccr.gov. The central contractor registration process is a separate process from submitting an application. In some cases, the registration process can take approximately two weeks to be completed. Therefore, registration should be completed in sufficient time to ensure that it does not impair your ability to meet required submission deadlines.
- Authorized Organizational Representative: The Authorized Organizational Representative (AOR) who will officially submit an application on behalf of the organization must register with Grants.gov for a username and password. AORs must complete a profile with Grants.gov using their organization's DUNS Number to obtain their username and password. http://grants.gov/applicants/get_registered.jsp. AORs must wait one business day after registration in CCR before entering their profiles in Grants.gov.
- When an AOR registers with Grants.gov to submit applications on behalf of an organization, that organization's E-Biz POC will receive an email notification. The email address provided in the profile will be the email used to send the notification from Grants.gov to the E-Biz POC with the AOR copied on the correspondence.
- The E-Biz POC must then login to Grants.gov (using the organization's DUNS number for the username and the special password called "M-PIN") and approve the AOR, thereby providing permission to submit applications.
- You must submit all documents electronically in PDF format, including all information included on the SF 424 and all necessary assurances and certifications, and all other attachments.
- Prior to application submission, Microsoft Vista and Office 2007 users should review the Grants.gov compatibility information and submission instructions provided at http://www.grants.gov. Click on "Vista and Microsoft Office 2007 Compatibility Information." In addition, users should also review the Grants.gov compatibility information for software and browsers.
- After you electronically submit your application, you will receive an automatic acknowledgement from http://www.grants.gov that contains a Grants.gov tracking number. HHS will retrieve your application form from Grants.gov.
- After HHS retrieves your application form from Grants.gov, a return receipt will be emailed to the applicant contact. This will be in addition to the validation number provided by Grants.gov.
- Each year organizations and entities registered to apply for Federal grants through http://www.grants.gov will need to renew their registrations with the Central Contractor Registry (CCR). You can register with the CCR online; registration will take about 30 minutes to complete (http://www.ccr.gov).

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

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

Level One Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

Level Two Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

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

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

In order to be considered for a waiver application, an applicant **must:** adhere to the timelines for Central Contractor Registry (CCR) and Grants.gov registration, as well as request timely assistance with technical problems.

Please be aware of the following:

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

To be considered timely, applications must be sent on or before the published deadline date. However, a general extension of a published application deadline that affects all applicants or only those applicants in a defined geographical area may be authorized by circumstances that

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affect the public at large, such as natural disasters (e.g., floods or hurricanes) or disruptions of electronic (e.g., application receipt services) or other services, such as a prolonged blackout.

2. Content and Form of Application Submission

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

- The total size of all uploaded files may not exceed the equivalent of 80 pages when printed by HHS, or a total file size of 10 MB. This 80-page limit includes the project abstract, project and budget narratives, attachments, letters of commitment and support, and other applicable documents. Standard forms are NOT included in the page limit. If the applicant has critical documentation that will exceed 80 pages, please include these documents as appendices.

The following documents are required for a complete application:

A. Standard Forms

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

- SF 424: Official Application for Federal Assistance (see note below)
- SF 424A: Budget Information Non-Construction
- SF 424B: Assurances-Non-Construction Programs
- SF LLL: Disclosure of Lobbying Activities
- Project Site Location Form(s)
- Lobbying Certification Form (HHS Checklist, 5161)

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

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

B. Required Letters of Support

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

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Each applicant must also submit the following letters of support: (a) a letter of support from the State Medicaid Director agreeing to collaborate with the Exchange on developing shared functionalities and ensuring coordinated approaches to shared or related functions, and briefly describing likely key areas of collaboration, and include a statement about avoiding duplication of efforts, specifically, not funding Medicaid and/or CHIP specific functions with Exchange grant funds or a signed agreement addressing the aforementioned areas between the applicant entity and the State Medicaid agency will be accepted in lieu of a letter of support, (b) a letter from the Commissioner of the State Department of Insurance agreeing to work with the Exchange on implementation and coordinate efforts as appropriate or a signed agreement addressing the aforementioned areas between the applicant entity and the State Department of Insurance will be accepted in lieu of a letter of support, and (c) if the applicant entity is not the same entity that currently receives Exchange grant or cooperative agreement funding, a letter, memorandum of understanding, or other agreement must be provided delineating the different entities receiving funds, the coordination of timelines and entity responsible for each of the Exchange and Associate Functions. Basically, these entities must coordinate so as not to duplicate activities or supplant funds.

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

C. Applicant's Application Cover Letter

A letter from the applicant must identify the:

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

D. Project Abstract

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

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

- Application title
- Applicant organization name
- Program applying under, including funding opportunity number
- Project Director
- Address
- Congressional district(s) served
- Project Director phone numbers (phone and fax)
- Email address
- Organizational Website address, if applicable

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- Category of Funding
- Projected date(s) for project(s) completion

The abstract narrative should include:

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

E. Project Narrative

The project narrative must include the following sections:

a. Discussion of Exchange Planning and Establishment Progress
This section should describe and quantify progress that the State has made on Exchange Planning and Establishment. Please highlight completion of any early deliverables identified in Section I.4. of the funding opportunity announcement. Please address the following areas:
   - Key Findings of Background Research: Discuss the results of research, including how this research has influenced the decisions and plans the State has made to date; and areas where research is still necessary.
   - Legal Authority and Governance: Discuss the progress made toward the creation of the necessary legal authority to establish and operate an Exchange that complies with Federal requirements at the time of application and provides for establishment of governance and Exchange structure. Also discuss the progress made toward establishing the administrative structure (State agency, quasi-governmental agency, or non-profit organization) and governance structure of the Exchange (composition of the governing body, conflict of interest standards, selection process).
   - Stakeholder Consultation: Discuss the results of consultations thus far with various stakeholders, including but not limited to employers, insurers, advocacy groups, and consumer groups, and how stakeholder input/recommendations has been and will be used to develop the Exchange. As applicable, States should also discuss activities related to tribal consultation.
   - Long-term operational costs: Discuss the results of any financial modeling and actuarial analysis completed to date. Include the estimated per member per month (PMPM) costs for the Exchange in your discussion of this analysis.
   - Program Integration: Discuss the results of Program Integration between the State Medicaid Agency, State Department of Insurance, and other applicable State entities. Discuss the status of Memorandums of Agreement or Understanding or other official agreement between State agencies to ensure a coordinated and comprehensive approach to establishment of Exchanges.
   - IT Gap Analysis and Exchange IT Systems: Discuss results of the initial IT Gap analysis that the State has completed. If applicable, discuss steps taken toward the

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development of Exchange IT Systems. If applicable, discuss reviews that the State has completed with CCIIO and where the State is in the Systems Development Life Cycle (SDLC) process (see Appendix E for additional information on the IT Gap Analysis and Appendix F for additional information on the SDLC process).

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

b. <u>Proposal to Meet Program Requirements</u>

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

In the proposal to meet program requirements, the applicant should discuss the overall strategy of a State to fulfill the required Exchange, Administrative, and Associated Activities. A State that is transitioning between Exchange models or ownership for Exchange, Administrative, or Associated Activities is changing should provide a timeline

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for changing models or transferring ownership of activities. The proposal to meet program requirements should be in alignment with the work plan, budget, and budget narrative. Please complete the proposal to meet program requirements based on the Exchange model the State is applying for funds in.

State-based Exchange

- Discuss the State's current Exchange pathway. Please discuss the anticipated date for establishment of a State-based Exchange based on the State's self assessment of readiness to complete the applicable Exchange, Administrative and Associated activities.
- Discuss the State's strategy to complete the Exchange, Administrative, and Associated activities. Although technology is a separate section, include a discussion of technology as it relates to any functions. Discuss any activities that the State must execute in order for a fully functional Exchange to operate in the State.
- Discuss the State's strategy to address the early deliverables identified in Section I.4. These elements are identified as the early deliverables that all States must complete by specific dates. Please refer to Appendix A for a breakdown of activities, sub-activities, and ownership responsibilities.
- Describe the proposed solution for Exchange IT Systems. Will this be an independent application, an enhancement to existing functionality, or some other solution option? Outline how tightly coupled the proposed Exchange will be with existing Medicaid/CHIP systems. Discuss the Exchanges strategy to interface with all necessary IT Systems, including any information systems used to regulate health insurance within the State and Medicaid/CHIP systems.
- Discuss the strategy to engage with counterparts in the State. For example, how the applicant, as the State Department of Insurance, will interact with other State agencies such as the State Medicaid agency. If there is neither a Memorandum of Understanding, Memorandum of Agreement, or other formal agreement in place, please discuss the plans for such an agreement.
- Discuss how appropriate State entities will coordinate with the Federal government on Exchange activities. This includes, but is not limited to, coordination between the State Department of Insurance and CCIIO as well as the State Medicaid Agency with CMCS and CCIIO.
- Discuss strategies around reuse of existing State IT Systems as well as reuse of IT Systems that have been developed by other States, including the Early Innovators. Discuss analysis of opportunities for reuse, sharing and collaboration (beyond Exchange IT systems) for Exchange, Administrative, and Associated Activities that currently exist within your State or other States as applicable.
- Outline organizational structure to support necessary activities related to the Exchange in the State.
- Discuss strategies to ensure financial integrity mechanisms are in place to prevent fraud, waste, and abuse and to provide oversight of cooperative agreement funds and the Exchange.
- Discuss challenges that may affect the progress against milestones in the work plan. Please include a discussion of how the State plans to mitigate these challenges, including organizational challenges associated with change management, such as the

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implementation of new processes and protocols and gaining traction when initiating new collaboration between agencies and programs.
- Discuss, in a separately identifiable section, the approach to be taken in establishing the State's SHOP. Please assess the market challenges in building a successful SHOP and describe a strategic SHOP plan to achieve effective competition, a level playing field inside and outside the SHOP, a broad choice of issuers and plans, effective implementation of employee choice, an appealing and efficient shopping and enrollment experience for employers and employees, effective engagement of the broker community in SHOP education and enrollment, efficient back office operations, and effective customer support.

Partnership within the Federally-facilitated Exchange

- Discuss the State's current Exchange pathway. Please discuss the State's intentions to either collaborate with the Federally-facilitated Exchange on activities and/or to eventually establish a State-based Exchange. Please discuss the anticipated date for establishment of a State-based Exchange or collaboration with the Federally-facilitated Exchange based on the State's self assessment of readiness to complete the applicable Exchange, Administrative and Associated activities. CCIIO recognizes that some states may initially participate in partnership within the Federally-facilitated Exchange, however may eventually move to a State-based Exchange model.
- Identify which Exchange, Administrative, and Associated Activities the State will be responsible for and those that the Federally-facilitated Exchange will be responsible for in order for the Exchange to be operational January 1, 2014. Discuss any activities that the State must execute in order for a fully functional Exchange to operate in the State. Provide a high level overview of the State's strategy to complete the identified Exchange, Administrative, and Associated activities. Although technology is a separate section, include a discussion of technology as it relates to any functions.
- Discuss the State's strategy to address the early deliverables identified in Section I.4. These elements are identified as the early deliverables that all States must complete by specific dates. Please refer to Appendix B for a breakdown of activities, sub-activities, and ownership responsibilities.
- Describe any IT Systems or interfaces the State will develop to ensure functionality of the Federally-facilitated Exchange within the State and the ability to interface with State IT Systems. Discuss the Exchanges strategy to interface with all necessary IT Systems, including any information systems used to regulate health insurance within the State and Medicaid/CHIP systems.
- Discuss the strategy to engage with counterparts in the State. For example, how the applicant, as the State Department of Insurance, will interact with other State agencies such as the State Medicaid agency. If there is not a Memorandum of Understanding, Memorandum of Agreement, or other formal agreement in place, please discuss the plans for this.
- Discuss how appropriate State entities will coordinate with the Federal government on Exchange activities. This includes but is not limited to coordination between the State Department of Insurance and CCIIO as well as the State Medicaid Agency with CMCS and CCIIO.

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- Discuss strategies around reuse of existing State IT Systems as well as reuse of IT Systems that have been developed by other States, including the Early Innovators. Discuss analysis of opportunities for reuse, sharing and collaboration (beyond Exchange IT systems) for Exchange, Administrative, and Associated Activities that currently exist within your State or other States as applicable.
- Outline organizational structure to support necessary activities related to the Exchange in the State.
- Discuss strategies to ensure financial integrity mechanisms are in place to prevent fraud, waste, and abuse and to provide oversight of cooperative agreement funds and the Exchange.
- Discuss challenges that may affect the progress against milestones in the work plan. Please include a discussion of how the State plans to mitigate these challenges, including organizational challenges associated with change management, such as the implementation of new processes and protocols and gaining traction when initiating new collaboration between agencies and programs.
- Please assess, in a separately identifiable section, the market challenges in building a successful SHOP in the State and describe actions the State and the SHOP might undertake as partners to engage stakeholders in the development of the SHOP, help assure more effective competition in the small group market, avert adverse selection against the small group market, create a level playing field inside and outside the SHOP, promote a broad choice of issuers and plans, and implement employee choice and employer defined contribution in the small group market.

<u>Federally-facilitated Exchange</u>

- Discuss the State's current Exchange pathway. If participating in the Federally-facilitated Exchange, please discuss the States intentions to either begin collaborating with the Federally-facilitated Exchange on activities and/or to eventually establish a State-based Exchange. Please discuss the anticipated date for establishment of a State-based Exchange or collaboration with the Federally-facilitated Exchange based on the State's self assessment of readiness to complete the applicable Exchange, Administrative and Associated activities. CCIIO recognizes that some states may initially participate in the Federally-facilitated Exchange, however may eventually move to a State-based Exchange model.
- Identify which Exchange, Administrative, and Associated Activities the State will be responsible for and those that the Federally-facilitated Exchange will be responsible for in order for the Exchange to be operational January 1, 2014. Discuss any activities that the State must execute in order for a fully functional Exchange to operate in the State. Provide a high level overview of the State's strategy to complete the identified Exchange, Administrative, and Associated activities. Although technology is a separate section, include a discussion of technology as it relates to any functions.
- Discuss the State's strategy to address the early deliverables identified in Section I.4. These elements are identified as the early deliverables that all States must complete by specific dates. Please refer to Appendix B for a breakdown of activities, sub-activities, and ownership responsibilities.
- Describe any IT Systems or interfaces the State will develop to ensure functionality of the Federally-facilitated Exchange within the State and the ability to interface with

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State IT Systems. Discuss the Exchanges strategy to interface with all necessary IT Systems, including issuer information systems and Medicaid/CHIP systems.
- Discuss the strategy to engage with counterparts in the State. For example, how the applicant, as the State Department of Insurance, will interact with other State agencies such as the State Medicaid agency. If there is not a Memorandum of Understanding, Memorandum of Agreement, or other formal agreement in place, please discuss the plans for this.
- Discuss how appropriate State entities will coordinate with the Federal government on Exchange activities. This includes but is not limited to coordination between the State Department of Insurance and CCIIO as well as the State Medicaid Agency with CMCS and CCIIO.
- Discuss strategies around reuse of existing State IT Systems as well as reuse of IT Systems that have been developed by other States, including the Early Innovators. Discuss analysis of opportunities for reuse, sharing and collaboration (beyond Exchange IT systems) for Exchange, Administrative, and Associated Activities that currently exist within your State or other States as applicable.
- Discuss the strategy for the organizational structure for staff to support necessary activities related to the Exchange in the State.
- Discuss strategies to ensure financial integrity mechanisms are in place to prevent fraud, waste, and abuse and to provide oversight of cooperative agreement funds and the Exchange.
- Discuss challenges that may affect the progress against milestones in the work plan. Please include a discussion of how the State plans to mitigate these challenges, including organizational challenges associated with change management, such as the implementation of new processes and protocols and gaining traction when initiating new collaboration between agencies and programs.
- Please assess, in a separately identifiable section, the market challenges in building a successful SHOP in the State and describe actions the State and the SHOP might undertake to engage stakeholders in the development of the SHOP, help assure more effective competition in the small group market, avert adverse selection against the small group market, create a level playing field inside and outside the SHOP, promote a broad choice of issuers and plans, and implement employee choice and employer defined contribution in the small group market.

F. Work Plan

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

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toward the identified milestones, HHS may restrict funds for activities until progress toward the completion of milestones is demonstrated.

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

<table>
<tr><td colspan="4">Exchange, Administrative, or Associated Activity</td></tr>
<tr><td rowspan="3">Exchange, Administrative, or Associated sub-activity</td><td>Milestone</td><td>Mo/Yr to be completed</td><td rowspan="3">Entity(ies) and Individual(s) Responsible</td></tr>
<tr><td>Milestone</td><td>Mo/Yr to be completed</td></tr>
<tr><td>Milestone</td><td>Mo/Yr to be completed</td></tr>
</table>

Applicants are to identify deliverables for the Establishment reviews in the work plan. Applicants are encouraged to use the Systems Development Life Cycle (SDLC) framework for the IT aspects of Exchange establishment in developing the Work Plan (an example of an SDLC framework can be found here: http://www.cms.gov/ILCPhases/01_Overview.asp#TopOfPage). The applicant may complete an IT work plan separately if preferred, however it is still encouraged that the applicant follow the SDLC framework. States should include the items that would be produced as evidence for the Establishment reviews in the work plan. States are to refer to the most recent version of the Establishment Review template to structure the activities in the work plan. This information will be posted on the CCIIO website: http://cciio.cms.gov/

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

If the State is seeking reimbursement for pre-award costs, this is available for allowable costs up to 90 days prior to award. The budget narrative and work plan should clearly identify funds that were spent prior to the project period (up to 90 days prior to the start of the project period).

G. Budget Narrative

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

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Restrictions, B. Prohibited Uses of Grant Funds of this funding opportunity announcement. For additional clarification on allowable costs, please see the CCIIO website for FOA frequently asked questions.

Each applicant must submit a detailed budget narrative by Exchange and Associated Function, as demonstrated in Appendices G and H.

Provide a narrative that explains the amounts requested for each line in the budget for the entire project period. The budget justification should specifically describe how each line item will support the achievement of proposed objectives in alignment with the Work Plan. HHS will look for justifications that directly align with the tasks in the Work Plan and should be able to understand funding needs for each set of tasks the Exchange will carry out. The Budget Narrative should break down funding needs by quarter to the extent possible. If the State is seeking reimbursement for pre-award costs, this is available for allowable costs up to 90 days prior to award. The budget narrative and work plan should clearly identify funds that were spent prior to the project period (up to 90 days prior to the start of the project period).

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

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

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

The Budget Narrative/Justification should be provided using both the format included in Appendices G and H, Guidelines for Budget Preparation of this FOA. In addition, applicants are encouraged to review Appendix I on Federal Procurement Requirements for Grantees.

More guidance on preparing a budget request can be found in Appendices G and H.

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

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

Provide any documents that describe additional working relationships between the applicant and agencies and programs cited in the application. Documents that confirm actual or pending contractual agreements should clearly describe the roles of the subcontractors and any product. Letters of agreements must be dated and must contain the following language:

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

I. Descriptions for Key Personnel & Organizational Chart

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

J. Cost Allocation Methodology Appendix

Applicants are to include an appendix on cost allocation methodology that is distinct from the budget narrative. This appendix should include the 1) overall methodology and 2) a chart that identifies the overall project costs, Medicaid/CHIP costs, Exchange costs, and shared services costs. Please fill out the table below and include in the cost allocation appendix to your application. For each row, enter the amount in the Program's budget for this area. Enter funds that have been allocated to Medicaid, the Exchange, CHIP, and any other program.

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Cost Allocation of IT Functions	**Percent Breakout of Costs Among Benefiting Parties**	**Exchange**	**Medicaid**	**CHIP**	**Human Service Programs State**	**State**
IT Functions						
Health Care Coverage Portal						
Business Rules Management and Operations System						
Interfaces to Federal Data Services Hub						
Interfaces to Other Verification Sources						
Account Creation and Case Notes						
Notices						
Customer Service Technology Support						
Interfaces to community assisters or other outreach organizations						
State Personnel						
IT *[include FTEs]*						
Non-IT *[include FTEs]*						
Fringe						
Travel						
Supplies						
IT						
Non-IT						
Equipment						
IT						
Non-IT						
Contractual						
IT						
Non-IT						
Consultant						
IT						
Non-IT						
Other *[please specify]*						
TOTAL DIRECT COSTS						

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Contractual - Detail						
Award Date						
Contractor if known						
Amount						
Period of Performance						
Services						
TOTAL						

Guidance:

Note that OMB Circular A-87 REQUIRES states to allocate all costs to programs that benefit from a particular good or service. In the case of Exchanges, the State Medicaid/CHIP program is a direct beneficiary of many of the activities of the Exchange, particularly IT systems and related systems and staffing involved with determining an applicant's eligibility for the Medicaid and CHIP programs. Consequently, the costs associated with these activities MUST be paid through a separate funding request to the Centers for Medicare & Medicaid Services. The funding request is in the form of an Advance Planning Document (APD) that specifically requests funding for each of these activities that benefit Medicaid/CHIP and applies the appropriate Federal Financial Participation (FFP) rate of 50, 75 or 90 percent. CCIIO Grant funds cannot be used to pay for Medicaid and/or CHIP costs, nor can they be used to pay the State share of the Medicaid/CHIP allocated costs.

The goods and services that are to be allocated to, and paid for by, the State Medicaid/CHIP program are of two types: direct and indirect and are handled differently. Direct expenses are those that benefit Medicaid and/or CHIP exclusively. These direct expenses are allocated 100%.to the Medicaid and/or CHIP program and matched at the appropriate FFP rate. Indirect expenses are those that benefit Medicaid/CHIP AND other programs, including the Exchange itself. One such example would be staffing salaries for those individuals who serve both Medicaid's/CHIP's needs as well as the Exchanges'. These indirect expenses are allocated to the benefiting programs in proportion to Medicaid or CHIP/non-Medicaid or CHIP anticipated numbers of clients served by the Exchange. Having allocated the Medicaid/CHIP share, the resultant figures are then matched at the appropriate FFP rate.

State Cost-Sharing and Matching payments are not required for this program. Please refer to Section IV.5.B.vi. for more information about how States must address the cost allocation for Medicaid, the Children's Health Insurance Program (CHIP), and other federally financed health and human services programs in connection with the IT systems developed or modified to support the Exchange. States may use information available at:

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

States should allocate costs associated with eligibility determination between Medicaid, CHIP and Exchanges, as Exchanges will determine Medicaid and CHIP eligibility for individuals seeking coverage if they are not already enrolled in Medicaid or CHIP. Eligibility determination includes costs of intake, verification, adjudication, and resolution, including customer support for these processes. The Medicaid and CHIP programs will also pay for the costs of transmitting Medicaid and CHIP cases to those programs once eligibility for those programs is determined. Other costs may also be shared, depending on the level of integration States choose to pursue. States should review the cost allocation rules in OMB circular A-87 (see Section IV.5.B.vi. for more information.) Before submitting a cost allocation plan, States should consult the most recent guidance issued by HHS regarding cost allocation among Medicaid/CHIP, Exchanges, and human services programs, for the most up-to-date information and instructions. IT Guidance 2.0 can be found at http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf

For further information on cost allocation relative to Medicaid and CHIP cost allocation, please send an email to MedicaidE&E_APD@cms.hhs.gov ***and put "CCIIO Establishment Grant Cost Allocation Issue" in the subject line. For further information on cost allocation requirements re OMB Circular A-87, please see:***
http://www.whitehouse.gov/sites/default/files/omb/circulars/a087/a87_2004.pdf

For more information on A-87 waivers, please see:

http://www.cms.gov/Medicaid-Information-Technology-MIT/02_Tri-Agency%20Letter.asp#TopOfPage

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

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

1. Has the necessary legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application.
2. Has established a governance structure for the Exchange.
3. a) Submits a complete budget through Exchange establishment;
   b) Submits an initial plan discussing long-term operational costs of the Exchange; and
   c) Submits a plan outlining steps to prevent fraud, waste, and abuse.

4. Submits a plan describing how capacity for providing assistance to individuals and small businesses in the State will be created, continued, and/or expanded, including provision for a call center.

3. Submission Dates and Times

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

Level One Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 3, 2014; May 1, 2014; August 1, 2014; October 17, 2014

Level Two Establishment
Application Due Dates: August 1, 2012; November 1, 2012; February 1, 2013; May 1, 2013; August 1, 2013; November 1, 2013; February 31, 2014; May 1, 2014; August 1, 2014; October 17, 2014

4. Intergovernmental Review

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

5. Funding Restrictions

A. Reimbursement of Pre-Award Costs

Funds awarded under this Exchange Establishment funding opportunity may be used to reimburse pre-award costs that are allowable and incurred up to 90 days before grant award that can't be covered under existing funding from Exchange Planning Grants, Early Innovator Cooperative Agreements, and/or previously awarded Exchange Establishment Cooperative Agreements. If a State does not receive a cooperative agreement award, HHS is not liable for costs incurred by the applicant.

B. Prohibited Uses of Grant Funds

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

i. To cover the costs to provide direct health care services to individuals;
ii. To meet matching requirements of any other Federal program;
iii. To cover excessive executive compensation;
iv. To contract with organizations or individuals that have a conflict of interest, such as individuals or companies that sell insurance or insurance-like products, including discount plans;
v. To promote Federal or State legislative and regulatory modifications;

vi. To improve systems or processes solely related to Medicaid/ CHIP, or any other State or Federal program's eligibility:

a. State applicants must allocate the costs of their IT system(s) work and other applicable costs per OMB Circular A-87, between the Exchange and other health and human services programs for those activities that will benefit other health and human services programs. Examples of IT modules and other activities we anticipate needing to be cost-allocated include eligibility, enrollment, and verification. Examples where we think it is unlikely that costs need to be allocated between sources of funding are Exchange administration and qualified health plan certification and administration processes. Before submitting a cost allocation plan, States should consult the most recent guidance issued by HHS regarding cost allocation among Medicaid/CHIP, Exchanges, and human services programs, for the most up-to-date information and instructions; IT Guidance 2.0 can be found at **http://cciio.cms.gov/resources/files/exchange_medicaid_it_guidance_05312011.pdf;** For more information on A-87 waivers, please see: **http://www.cms.gov/Medicaid-Information-Technology-MIT/02_Tri-Agency%20Letter.asp#TopOfPage**

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

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

a. Staff retreats;

b. Promotional giveaways; and

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

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

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

x. Navigator Program: Funds to support the Navigator program's operations must come from the operational funds of the State Exchange, not from Section 1311 funds awarded under this cooperative agreement.

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V. APPLICATION REVIEW AND SELECTION INFORMATION

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

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

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

- Standard Forms
- Three Required Letters of Support (Governor or Mayor (if District of Columbia), State Medicaid agency (as applicable), State Department of Insurance (as applicable)). A fourth letter, Memorandum of Understanding, or agreement must be included if a new applicant entity is applying and the State has already received funds in order to ensure coordination between the State agencies.
- Applicant's Application Cover Letter
- Project Abstract
- Project Narrative
- Work Plan
- Budget Narrative
- Letters of Agreement and/or Description(s) of Proposed/Existing Project
- Descriptions for Key Personnel & Organizational Chart
- Cost Allocation Appendix
- *Level Two* ONLY: Applicants for *Level Two* awards must include documentation that demonstrates completion of the eligibility criteria defined in Section III.1. Please provide all documentation of eligibility in one attachment to the application, even if the documentation may be duplicative of information provided elsewhere in the application package. This includes documentation of:
  a. Has the necessary legal authority to establish and operate an Exchange that complies with Federal requirements available at the time of the application.
  b. Has established a governance structure for the Exchange.
  c. 1) Submits a complete budget through Exchange establishment;
     2) Submits an initial plan discussing long-term operational costs of the Exchange; and
     3) Submits a plan outlining steps to prevent fraud, waste, and abuse.
  d. Submits a plan describing how capacity for providing assistance to individuals and small businesses in the State will be created, continued, and/or expanded, including provision for a call center.

1. Criteria

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

A. Project Narrative (55 points)

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

This section should describe and quantify, where possible, progress that the State has made on Exchange Planning and Establishment in the areas identified in the project narrative Section IV. Please highlight completion any early deliverables identified in Section I.4. of the funding opportunity announcement.

b. Proposal to Meet Program Requirements (35 points)

This section of the application should provide a high level overview of the State's strategic plan to establish an Exchange, participate in the Federally-facilitated Exchange, or collaborate with the Federally-facilitated Exchange on certain activities.
This section should discuss the overall strategy of a State to fulfill the required Exchange, Administrative, and Associated Activities. A State that is transitioning between Exchange models or the ownership responsibility for Exchange, Administrative, or Associated Activities is changing should provide a timeline for completion of these transitions. The proposal to meet program requirements should be in alignment with the work plan, budget, and budget narrative. Please complete the proposal to meet program requirements based on the Exchange model the State is applying for funds in.

B. Work Plan (25 points)
The Work Plan for this project must include each of the Exchange, Administrative, and Associated Activities. The Work Plan should be as detailed as possible, and reflect the processes specific to each State for achievement of milestones throughout the project period. For example, if the State procurement procedure requires six months to develop a request for proposal, review applications, and award a contract, these steps and the associated time it takes to complete them should be taken into account in the lead time to achieving each milestone affected by procurement. All such processes should be described in detail throughout the Work Plan and identified in a timeline.

The reasonableness and completeness of the milestones to be accomplished throughout the project period will be reviewed as well as the adequacy of the projected timeframes. The Work Plan must indicate what milestones the Exchange plans to meet with associated timeframes. For each milestone under each Activity in the Work Plan, the month and year of anticipated achievement should be included. States may wish to do separate Work Plans for different aspects of Exchange establishment, such as one Work Plan exclusively devoted to IT systems development.

It is imperative that States distinguish in their Work Plans between activities funded under other Exchange funding opportunities, to include Exchange Planning Grants and Early Innovator Cooperative Agreements, and those establishment activities supported under this Funding Opportunity in their Work Plans. States may receive multiple Exchange Establishment Cooperative Agreements and must therefore also distinguish in

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their Work Plans among the activities funded under the various Exchange Establishment awards received.

C. Budget Narrative (20 points)

This section provides information on costs for each Exchange, Administrative, Associated Activities funding is being requested for. This will be evaluated on the completeness of the budget and reasonableness of requested funding level according to the tasks proposed and the extent to which the applicant exhibits the budgetary resources that are needed according to its Work Plan. The budget must show the resources needed on a quarterly basis where the State is able to make these determinations at the time of application and explain why other costs can't be distributed quarterly. The proposed budget should include only costs for activities and functionalities that are *integral* to Exchange operations and meeting Exchange requirements. This section is to include a description that indicates which elements of the proposal the applicant expects to also benefit the State's Medicaid/CHIP system, and other specific health and human service programs as applicable. Include a description of your proposal for allocating costs between these sources of funding. There should be an explanation of how the establishment activities funded will be coordinated with funding previously awarded under Exchange Planning Grants, Early Innovator Cooperative Agreements, State Consumer Assistance Grants, as well as previously awarded Exchange Establishment Cooperative Agreements. Finally, this should include a description of the State's capacity to manage multiple grant/cooperative agreement funding streams.

2. Review and Selection Process

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

A. Applications will be screened to determine eligibility for further review using the criteria detailed in Section III, *Eligibility Information* of this Funding Opportunity Announcement. Applications that are received late or fail to meet the eligibility requirements as detailed in this Funding Opportunity Announcement or do not include the required forms will not be reviewed.

B. Procedures for assessing the technical merit of grant applications have been instituted to provide for an objective review of applications and to assist the applicant in understanding the standards against which each application will be judged. Review criteria are used to review and to rank applications. Critical indicators have been developed for each review criterion to assist the applicant in presenting pertinent information related to that criterion and to provide the reviewer with a standard for evaluation. Review criteria, according to which all applications will be evaluated, are outlined above with specific detail and scoring points. Applications will be evaluated by an objective review committee. Applicants should pay strict attention to addressing all these criteria, as they are the basis upon which the reviewers will evaluate their applications.

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

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

3. Anticipated Announcement and Award Date
The anticipated dates of award for Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges are 60 days after each application due date for *Level One Establishment* and *Level Two Establishment*.

VI. AWARD ADMINISTRATION INFORMATION

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

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

2. Administrative and National Policy Requirements
The following standard requirements apply to applications and awards under this FOA:

A. Specific administrative requirements, as outlined in 2 CFR Part 225 and 45 CFR Part 92, apply to cooperative agreements awarded under this announcement.

B. All States receiving awards under this grant project must comply with all applicable Federal statutes relating to nondiscrimination including, but not limited to:
   i. Title VI of the Civil Rights Act of 1964,
   ii. Section 504 of the Rehabilitation Act of 1973,
   iii. The Age Discrimination Act of 1975,

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iv. Hill-Burton Community Service nondiscrimination provisions, and
v. Title II Subtitle A of the Americans with Disabilities Act of 1990,

C. All equipment, staff, other budgeted resources, and expenses must be used exclusively for the project identified in this application or agreed upon subsequently with HHS, and may not be used for any prohibited uses.

D. Consumers and other stakeholders must have meaningful input into the planning, implementation, and evaluation of the project. All cooperative agreement budgets must include some funding to facilitate participation on the part of individuals who have a disability or long-term illness and their families. Appropriate budget justification to support the request for these funds must be included.

3. Terms and Conditions

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

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

All prime grantees will be required to provide a DUNS number in order to be able to register in FSRS as a prime grantee user. If your organization does not have a DUNS number, you will need to obtain one from Dun & Bradstreet. Call D&B at 866-705-5711 if you do not have a DUNS number. Once you have obtained a DUNS Number from D&B, you must then register with the Central Contracting Registration (CCR) at www.ccr.gov. Organizations must report executive compensation as part of the registration profile at www.ccr.gov by the end of the month following the month in which this award is made, and annually thereafter (based on the reporting requirements of the Federal Funding Accountability and Transparency Act of 2006 (Pub. L. 109-282), as amended by section 6202 of Public Law 110-252 and implemented by 2 CFR Part 170)). After you have completed your CCR registration, you will be able to register in FSRS as a prime grantee user.

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4. Cooperative Agreement Terms and Conditions of Award

The following special terms of award are in addition to, and not in lieu of, otherwise applicable OMB administrative guidelines, HHS grant administration regulations at 2 CFR Part 225 and 45 CFR Part 92 (Part 92 is applicable when State and local Governments are eligible to apply), and other HHS and PHS grant administration policies.

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

Cooperative Agreement Roles and Responsibilities are as follows:

<u>Department of Health and Human Services</u>

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

- Technical Assistance – HHS will host opportunities for training and/or networking, including conference calls and other vehicles.
- Collaboration – To facilitate compliance with the terms of the Cooperative Agreement and to more effectively support recipients, HHS will actively coordinate with other relevant Federal Agencies including but not limited to the U.S. Office of Personnel Management, the Indian Health Service, the Health Resources and Services Administration, the Internal Revenue Service, the Department of Homeland Security, the Administration for Children and Families, and the Social Security Administration.
- Program Evaluation – HHS will work with recipients to implement lessons learned to continuously improve this program and the nation-wide implementation of the Health Insurance Exchanges.
- State Officers and Monitoring – HHS will assign specific State Officers to each Cooperative Agreement award to support and monitor recipients throughout the period of performance. HHS Grants Management Officers and States Officers will monitor, on a regular basis, progress of each recipient. This monitoring may be by phone, document review, on-site visit, other meeting and by other appropriate means, such as reviewing program progress reports and Federal Financial Reports (SF425). This monitoring will be to determine compliance with programmatic and financial requirements.

<u>Recipients</u>

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

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

<u>Intellectual Property</u>

As a term and condition of a grant award, under 45 CFR 92.34, the Federal awarding agency will retain a royalty-free, nonexclusive, irrevocable license to reproduce, publish or otherwise use and authorize others to use, for Federal Government purposes, the copyright in any work developed under the grant, or a subgrant or subcontract, and in any rights to a copyright purchased with grant support.

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

5. Reporting

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

A. Progress Reports

Grantees must provide HHS with information such as, but not limited to, project status, implementation activities initiated, accomplishments, barriers, and lessons learned in order to ensure that funds are used for authorized purposes. Such performance includes submission of the State's progress toward the Exchange, Administrative and Associated Activites in its Work Plan. Appendix B of this document provides a series of sub-functions organized under each Exchange and Associated Function. Each State Exchange should draw from these sub-functions in the development of its Work Plan. More details of the report will be outlined in the Notice of Grant Award. The report could include, but will not be limited to:

- Progress on State determined goals, milestones, and activities
- Changes in work plan components

- Lessons learned

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

B. Public Report

Grantees will be required to prominently post specific information about establishment grants on their respective Internet websites to ensure that the public has information on the use of funds. More details will be outlined in the Notice of Grant Award.

C. Performance Review

HHS is interested in enhancing the performance of its funded programs within communities and States. As part of this agency-wide effort, grantees will be required to participate, where appropriate, in an on-site performance review of their HHS-funded project(s) by a review team. The timing of the performance review is at the discretion of HHS. States may also be subject to site visits to enable HHS to conduct evaluations of Exchange progress.

D. Federal Financial Report (FFR)

The FFR SF425 was designed to replace the Financial Status Report SF269 and the Federal Cash Transactions Report SF272 with one comprehensive financial reporting form. Grantees are required to submit the FFR SF425 on a quarterly basis. More details will be outlined in the Notice of Grant Award.

E. Transparency Act Reporting Requirements

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

F. Audit Requirements

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

G. Payment Management Requirements

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

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

VII. AGENCY CONTACTS

For questions and concerns regarding this cooperative agreement, please contact:

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Grants Management Official/Business Administration
Michelle Feagins
Office of Acquisition and Grants Management
Centers for Medicare & Medicaid Services
Department of Health and Human Services
(301) 492-4312
Michelle.Feagins@cms.hhs.gov

Program Official/Programmatic Management
Katherine Bryant
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
Department of Health and Human Services
(301) 492-4446
Katherine.Bryant@cms.hhs.gov

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VIII. APPENDICES

A. Appendix A: Exchange, Administrative, and Associated Activities and Sub-activities for a State-based Exchange

Below is a list of the Exchange Activities, Associated Activities, and Administrative Activities for a State-based Exchange. Activities the State may choose not to carry out are identified as optional by an "X" As this is updated in future guidance, please refer to the most recent version posted on the CCIIO website.

All Activities apply to both the individual and SHOP Exchange where relevant. Oversight and Monitoring Activities are incorporated throughout. All Exchange activities are supported by application software that supports the automation of the business applications.

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Exchange Activities

ID	Exchange Activities/Sub-Activities	
1.0	Legal Authority and Governance	
1.1	State has enabling authority to operate a Health Insurance Exchange compliant with ACA	
1.2	Exchange has established a Board and governance structure in compliance with the ACA	
1.3	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Legal Authority and Governance Activities	
2.0	Consumer and Stakeholder Engagement and Support	
2.1	Exchange has and will continue to consult with consumers, small businesses, tribes and other relevant stakeholders, and has a stakeholder consultation plan that includes all relevant stakeholders	
2.1.1	Exchange has developed, implemented, and submitted an Exchange and tribe approved tribal consultation policy or process to CMS (only relevent for states with federally recognized tribes)	
2.2	Exchange provides outreach and educational materials to the public about Exchanges (e.g. health care consumers, individuals and entities with experience in facilitating enrollment including agents and brokers, representatives from small businesses and self-employed individuals, tribal communities, advocates for hard-to-reach populations)	

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2.3	Exchange provides for the operation of a toll-free telephone hotline (call center) to respond to requests for assistance	
2.3.1	Exchange provides interpretation services	
2.3.2	Exchange coordinates call center with Medicaid, CHIP, and other State and Federal agencies	
2.3.3	Exchange performs quality monitoring and assurance oversight with call center staff	
2.4	Exchange maintains a web-based Insurance Portal for use by enrollees, prospective enrollees and employers	
2.4.1	Exchange provides a dynamic, consumer-mediated eligibility and enrollment experience	
2.4.2	Exchange provides tools for comparison of available QHPs for prospective enrollees and employers including a rating engine to support calculations of premiums and determination of APTC based on determination of second lowest-cost silver plan	
2.4.3	Exchange provides an electronic calculator for determining the actual cost of coverage after advance payments of the premium tax credit and cost-sharing reductions after any employer contributions	
2.4.4	Exchange accepts plan selections by consumer	
2.4.5	Exchange provides a specialized user experience for application assisters	
2.4.6	Exchange provides web chat capability for customer service	
2.4.7	Exchange allows consumers and small businesses to create and maintain user accounts with appropriate authentication and security	
2.5	Exchange has a Navigator program	
2.6	Exchange has clearly defined role of agents and brokers, including evidence of qualification, and conflict of interest assessment	
2.7	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Consumer and Stakeholder Engagement and Support Activities	
3.0	Eligibility and Enrollment	
3.1	Exchange has capacity to accept applications and updates, and provide assistance, through channels including in-person, online, mail, and phone	
3.1.1	Exchange has capacity to accept updates to enrollee information, and perform annual redeterminations	
3.2	Exchange has capacity to conduct verifications either independently or through arrangement with the Federal governement or other State entities	

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3.2.1	Exchange conducts electronic transactions needed to support verification	
3.2.2	Exchange requests, receives, and adjudicates paper documentation needed to support verification	
3.3	Exchange determines eligibility either independently or through arrangement with the Federal governement or other State entities	
3.3.1	Exchange notifies applicants and employers regarding the results of eligibility determinations	
3.3.2	Exchange communicates to CMS, IRS, and State Medicaid and CHIP agencies regarding the results of eligibility determinations	
3.4	Exchange has capacity to accept applications for exemptions	
3.4.1	Exchange conducts verifications and determines eligibility for exemptions from the individual responsibility requirement either independently or through arrangement with the Federal governement or other State entities	
3.5	Exchange has capacity to accept and adjudicate appeals of eligibility determinations for individuals, employers and employees	
3.5.1	Exchange coordinates with state Medicaid agency, CHIP, and CMS, as applicable	
3.5.2	Exchange notifies applicants and employers regarding the results of appeals decisions, and report the results of appeals decisions to appropriate State and Federal agencies	
3.6	Exchange has identified SHOP-specific eligibility and enrollment policies	
3.6.1	Exchange has defined the state's election to include or exclude employers with 51-100 employees in the small group market, in 2014 and 2015	
3.6.2	Exchange has defined how the size of a small business is determined in the Exchange	
3.6.3	Exchange has defined the process for determination and redetermination of employee and employer eligibility	
3.6.4	Exchange has the capacity to process enrollment for employers in the SHOP on a rolling basis	
3.7	Exchange processes enrollment selections and terminations of coverage	
3.7.1	Exchange transmits enrollment information between Exchange and issuers	
3.7.2	Exchange reports enrollment and termination information to HHS	
3.7.3	Exchange has established a process for reconciling enrollment and	

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	termination with issuers and HHS	
3.8	Exchange conducts reporting to perform oversight	
3.9	Exchange has established protocols for privacy and security of eligibility and enrollment information	
3.10	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Eligibility and Enrollment Activities	
4.0	Plan Management	
4.1	Exchange has capacity to certify QHPs, including the review of rates and benefit packages	
4.1.1	Exchange has entered into agreements with the entity or entities responsible for health plan certification process (e.g., SBE, State department of insurance, State department of health), and has defined roles for each	
4.1.2	Exchange has additional QHP certification criteria above the Federal minimum standards, if applicable	
4.1.3	Exchange certifies QHPs and issuers as qualified to participate in the Exchange, including review of licensure, solvency, accreditation, network adequacy, and marketing practices	
4.1.4	Exchange collects and analyzes plan rate and benefit data from issuers, including actuarial value, EHB, discriminatory benefit design, and consideration of rate increases	
4.2	Exchange populates the Insurance Portal with accurate issuer and plan information, including multi-State plans and plans offered by CO-OPs	
4.2.1	Exchange provides rating data to support rating engine	
4.2.2	Exchange supports Insurance Portal using Plan Management data, including but not limited to premium and cost-sharing information, summary of benefits and coverage, identification of QHP metal level, transparency data, access to provider directory, information on QHP service area, and medical-loss ratio information.	
4.3	Exchange has capacity to oversee and monitor QHPs	
4.3.1	Exchange has defined the approach to QHP oversight, including collaborative relationship between the Exchange and State Department of Insurance on oversight issues	
4.3.2	Exchange monitors QHP issuers' performance and ensure QHPs continue to meet certification requirements	
4.3.3	Exchange tracks and resolves complaints	
4.4	Exchange has capacity to support issuers	
4.4.1	Exchange provides technical assistance to issuers for Exchange operations,	

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	such as outreach and education, call center support, tools, and training	
4.4.2	Exchange manages ongoing issuer account relationship for Exchange operations, including day-to-day management of QHP issue resolution and oversight	
4.5	Exchange plan management system has capacity to collect, transmit and analyze issuer and plan-level data	
4.5.1	Exchange plan management system collects and maintains issuer and plan-level data for Exchange operations and oversight	
4.5.2	Exchange plan management system is integrated with other State systems, issuers, and Exchange functions (e.g., insurance portal, financial management)	
4.6	Exchange has process for renewal/recertification of QHPs and QHP issuers including rate benefit analysis	
4.7	Exchange has process for decertification of QHPs and QHP issuers	
4.7.1	Exchange has process for notifying the affected parties when decertifying the QHPs	
4.7.2	Exchange has appeals process for decertification of QHPs	
4.8	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Plan Management Activities	
5.0	Financial Management	
5.1	Exchange facilitates Advance Payments of the Premium Tax Credit (APTC) and Cost Sharing Reductions (CSR)	
5.1.1	Exchange determines the APTC and/or CSR of the qualifying individual (based on eligibility determination)	
5.1.2	Exchange records and submits APTC and CSR information to CMS so that payments can be made on behalf of the qualifying individual to the issuer	
5.1.3	Exchange reports to the employer regarding any employees for whom advance payments of the premium tax credit are made or for whom receiving cost-sharing reductions cease coverage	
5.2	Exchange has capacity for SHOP premium processing	
5.2.1	Exchange bills employers, receives employer and employee contributions toward premiums, and makes aggregated premium payments to issuers and provides support for this service	
5.2.2	Exchange has process for non-payment or late premiums, including how and when notices are sent to employers	
5.3	Exchange has capacity for individual premium processing, including receiving individual premiums and making aggregated premium payments	

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	to issuers	
5.3.1	If processing individual premiums Exchange effectively addresses non-payment of premiums, including how and when notices are sent to individuals	
5.4	Exchange upholds financial integrity provisions per ACA Section 1313	
5.4.1	Exchange keeps an accurate accounting of all activities, receipts, and expenditures and annually submit to the Secretary of HHS	
5.4.2	Exchange performs oversight and monitoring procedures to prevent fraud, waste, and abuse	
5.4.3	Exchange publishes the following: a) Cost of licensing, regulatory fee and any other payments required by the Exchange b) Administrative cost of an Exchange, and monies lost to waste, fraud, and abuse	
5.4.4	Exchange performs annual SAS 70 internal control audits	
5.4.5	Exchange reports necessary information to the Secretary of the Treasury to support tax administration.	
5.5	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Financial Management Activities	

Associated Activities

1.0	Risk Adjustment	
1.1	State has a risk adjustment program per ACA Section 1343 requirements	
1.1.1	State identifies risk adjustment entity (Note: State can elect to have HHS administer risk adjustment)	
1.1.2	If operating own program, State establishes legal authority to operate risk adjustment program. This includes: authority to collect/access encounter and enrollment data; authority to collect and disburse funds; and mechanism to fund administrative costs	
1.1.3	If opting to modify Federal parameters, State publishes alternate risk adjustment methodology in State Payment Notice. Methodology must include: criteria for individual eligibility; weighting of criteria; schedule/method for data collection; calibration method; and performance metrics	
2.0	Reinsurance	
2.1	State has a reinsurance program per ACA Section 1341 requirements	

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2.1.1	State indicates decision to operate own reinsurance program or to defer reinsurance administration to HHS on State's behalf	
2.1.2	State identifies nonprofit reinsurance entity (this could either be established or contracted)	
2.1.3	If opting to modify Federal parameters, State publishes state-specific reinsurance parameters in State Payment Notice. The State notice must specify at least: data requirements and data collection frequency; reinsurance attachment point, cap, and coinsurance rate; geographic boundaries of each reinsurance entity and estimates of enrollees, amount of premiums in a geographic area available for reinsurance contributions and payments that will be made to issuers	
3.0	Quality	
3.1	Exchange has a timeline by which QHP issuers must be accredited and will implement procedures to ensure that QHP issuers meet the accreditation requirement for certification	
3.1.1	Exchange determines whether the Exchange will specify any additional accreditation requirements (no additional requirements are necessary, but Exchanges may select a single entity, or accreditation product)	
3.1.2	Exchange establishes the timeline by which QHP issuers must be accredited (for example, an Exchange may wish to grant issuers a grace period)	
3.1.3	Exchange notifies issuers of the accreditation requirements and timeline	
3.1.4	Exchange ensure issuers can notify the Exchange that they have authorized their accrediting entity to release their accreditation survey to the Exchange	
3.1.5	Exchange establishes a relationship and data sharing plan with accrediting entities to receive the accreditation survey	
3.2	Exchange ensures that QHPs meet minimum certification requirements specified under 1311(c) of the ACA, including the quality activities, based on future direction from HHS	
3.2.1	Exchanges collects quality information required for certification under 1311(c) of the ACA, based on future direction from HHS	
3.2.2	Exchange determines whether or not they will use quality information in certification decisions based on the "best interest test"	
3.2.3	Exchange monitors performance of QHPs and ensures that they continue to meet certification requirements throughout the coverage year	
3.3	Exchange displays quality information on their Insurance Portal to assist consumers with plan selection	
3.3.1	Exchange displays quality information (e.g. results of enrollee satisfaction	

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	survey and quality rating) on their Insurance Portal based on direction from HHS	

Administrative Activities

1.0	Organization and Human Resources	
1.1	Exchange hires appropriate staff to perform Exchange functions	
1.1.1	Exchange has an organizational chart demonstrating leadership and key staff	
1.1.2	Exchange provides a full update on project management resources, including staff, contracts and IT systems development	
2.0	Technology (Hardware, software and IT infrastructure)	
2.1	Exchange technology and system functionality is based on Guidance for Exchange and Medicaid Information Technology (IT) Systems, Version 1.0 (Release November, 2010)	
2.2	Exchange technology and system functionality is based on Guidance for Exchange and Medicaid Information Technology (IT) Systems, Version 2.0 (Release May, 2011)	
2.3	Exchange technology and system functionality is based on Cooperative Agreement to Support Innovative Exchange Information Technology Systems (Release October, 2010)	
2.4	Exchange technology and system functionality is based on Exchange Reference Architecture: Foundation Guidance-V0.99-03.16.11 (Release March, 2011)	
2.5	Exchange technology and system functionality is based on Harmonized Security and Privacy Framework – Exchange TRA Supplement-V0.95-03.16.11 (Release March, 2011)	
2.6	Exchange technology and system functionality is based on Collaborative Life Cycle and Governance - Exchange Reference Architecture Document (Release March, 2011)	
2.7	Exchange technology and system functionality is based on Medicaid Information Technology Architecture (MITA) (Website)	
2.8	Exchange technology and system functionality is based on Tri-Agency Letter Cost Allocation of Information Technology Systems - 8/10/11 (Release August, 2011)	
2.9	Exchange technology and system functionality is based on Enhanced Funding Requirements: Seven Conditions and Standards 1.0 (Release April, 2011)	
2.10	Exchange technology and system functionality is based on Enhanced	

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	Funding Requirements: Expedited Advance Planning Document Checklist 1.0 (Release April, 2011)	
2.11	Exchange technology and system functionality is based on Data Services Hub Guidance (TBD)	
2.12	Exchange technology and system functionality is based on Operations and Maintenance (O&M) Guidance (TBD)	
3.0	Finance and Accounting	
3.1	Exchange is self-sustaining beginning on January 1, 2015	
3.1.1	Exchange has defined user fees or other methods for generating revenue, as well as a budget based on expected enrollment indicating a plan for how the Exchange will become self-sustaining by January 1, 2015	
3.1.2	Exchange tracks costs and revenues and monitors financial sustainability of the Exchange	

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B. Appendix B: Exchange, Administrative, and Associated Activities and Sub-activities for a Federally-facilitated Exchange

Below is a list of the Exchange Activities, Associated Activities, and Administrative Activities. Activities for which a State may elect to carry out are identified with an "X". As this is updated in future guidance, please refer to the most recent version posted on the CCIIO website.

Exchange Activities

ID	Exchange Activities/Sub-Activities	
1.0	Legal Authority and Governance	
1.1	State has enabling authority to operate a Health Insurance Exchange compliant with ACA	
1.2	Exchange has established a Board and governance structure in compliance with the ACA	
1.3	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Legal Authority and Governance Activities	
2.0	Consumer and Stakeholder Engagement and Support	
2.1	Exchange has and will continue to consult with consumers, small businesses, tribes and other relevant stakeholders, and has a stakeholder consultation plan that includes all relevant stakeholders	
2.1.1	Exchange has developed, implemented, and submitted an Exchange and tribe approved tribal consultation policy or process to CMS (only relevent for states with federally recognized tribes)	
2.2	Exchange provides outreach and educational materials to the public about Exchanges (e.g. health care consumers, individuals and entities with experience in facilitating enrollment including agents and brokers, representatives from small businesses and self-employed individuals, tribal communities, advocates for hard-to-reach populations)	
2.3	Exchange provides for the operation of a toll-free telephone hotline (call center) to respond to requests for assistance	
2.3.1	Exchange provides interpretation services	
2.3.2	Exchange coordinates call center with Medicaid, CHIP, and other State and Federal agencies	
2.3.3	Exchange performs quality monitoring and assurance oversight with call center staff	

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2.4	Exchange maintains a web-based Insurance Portal for use by enrollees, prospective enrollees and employers	
2.4.1	Exchange provides a dynamic, consumer-mediated eligibility and enrollment experience	
2.4.2	Exchange provides tools for comparison of available QHPs for prospective enrollees and employers including a rating engine to support calculations of premiums and determination of APTC based on determination of second lowest-cost silver plan	
2.4.3	Exchange provides an electronic calculator for determining the actual cost of coverage after advance payments of the premium tax credit and cost-sharing reductions after any employer contributions	
2.4.4	Exchange accepts plan selections by consumer	
2.4.5	Exchange provides a specialized user experience for application assisters	
2.4.6	Exchange provides web chat capability for customer service	
2.4.7	Exchange allows consumers and small businesses to create and maintain user accounts with appropriate authentication and security	
2.5	Exchange has a Navigator program	
2.6	Exchange has clearly defined role of agents and brokers, including evidence of qualification, and conflict of interest assessment	
2.7	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Consumer and Stakeholder Engagement and Support Activities	
3.0	Eligibility and Enrollment	
3.1	Exchange has capacity to accept applications and updates, and provide assistance, through channels including in-person, online, mail, and phone	
3.1.1	Exchange has capacity to accept updates to enrollee information, and perform annual redeterminations	
3.2	Exchange has capacity to conduct verifications either independently or through arrangement with the Federal governement or other State entities	
3.2.1	Exchange conducts electronic transactions needed to support verification	
3.2.2	Exchange requests, receives, and adjudicates paper documentation needed to support verification	
3.3	Exchange determines eligibility either independently or through arrangement with the Federal governement or other State entities	
3.3.1	Exchange notifies applicants and employers regarding the results of	

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	eligibility determinations	
3.3.2	Exchange communicates to CMS, IRS, and State Medicaid and CHIP agencies regarding the results of eligibility determinations	
3.4	Exchange has capacity to accept applications for exemptions	
3.4.1	Exchange conducts verifications and determines eligibility for exemptions from the individual responsibility requirement either independently or through arrangement with the Federal governement or other State entities	
3.5	Exchange has capacity to accept and adjudicate appeals of eligibility determinations for individuals, employers and employees	
3.5.1	Exchange coordinates with state Medicaid agency, CHIP, and CMS, as applicable	
3.5.2	Exchange notifies applicants and employers regarding the results of appeals decisions, and report the results of appeals decisions to appropriate State and Federal agencies	
3.6	Exchange has identified SHOP-specific eligibility and enrollment policies	
3.6.1	Exchange has defined the state's election to include or exclude employers with 51-100 employees in the small group market, in 2014 and 2015	
3.6.2	Exchange has defined how the size of a small business is determined in the Exchange	
3.6.3	Exchange has defined the process for determination and redetermination of employee and employer eligibility	
3.6.4	Exchange has the capacity to process enrollment for employers in the SHOP on a rolling basis	
3.7	Exchange processes enrollment selections and terminations of coverage	
3.7.1	Exchange transmits enrollment information between Exchange and issuers	
3.7.2	Exchange reports enrollment and termination information to HHS	
3.7.3	Exchange has established a process for reconciling enrollment and termination with issuers and HHS	
3.8	Exchange conducts reporting to perform oversight	
3.9	Exchange has established protocols for privacy and security of eligibility and enrollment information	
3.10	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Eligibility and Enrollment Activities	

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4.0	Plan Management	
4.1	Exchange has capacity to certify QHPs, including the review of rates and benefit packages	
4.1.1	Exchange has entered into agreements with the entity or entities responsible for health plan certification process (e.g., SBE, State department of insurance, State department of health), and has defined roles for each	
4.1.2	Exchange has additional QHP certification criteria above the Federal minimum standards, if applicable	
4.1.3	Exchange certifies QHPs and issuers as qualified to participate in the Exchange, including review of licensure, solvency, accreditation, network adequacy, and marketing practices	
4.1.4	Exchange collects and analyzes plan rate and benefit data from issuers, including actuarial value, EHB, discriminatory benefit design, and consideration of rate increases	
4.2	Exchange populates the Insurance Portal with accurate issuer and plan information, including multi-State plans and plans offered by CO-OPs	
4.2.1	Exchange provides rating data to support rating engine	
4.2.2	Exchange supports Insurance Portal using Plan Management data, including but not limited to premium and cost-sharing information, summary of benefits and coverage, identification of QHP metal level, transparency data, access to provider directory, information on QHP service area, and medical-loss ratio information.	
4.3	Exchange has capacity to oversee and monitor QHPs	
4.3.1	Exchange has defined the approach to QHP oversight, including collaborative relationship between the Exchange and State Department of Insurance on oversight issues	
4.3.2	Exchange monitors QHP issuers' performance and ensure QHPs continue to meet certification requirements	
4.3.3	Exchange tracks and resolves complaints	
4.4	Exchange has capacity to support issuers	
4.4.1	Exchange provides technical assistance to issuers for Exchange operations, such as outreach and education, call center support, tools, and training	
4.4.2	Exchange manages ongoing issuer account relationship for Exchange operations, including day-to-day management of QHP issue resolution and oversight	
4.5	Exchange plan management system has capacity to collect, transmit and analyze issuer and plan-level data	
4.5.1	Exchange plan management system collects and maintains issuer and plan-	

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	level data for Exchange operations and oversight	
4.5.2	Exchange plan management system is integrated with other State systems, issuers, and Exchange functions (e.g., insurance portal, financial management)	
4.6	Exchange has process for renewal/recertification of QHPs and QHP issuers including rate benefit analysis	
4.7	Exchange has process for decertification of QHPs and QHP issuers	
4.7.1	Exchange has process for notifying the affected parties when decertifying the QHPs	
4.7.2	Exchange has appeals process for decertification of QHPs	
4.8	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Plan Management Activities	
5.0	Financial Management	
5.1	Exchange facilitates Advance Payments of the Premium Tax Credit (APTC) and Cost Sharing Reductions (CSR)	
5.1.1	Exchange determines the APTC and/or CSR of the qualifying individual (based on eligibility determination)	
5.1.2	Exchange records and submits APTC and CSR information to CMS so that payments can be made on behalf of the qualifying individual to the issuer	
5.1.3	Exchange reports to the employer regarding any employees for whom advance payments of the premium tax credit are made or for whom receiving cost-sharing reductions cease coverage	
5.2	Exchange has capacity for SHOP premium processing	
5.2.1	Exchange bills employers, receives employer and employee contributions toward premiums, and makes aggregated premium payments to issuers and provides support for this service	
5.2.2	Exchange has process for non-payment or late premiums, including how and when notices are sent to employers	
5.4	Exchange upholds financial integrity provisions per ACA Section 1313	
5.4.1	Exchange keeps an accurate accounting of all activities, receipts, and expenditures and annually submit to the Secretary of HHS	
5.4.2	Exchange performs oversight and monitoring procedures to prevent fraud, waste, and abuse	
5.4.3	Exchange publishes the following: a) Cost of licensing, regulatory fee and any other payments required by the Exchange b) Administrative cost of an Exchange, and monies lost to waste, fraud, and	

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	abuse	
5.4.4	Exchange performs annual SAS 70 internal control audits	
5.4.5	Exchange reports necessary information to the Secretary of the Treasury to support tax administration.	
5.5	Exchange has appropriate contractual, outsourcing, partnership agreements with vendors and/or state agencies for Financial Management Activities	

Associated Activities

1.0	Risk Adjustment	
1.1	State has a risk adjustment program per ACA Section 1343 requirements	
2.0	Reinsurance	
2.1	State has a reinsurance program per ACA Section 1341 requirements	
2.1.1	State indicates decision to operate own reinsurance program or to defer reinsurance administration to HHS	
2.1.2	State identifies nonprofit reinsurance entity (this could either be established or contracted)	
2.1.3	If opting to modify Federal parameters, State publishes state-specific reinsurance parameters in State Payment Notice. The State notice must specify at least: data requirements and data collection frequency; reinsurance attachment point, cap, and coinsurance rate; geographic boundaries of each reinsurance entity and estimates of enrollees, amount of premiums in a geographic area available for reinsurance contributions and payments that will be made to issuers	
3.0	Quality	
3.1	Exchange has a timeline by which QHP issuers must be accredited and implement procedures to ensure that QHP issuers meet the accreditation requirement for certification	
3.1.1	Exchange determines whether the Exchange will specify any additional accreditation requirements (no additional requirements are necessary, but Exchanges may select a single entity, or accreditation product)	
3.1.2	Exchange establishes the timeline by which QHP issuers must be accredited (for example, an Exchange may wish to grant issuers a grace period)	
3.1.3	Exchange notifies issuers of the accreditation requirements and timeline	
3.1.4	Exchange ensure issuers can notify the Exchange that they have authorized their accrediting entity to release their accreditation survey to the Exchange	

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3.1.5	Exchange establishes a relationship and data sharing plan with accrediting entities to receive the accreditation survey	
3.2	Exchange ensures that QHPs meet minimum certification requirements specified under 1311(c) of the ACA, including the quality activities, based on direction from HHS	
3.2.1	Exchanges collects quality information required for certification under 1311(c) of the ACA, based on direction from HHS	
3.2.2	Exchange determines whether or not they will use quality information in certification decisions based on the "best interest test"	
3.2.3	Exchange monitors performance of QHPs and ensures that they continue to meet certification requirements throughout the coverage year	
3.3	Exchange displays quality information on their Insurance Portal to assist consumers with plan selection	
3.3.1	Exchange displays quality information (e.g. results of enrollee satisfaction survey and quality rating) on their Insurance Portal based on direction from HHS	

Administrative Activities

1.0	Organization and Human Resources	
1.1	Exchange hires appropriate staff to perform Exchange functions	
1.1.1	Exchange has an organizational chart demonstrating leadership and key staff	
1.1.2	Exchange provides a full update on project management resources, including staff, contracts and IT systems development	
2.0	Technology (Hardware, software, and IT infrastructure)	
2.1	Exchange technology and system functionality is based on Guidance for Exchange and Medicaid Information Technology (IT) Systems, Version 1.0 (Release November, 2010)	
2.2	Exchange technology and system functionality is based on Guidance for Exchange and Medicaid Information Technology (IT) Systems, Version 2.0 (Release May, 2011)	
2.3	Exchange technology and system functionality is based on Cooperative Agreement to Support Innovative Exchange Information Technology Systems (Release October, 2010)	
2.4	Exchange technology and system functionality is based on Exchange Reference Architecture: Foundation Guidance-V0.99-03.16.11 (Release March, 2011)	
2.5	Exchange technology and system functionality is based on Harmonized	

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	Security and Privacy Framework – Exchange TRA Supplement-V0.95-03.16.11 (Release March, 2011)	
2.6	Exchange technology and system functionality is based on Collaborative Life Cycle and Governance - Exchange Reference Architecture Document (Release March, 2011)	
2.7	Exchange technology and system functionality is based on Medicaid Information Technology Architecture (MITA) (Website)	
2.8	Exchange technology and system functionality is based on Tri-Agency Letter Cost Allocation of Information Technology Systems - 8/10/11 (Release August, 2011)	
2.9	Exchange technology and system functionality is based on Enhanced Funding Requirements: Seven Conditions and Standards 1.0 (Release April, 2011)	
2.10	Exchange technology and system functionality is based on Enhanced Funding Requirements: Expedited Advance Planning Document Checklist 1.0 (Release April, 2011)	
2.11	Exchange technology and system functionality is based on Data Services Hub Guidance (TBD)	
2.12	Exchange technology and system functionality is based on Operations and Maintenance (O&M) Guidance (TBD)	
3.0	Finance and Accounting	
3.1	Exchange is self-sustaining beginning on January 1, 2015	
3.1.1	Exchange has defined user fees or other methods for generating revenue, as well as a budget based on expected enrollment indicating a plan for how the Exchange will become self-sustaining by January 1, 2015	
3.1.2	Exchange tracks costs and revenues and monitors financial sustainability of the Exchange	

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C. Appendix C: Association of Exchange, Administrative, and Associated Activities and Prior Exchange Core Areas

How Exchange, Associated, and Administrative Activities correlate to the Exchange Establishment core areas is displayed in the tables below. Background research, program integration, and SHOP Exchange-specific functions are throughout all of the Exchange, Associated, and Administrative Activities.

Exchange Activities	Prior Exchange Establishment Core Areas and Business Functions
Legal Authority and Governance	• State Legislative/Regulatory Actions • Governance
Consumer and Stakeholder Engagement and Support	• Providing Assistance to Individuals and Small Businesses • Stakeholder Consultation • Call Center • Outreach and Education • Exchange Website • Navigator Program • Premium tax credit and cost-sharing reduction calculator
Eligibility and Enrollment	• Adjudication of appeals of eligibility determinations • Individual responsibility determinations • Enrollment process • Eligibility determinations for Exchange participation, advance payment of premium tax credits, cost-sharing reductions, and Medicaid • Seamless eligibility and enrollment process with Medicaid and other State health subsidy programs Applications and notices • Notification and appeals of employer liability • Information reporting to IRS and enrollees •
Plan Management	• Certification, recertification, and decertification of qualified health plans • Health Insurance Market Reforms
Financial Management	• Administration of premium tax credits and cost-sharing reductions • Program Integrity • Financial Management

Administrative Activities	Exchange Establishment Core Areas and Business Functions
Organization and Human Resources	

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Technology	Exchange IT Systems
Finance and Accounting	

Associated Activities (operate in and outside of the Exchange)	Exchange Establishment Core Areas and Business Functions
Risk Adjustment	Risk adjustment
Reinsurance	Transitional reinsurance
Quality	Quality rating system

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D. Appendix D: Establishment Review Process

CCIIO, in close collaboration with the Office of Information Systems (OIS) and the Center for Medicaid and CHIP Services (CMCS) has developed the Establishment Review grant monitoring program to ensure that states' continue to make rapid progress towards the development of operational Exchanges, and to support states in their implementation efforts. The Establishment Review program augments the Gate Review process and offers states a holistic, structured grant monitoring approach to help ensure states continue along a path towards developing an operational Exchange. The Establishment Review Process reflects the many lessons learned from the Gate Review process, with the intention of achieving on-going efficiencies by unifying requests for technology, operations information and documentation from states. It provides systematic feedback to the states on their progress toward development of an Exchange, whether state-based or federally-facilitated, that meets the requirements of the ACA. Information and testing from its Establishment Reviews may be re-used to document compliance with certification requirements.

Establishment Review Framework

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

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

The Implementation Review will occur at the completion of development and implementation and will provide evidence that a State's Exchange is ready or has begun to

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function. This Implementation Review will comprise the Pre-Operational Readiness Review (PORR) and Operational Readiness Review (PORR) Gate Reviews.

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

The overall framework for the Establishment Reviews includes the definition of key business operation and technical **activities** that the states must achieve as they establish their Insurance Exchange infrastructure. Activities may include ***sub-activities*** that provide additional activity detail. Each activity is associated with specific ***evidence*** (or artifacts) that are used to assess progress and the conformance against criteria of adequacy. Evidence may be in the form of either documentation or a demonstration of specific Exchange activities and will be reviewed during a specific Establishment Review phase. During each of the three Establishment Reviews, the state and the review team will work collaboratively to assess the evidence that is presented and confirm that it demonstrates that the state is on a path towards successful implementation of their state Insurance Exchange. These Reviews will also provide a gate mechanism for applicable funds release.

Timing of the Establishment Reviews

As CMS works to roll out the integrated Establishment Review strategy there are a number of considerations associated with the timing and schedule of the reviews. A Baseline Schedule has been developed based on the identification of states that have establishment grants and meet the entry criteria for initial reviews.

The process and schedule for the reviews must also, however, accommodate states that will not follow a "standard" timeline. The complexities introduced by states who have multiple grants, have completed components of the current IT gate review process, or have Exchange activities at significantly different levels of maturity will require careful staging of their Establishment Reviews in order to ensure that the review process fosters development across all applicable activities. For example, states with ***multiple Level 1 grants*** may be at different points in the lifecycle for different activities based on the core areas encompassed in each grant. In order to address these timing differences, the Establishment Review process will consider how variation in core area maturity will be reconciled in a state's overall plans. ***Consultations*** will be used as a mechanism that can serve as a bridge while the states reconcile the maturity of their various Exchange activities into a single integrated plan.

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

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overall Exchange development, and schedule Consultations and Establishment Reviews accordingly.

For additional information for Establishment reviews related to the Exchange model your State is participating in, please see the CCIIO website: http://cciio.cms.gov/

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E. Appendix E: IT Gap Analysis for Project Narrative

The applicant is required to perform an IT Gap Analysis on the following criteria and provide a summary of this analysis in its Project Narrative in this application. **Please critically evaluate your state of readiness to implement Exchange IT systems for each criterion**. The following set of topics shall be addressed as the applicant conducts the analysis. In addition, provide a summary of conclusions regarding your readiness.

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

2. Applicable Standards (The following standards do not represent an exhaustive list by which a State must consider in planning the target environment in which to maximize the use of standards.)
    - Affordable Care Act Section 1561 Recommendations
        - Per statutory requirement, ONC has developed a set of specific recommendations that pertain to standards and protocols that facilitate enrollment of individuals in Health and Human Services programs. For details on Section 1561, see: http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161. Recommendation 1.1 recommends that States collaborate by using the NIEM (National Information Exchange Model) framework. This framework will allow for use of common data between multiple users and facilitate many aspects of enrollment.
            - How is the applicant incorporating NIEM into its processes?
            - What implications will this have from a data management standpoint?
            - Recommendation 3.1 recommends that States express business rules using a consistent, technology-neutral standard format separate from core programming or transactional systems.

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        - How will the Applicant ensure consistent expression of business rules outside core programming or transactional systems?
        - Recommendation 4.1 recommends using existing HIPAA standards to facilitate transfer of consumer eligibility, enrollment, and disenrollment information between programs.
        - How will the applicant use x12n HIPAA 834 enrollment and 270/271 eligibility transactions.
- HIPAA
    - The HIPAA Privacy and Security Rules provide Federal protections for personal health information held by covered entities and give patients an array of rights with respect to that information. At the same time, the Privacy Rule is balanced so that it permits the disclosure of personal health information needed for patient care and other important purposes.
        - How will the administrative, physical and technical requirements of HIPAA relate to future Exchange operations?
        - Is the applicant prepared to adhere to these rules as it develops new Exchange interfaces?
- Accessibility for individuals with disabilities
        - Enrollment and eligibility systems should be designed to meet the diverse needs of users (e.g., consumers, State personnel, other third party assisters) without barriers or diminished function or quality, using legal requirements under Section 508 (for the Federal government), Section 504 (for recipients of Federal financial assistance), and Title II of the Americans with Disabilities Act (for State and local governments). Therefore, electronic eligibility and enrollment systems shall include usability features or functions that accommodate the needs of persons with disabilities, including those who use assistive technology. To meet these standards and to meet the needs of diverse users, applications should address how they will comply with the latest 508 guidelines issues by the US Access Board or standards that provide greater accessibility for individuals with disabilities.
        - How is the applicant poised to adapt to these standards?
- Security
    - The applicant shall address Fair Information Practices (FIP) in new and existing eligibility and enrollment systems to safeguard consumer information. The following are best practices the applicant can consider for implementing FIPs in the State systems:
        - **Collection Limitation:** State systems shall be designed to collect the minimum data necessary for an eligibility and enrollment

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determination. This shall be balanced with the desire to reuse information for multiple eligibility decisions.

- **Data Integrity & Quality:** States shall establish a minimum threshold level for data matches, adopting a glide-path towards achieving advanced probabilistic matching.
- **Openness & Transparency**: Clear, transparent policies about authorizing access and use of data shall be provided to the applicant in the Privacy Notice.
- **Purpose Specification**
- **Use Limitation**
- **Security Safeguards and Controls**
- **Individual Participation and Control**
- **Accountability and Oversight**

▪ The applicant shall address Taxpayer Privacy and Safeguard standards which apply to any tax return information that the exchanges may handle as part of the eligibility determination process. For more information, see IRS Publication 1075 - Tax Information Security Guidelines For Federal, State and Local Agencies (http://www.irs.gov/pub/irs-pdf/p1075.pdf)

- Federal Information Processing Standards (FIPS)
  - Under the Information Technology Management Reform Act (ITMRA), Division E, National Defense Authorization Act for FY 1996 (P. L. 104-106), the Secretary of Commerce approves standards and guidelines that are developed by the National Institute of Standards and Technology (NIST) for Federal computer systems. These standards and guidelines are issued by NIST as Federal Information Processing Standards (FIPS) for use government-wide. NIST develops FIPS when there are compelling Federal government requirements such as for security and interoperability and there are no acceptable industry standards or solutions. See Recommendation 5.3 in Section 1561 recommendations for more details: http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161.
    - How is the applicant poised to adapt to these standards?

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F. Appendix F: Exchange Information Technology

Key Principles of Exchange IT capabilities

- The organization governing the design, development, and implementation of the core capabilities must follow standard industry Systems Development Life Cycle (SDLC) frameworks including the use of iterative and incremental development methodologies. The governing body must also be able to produce requirement specifications, analysis, design, code, and testing that can be easily shared with other interested and authorized stakeholders (i.e., other States, consortia of States, or any entity that is responsible for establishing an Exchange).
- The design must take advantage of a Web Services Architecture (using XML, SOAP and WSDL or REST) and Service Oriented Architecture approach for design and development leveraging the concepts of a shared pool of configurable computing resources (e.g., Cloud Computing).
- The services description/definition, services interfaces, policies and business rules must be published in a web services registry to support both internal and external service requests that are public and private, and be able to manage role-based access to underlying data.
- Per Section 1561 of the Affordable Care Act, all designs must follow the standards that are currently outlined in the recommendations published by the Office of the National Coordinator (ONC). For details on Section 1561 Standards, see: http://healthit.hhs.gov/portal/server.pt?open=512&mode=2&objID=3161.
- Per National Institute of Standards and Technology (NIST) publications, the design and implementation must take into account security standards and controls. (For details on NIST publications, see: http://csrc.nist.gov/publications/PubsSPs.html).

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

Core Exchange Functions supported by IT

To ensure the Exchange IT systems are comprehensive and reusable by other States, the key modules shall include, but not be limited to:

1) Eligibility
2) Enrollment

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3) Premium tax credits administration
4) Cost-sharing assistance administration
5) Health plan management to support Qualified Health Plan certification

Systems must also be interoperable and integrated with State Medicaid/Children's Health Insurance Program (CHIP) programs and be able to interface with HHS and other data sources in order to verify and acquire data as needed. States are encouraged to achieve interoperability with other health and human services programs for purposes of coordinating eligibility determinations, referrals, verification or other functions. Examples of additional core Exchange functions that could be added, initially or eventually, include Exchange administration, and qualified health plan administration (including data and certification management).

To meet milestones and assure alignment with other critical State and Federal programs, it will be desirable for Exchanges to leverage and re-use services or capabilities available in the State, including those offered by the State health information exchange program such as for provider and patient identity services (eMPI, ID resolution and authentication).

Exchange IT SDLC Reviews

Please see Appendix D for information on how the SDLC process is integrated into the Establishment Review process. Below are the lifecycle reviews, products that will accompany each stage for each review (some of these steps will include HHS consultation with CMS and other Federal agencies as warranted):

Project Startup Review (PSR)
Deliverables: Acquisition Strategy, Concept of Operations, Risk Analysis, Alternatives Analysis, Scope Definition, Performance Measures, briefings/presentations to HHS

Architecture Review (AR)
Products: Business Process Models, Requirements Document, Architectural diagrams, briefings/presentations to HHS

Project Baseline Review (PBR)
Products: Project Process Agreement (Charter), Information Security Risk Assessment, Information Security Risk Assessment, Project Management Plan, Project Schedule, Release Plan, briefings/presentations to HHS

Preliminary Design Review (PDR)
Products: System Security Plan, Test Plan(s) and Traceability Matrix, Logical Data Model, Data Use Agreement(s), Technical Architecture Diagrams (Software/Hardware Architectures, Network, Overall Infrastructure, Security, etc.), briefings/presentations to HHS

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Detailed Design Review (DDR)
Products: System Design Document, Interface Control Document, Database Design Document(s), Physical Data Model, Data Management Plan, Data Conversion Plan, Automated Code Review Results briefings/presentations to HHS

Final Detailed Design Review (FDDR)
Products: See DDR products

Pre-Operational Readiness Review (PORR)
Products: Contingency Plan, Inter/Intra-agency Agreement(s) (IAs), Test Case Specification, Implementation Plan, User Manuals, Operations & Maintenance Manual, Training Plan, Integration Testing, End-to-End Testing, Test Summary Report, Defect Reports, Security Testing Results, briefings/presentations to HHS

Operational Readiness Review (ORR)
Products: See PORR products

For an explanation of each product, please reference the following CMS ILC framework:
https://www.cms.gov/ILCReviews/01_Overview.asp

For examples of product templates, please refer to the following:
http://www3.cms.gov/SystemLifecycleFramework/Tmpl/list.asp#TopOfPage

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

INTRODUCTION

This guidance is offered for the preparation of a budget request. Following this guidance will facilitate the review and approval of a requested budget by ensuring that the required or needed information is provided. This is to be for done for each 12 month period of the cooperative agreement project period with a quarterly budget breakdown provided where possible. Applicants should be careful to only request funding for activities that will be funded by these Cooperative Agreements for the Establishment of the Affordable Care Act's Health Insurance Exchanges. Any other grant funding provided by HHS, including Exchange Planning Grants, Early Innovator Cooperative Agreements, and prior Exchange Establishment Cooperative Agreements should not be supplanted by Exchange Establishment funding. States may apply for and receive multiple Cooperative Agreement to Support Establishment of the Affordable Care Act's Health Insurance Exchanges awards. As part of each application for funding, States must only request funding for activities not already funded/supported by a previous award. Each award made under this funding opportunity should support separate activities and new funding should not be supplanted by prior funding. In the budget request, States should distinguish between activities that will be funded under this Cooperative Agreement application and activities funded with other sources. Other funding sources include: Early Innovator Cooperative Agreements, Exchange Planning Grants, previously awarded Exchange Establishment Cooperative Agreements, other HHS grant programs, and other funding sources as applicable.

A. Salaries and Wages

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

Sample budget
Personnel

Total $______
Exchange Establishment Grant $______
Funding other than Establishment Grant $______
Sources of Funding__________________________

Position Title and Name	*Annual*	*Time*	*Months*	*Amount Requested*
Project Coordinator	*$45,000*	*100%*	*12 months*	*$45,000*

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Susan Taylor				
Finance Administrator	*$28,500*	*50%*	*12 months*	*$14,250*
John Johnson				
Outreach Supervisor	*$27,000*	*100%*	*12 months*	*$27,000*
(Vacant)*				

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

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

B. Fringe Benefits

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

Sample Budget
Fringe Benefits

Total $______
Exchange Establishment Grant $______
Funding other than Establishment Grant $______
Sources of Funding___________________________

25% of Total salaries = Fringe Benefits

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

Example: Project Coordinator — Salary $45,000

Retirement 5% of $45,000	=	*$2,250*
FICA 7.65% of $45,000	=	*3,443*
Insurance	=	*2,000*

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Workers' Compensation = ______
Total:

C. Consultant Costs

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

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

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

D. Equipment

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

Sample Budget
Equipment

Total $______
Exchange Establishment Grant $______
Funding other than Establishment Grant $______
Sources of Funding___________________________

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Item Requested	*How Many*	*Unit Cost*	*Amount*
Computer Workstation	*2 ea.*	*$2,500*	*$5,000*
Fax Machine	*1 ea.*	*600*	*600*
		Total	*$5,600*

Sample Justification

Provide complete justification for all requested equipment, including a description of how it will be used in the program. For equipment and tools which are shared among programs, please cost allocate as appropriate. States should provide a list of hardware, software and IT equipment which will be required to complete this effort. Additionally, they should provide a list of non-IT equipment which will be required to complete this effort.

E. Supplies

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

Sample Budget

Supplies

Total $______
Exchange Establishment Grant $______
Funding other than Establishment Grant $______
Sources of Funding___________________________

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

Sample Justification

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

F. Travel

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

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

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

Sample Budget

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

Total $______

Exchange Establishment Grant $______

Funding other than Establishment Grant $______

Sources of Funding____________________________

In-State Travel:

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

Sample Justification

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

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Sample Budget
Out-of-State Travel:

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

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

G. Other

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

Sample Budget
Other

Total $______
Exchange Establishment Grant $______
Funding other than Establishment Grant $______
Sources of Funding____________________________

Telephone
($ ___ per month x ___ months x #staff) = *$ Subtotal*
Postage
($ ___ per month x ___ months x #staff) = *$ Subtotal*
Printing
($ ___ per x ___ documents) = *$ Subtotal*
Equipment Rental (describe)
($ ___ per month x ___ months) = *$ Subtotal*
Internet Provider Service
($___ per month x ___ months) = *$ Subtotal*

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

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H. Contractual Costs

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

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

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

I. Total Direct Costs $________

Show total direct costs by listing totals of each category.

J. Indirect Costs $________

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

Sample Budget

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

Personnel $
Fringe $
Travel $
Supplies $
Other$____________
Total $ x ___% = Total Indirect Costs

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

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REQUIRED REPORTING INFORMATION FOR CONSULTANT HIRING

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

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

REQUIRED INFORMATION FOR CONTRACT APPROVAL

All contracts require reporting the following information to HHS.

1. Name of Contractor: <u>Who is the contractor?</u> Identify the name of the proposed contractor and indicate whether the contract is with an institution or organization.
2. Method of Selection: <u>How was the contractor selected?</u> State whether the contract is sole source or competitive bid. If an organization is the sole source for the contract, include an explanation as to why this institution is the only one able to perform contract services.
3. Period of Performance: <u>How long is the contract period?</u> Specify the beginning and ending dates of the contract.
4. Scope of Work: <u>What will the contractor do?</u> Describe in outcome terms, the specific services/tasks to be performed by the contractor as related to the accomplishment of program objectives. Deliverables should be clearly defined.
5. Method of Accountability: <u>How will the contractor be monitored?</u> Describe how the progress and performance of the contractor will be monitored during and on close of the contract period. Identify who will be responsible for supervising the contract.

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6. Itemized Budget and Justification: Provide an itemized budget with appropriate justification. If applicable, include any indirect cost paid under the contract and the indirect cost rate used.

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H. Appendix H: Guidance for Preparing Budget Request By Exchange, Administrative and Associated Activities

INTRODUCTION

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

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

Exchange Activities:

1. Legal Authority and Governance
2. Consumer Engagement and Support
3. Eligibility and Enrollment
4. Plan Management
5. Financial Management

Administrative Activities

6. Organization and Human Resources
7. Technology
8. Finance and Accounting

Associated Activities (operate in and outside of the Exchange)

9. Risk Adjustment
10. Reinsurance
11. Quality

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

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

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

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6. Assumptions or other narrative

Sample:
Exchange Activity: Plan Management
1. Total Cost: $250,000
2. Amount of cost that is fixed and/or variable: 60% fixed; 40% variable (based on numbers of meetings)
3. Amount of Cost by Object Class Code (OCC) (Personnel, contractual, equipment, travel, other, etc)-If contractual, include % by OCC of those costs).

Dollar amount of personnel
Dollar amount contractual (90% personnel; 10% space)
Dollar amount travel
Dollar amount other (supplies, flyers, etc)

4. Percent of costs being requested by this cooperative agreement application; 100%
5. Identify the percentage of costs being requested by another source (indicate that source(s)): 0
6. Assumptions or other narrative; Assume six staff working on this function at 100% time for six months.

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I. Appendix I: Federal Procurement Requirements for Grantees

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

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

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

Responsibility

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

Simplified Acquisition

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

Avoiding Conflicts of Interest

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

Contracts Pre-existing to the Grant Award

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

- The awarding office has been made aware of this situation either at the time of application or through post-award notification.

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- The contract was solicited and secured in accordance with Federal procurement standards.
- The recipient has a legal commitment to continue the contract for its full term.

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

Factors that should be considered when selecting a contractor are:

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

Contracts will be normally competitively bid unless:

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

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J. Appendix J: Application Check-Off List

REQUIRED CONTENTS

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

- ☐ Forms/Mandatory Documents (Grants.gov) (with an electronic signature)
  - ☐ SF 424: Application for Federal Assistance
  - ☐ SF-424A: Budget Information
  - ☐ SF-424B: Assurances-Non-Construction Programs
  - ☐ SF-LLL: Disclosure of Lobbying Activities
  - ☐ Project Site Location Form(s)
  - ☐ Lobbying Certification Form (HHS Checklist, 5161)
- ☐ Required Letters of Support (Governor and State Medicaid Director, State Insurance Commissioner)
- ☐ Applicant's Application Cover Letter
- ☐ Project Abstract
- ☐ Project Narrative
- ☐ Work Plan and Timeline
- ☐ Budget Narrative
- ☐ Required Appendices
  - ☐ Organizational Chart & Job Descriptions for Key Personnel
  - ☐ Letters of Agreement and/or Description(s) of Proposed/Existing Project

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