



**CT HEALTH INSURANCE EXCHANGE
(d/b/a Access Health CT)
FISCAL YEAR 2013 ANNUAL REPORT**

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Executive Summary

The Board of Directors of the Connecticut Health Insurance Exchange d/b/a Access Health CT, a quasi-public agency, is pleased to submit its Fiscal Year 2013 Annual Report, as required by Connecticut General Statute Chapter 12, Quasi-Public Agencies, Section 1-123(a).

In its second year of operation, our newly established organization has made significant progress in the planning, development, and implementation of a state-based Health Insurance Marketplace for the state of Connecticut.

Our Vision: The CT Health Exchange supports health reform efforts at the state and national level that provide Connecticut residents with better health, and an enhanced and more coordinated health care experience at a reasonable, predictable cost.

Our Mission: To increase the number of insured residents, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

Our Guiding Principles: While building an Exchange requires work across a diverse spectrum of functions and disciplines, we will continue to make sure that all activity is aligned to four simple principles for our organization, each with its own goal and objectives:

(1) Exceptional Consumer Experience

Goal: *Consumer Focus*

Objectives:

- a. Accessibility. AHCT should strive to reduce the number of residents without health insurance and improve access to health care for all residents
- b. Integration. AHCT should be designed to integrate public program information, eligibility and enrollment outreach and operations to ensure maximum healthcare coverage for Connecticut residents and seamless transitions between public programs and the Exchange
- c. Equity. AHCT should work to address longstanding, unjust disparities in health access and health outcomes in Connecticut

(2) Sustainability

Goal: *Long term stability*

Objectives:

- a. Affordability. Access to health care is only possible when it is affordable. Affordability of coverage, within the Exchange and within the state, is essential to improving the state's health care system and economy

- b. Viability. Board decisions should lead to health insurance which is viable for the state and the health care industry as well as for residents
- c. Stability. AHCT should promote solutions that respect existing strengths of our state's health care system and promote stability within the Exchange

(3) Flexibility

Goal: *Responsiveness to change market and social conditions*

Objectives:

- a. AHCT should be nimble and flexible in responding to the quickly changing insurance market, health care delivery system, and general economic conditions in Connecticut, while being sensitive and responsive to consumer demands
- b. Board decisions should be designed to support transformative change in the delivery of healthcare through the collaboration of all constituents in the system

(4) Transparency

Goal: *Open conduct of business*

Objectives:

- a. AHCT is accountable to the public, and its activities should be transparent, its services easily available, and its information easily understandable by the populations it assists
- b. The Board should design its governance arrangements and operations to be the simplest and most open way of delivering its functions, having regard to its vision mission, and principles

Introduction and Background

Access Health CT (AHCT), which is the brand name under which the Connecticut Health Insurance Exchange does business, was created under Connecticut enabling legislation-PA 11-53, effective July 1, 2011"as a body politic and corporate, constituting a public instrumentality and political subdivision of the state" ... that "shall not be construed to be a department, institution or agency of the state." PA 11-53 is codified at CGS 38 a-1080 through 1090.

Prior to the establishment of AHCT, much of the Marketplace planning activity was funded by a Federal establishment planning grant that was awarded to the state of Connecticut on September 29, 2010, by the Department of Health and Human Services (HHS) Centers for Medicare and Medicaid Services (CMS). Based on the State's progress in its planning efforts, HHS awarded a \$6.7M establishment grant to AHCT in August of 2011 to build on the work conducted under the initial planning grant.

On August 2, and August 23, 2012, AHCT, through the State of Connecticut Office of Policy and Management, was awarded a \$1,521,500 amendment to the existing Establishment Grant as well as a second Establishment Grant award of \$107,358,676, respectively, from HHS to further the development

and implementation as well as to stabilize the operations of AHCT during its first year of operations. These funds have allowed AHCT to shape its strategy successfully and meet all necessary development milestones and benchmarks during fiscal year 2013.

Governance

The passage of Connecticut's Public Act 11-53 in June 2011 provided the necessary legal authority and infrastructure to develop a fully-functioning State-administered Health Insurance Exchange. The Act established the Exchange as a quasi-public authority governed by a fourteen (14) member Board of Directors. Lieutenant Governor Nancy Wyman was appointed chair of the Exchange Board of Directors.

In June 2012, the Legislature enacted Public Act 12-1 amending CGS 38a-1081, the section of the enabling statute that established the Connecticut Health Insurance Exchange and set out the Exchange's governance structure. The amendments contained in Section 217 and 218 of PA 12-1, brought the Exchange's enabling statute into even closer alignment with Section 1311(d) of the Affordable Care Act (ACA) and with 45 CFR 155.110 (1.2a), 1.2(c), and (1.2(d)). Specifically, the state's HealthCare Advocate who previously was an *ex officio* non-voting member of the Board, became an *ex officio* voting member of the Board (PA 12-1, Section 217 (b)(1)(H)). In addition, Section 217 (b)(2)(A) through (b)(2)(C) clarified certain conflict of interest restrictions on Board members, while, Section 218 clarified certain conflict of interest restrictions applicable to Exchange employees.

Under CGS 38a-1084, Duties of the Exchange, the Exchange is specifically directed to establish and operate a Small Business Health Options Program (SHOP) Exchange (subsections 13 and 14) through which qualified employers may access coverage for their employees. In addition, under CGS 38a-1084 subsection (3), the Exchange is directed to implement procedures for the certification, recertification, and decertification of health benefit plans as qualified health plans using guidelines established under Section 1311 of the ACA and section 38a-1086. Under Qualified Health Plans, CGS 38a-1085(a), the Exchange is required to make qualified health benefit plans available to qualified individuals and qualified employers for coverage beginning on or before January 1, 2014.

AHCT staff has worked in tandem with its Board of Directors to ensure that the governance structure is in compliance with the Affordable Care Act (ACA) and any and all relevant state and Federal regulations. Since first convening in September 2011, the Exchange Board has met monthly and primarily focused on Exchange strategy and policy development, vendor procurement, research activities, the hiring of an experienced Exchange leadership team, and the development of the Exchange's Qualified Health Plan (QHP) requirements. During Fiscal Year 2013, AHCT's focus has shifted to implementation, system integration, plan management, marketing, and financial management, in preparation for the beginning of open enrollment in October of 2013. The legal authority and governance structures have largely remained in place, and have facilitated this shift in focus.

The Connecticut Health Insurance Exchange first adopted Bylaws in January 2012. The Bylaws mirror the provisions in the law with respect to the appointing authority or *ex-officio* status of board members and the required expertise and terms of office of the board members. The Bylaws also mirror the law with respect to Board officers and the requirement that all appointed Board members take an oath

before serving. Finally, the Bylaws establish three standing committees: Finance, Audit, and Human Resources and allow the Board to establish such other *ad hoc* committees as it requires. The Board may delegate to any standing or *ad hoc* committee such Board powers, duties, and functions falling within that committee's area of cognizance that the Board deems appropriate.

Throughout Fiscal Year 2013, AHCT has continued to focus on and monitor future updates and changes to the ACA, or any other applicable Federal and/or State laws, regulations, and guidance for any required changes to the legal authority and governance of the Exchange as required.

Fiscal Year 2013 in Review

Connecticut has made significant progress in the development, establishment, and implementation of the Connecticut Health Insurance Marketplace in Fiscal Year 2013. It was a year which built upon the work conducted under both the initial Planning Grant awarded by CMS in 2010, and the Level I Establishment Grant awarded by CMS in August of 2011. This year has been a tremendous transition year from one of planning and organizational development to one of program and systems development and implementation.

In August Of 2012 the State of Connecticut was awarded a \$107.3 million Level II Establishment Grant. These funds have allowed AHCT to further its development, design, and build of a Health Insurance Marketplace through the hiring of additional staff and consultants to manage the activities related both to the development and on-going operations of the Health Insurance Marketplace through calendar year 2014. A substantial portion of these funds has been used to develop an IT system that facilitates critical functionality including eligibility, enrollment, and information exchange among individual consumers, employers, insurance carriers, and state and Federal government agencies.

During Fiscal Year 2013, AHCT has worked diligently to ensure the necessary financial processes and procedures were developed and implemented in order for AHCT to assume management responsibility for all grant funds. In October, 2012, AHCT filed a Grantee change application to change the grantee on the Level One and Level Two grants from the State of Connecticut's Office of Policy and Management (OPM) directly to AHCT. AHCT received approval through issuance of new establishment grants in December, 2012.

The recruitment, selection, and on-boarding of additional members of the Executive Leadership Team, including Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and Chief Information Officer were a top priority early in the fiscal year. AHCT's exceptional executive leadership staff assembled has ensured great strides in organizational and operational development and system implementation.

During the Fiscal Year 2013 legislative session of the Connecticut General Assembly, legislation was passed which altered the composition of the AHCT Board of Directors, established assessments and fees to fund operations, and transferred the All-Payer Claims Database to AHCT.

The All-Payer Claims Database (APCD) was originally established by PA 12-166 as part of the Office of Health Reform and Innovation (OHRI). The APCD, and the entity which manages it, will collect, store, analyze, and release health insurance claims data from public and private payers of health claims within the state of Connecticut. PA 13-247 eliminated OHRI and transferred responsibility for the APCD to AHCT. Currently, AHCT is drafting policies and procedures to govern the APCD, and will procure a data management vendor to perform various functions of the APCD.

With the completion of AHCT's initial phase of consumer and stakeholder outreach in Fiscal Year 2012, AHCT's marketing team has focused on development and implementation of its second phase of outreach efforts in Fiscal Year 2013, including the finalization of a Go-To-Market Plan. This marketing plan was a crucial phase in the Exchange's development, as plan implementation and successful execution will be crucial to the success of the initial open enrollment period.

AHCT's established Go-To-Market Plan has resulted in the deployment of numerous customer outreach and assistance channels, and to that end, AHCT designed and implemented comprehensive Navigator and In Person Assister programs in 2013. AHCT worked closely with the Office of the Healthcare Advocate (OHA) in support of these state-wide consumer assistance programs.

On February 14, 2013, AHCT was awarded an additional Federal Grant in the amount of \$2,140,867 for the development and implementation of the In-Person Assister Program. Through a partnership with the State of Connecticut's Office of the Healthcare Advocate, the implementation of this program will provide hands-on assistance directly to the uninsured individuals seeking health insurance coverage via AHCT during the initial open enrollment timeframe.

From a technical solution standpoint, 2013 was a year for system design and development in preparation for AHCT's readiness to move to system implementation and testing. To that end, AHCT conducted a streamlined and thorough vendor selection process for its system integrator partner, Deloitte. It was determined that selecting a system integrator with experience working with Connecticut's Department of Social Services (DSS) and with the Connecticut Bureau of System Technology (BEST) was necessary to reduce overall system development risk. In addition, it was imperative for the chosen system integrator to have experience working with other states in the development of both health insurance exchanges and Integrated Eligibility system solutions in order to ensure a fully-functioning technical solution ready for the marketplace in October 2013. Deloitte met these stringent criteria and was swiftly engaged and on-boarded in early October of 2012.

As required by CMS, AHCT submitted its Blue Print Application Package with all applicable attestations and overall work plan in October 2012. Based on this submission, AHCT received conditional approval from CMS on December 7, 2012, as a state-based Exchange for the plan year 2014.

Operationally in Fiscal Year 2013, AHCT has focused its activities on the finalization and Board approval of health plan designs and on operational policies, programs, and business process outsourcing vendor selection. Vendor partners were selected and procurements were conducted for major operational support including call center operations and the Small Employee Health Options Program (SHOP) marketplace implementation.

Specifically, in October of 2012, AHCT issued a Request for Proposal (RFP) to qualified vendors capable of supporting a health insurance exchange call center. The RFP achieved a strong response rate with seven (7) vendors responding to the RFP, including vendors providing business process outsourcing (BPO) solutions. MAXIMUS, the selected Call Center vendor was on-boarded in mid-February 2013.

In December of 2012, AHCT issued a Small Business Health Options Program (SHOP) RFP to qualified vendors capable of supporting the implementation of a SHOP Marketplace. Ten vendors submitted "Intent to Propose" forms, and three formal proposals were received in Mid-January 2013. After an extensive evaluation of proposed solutions, AHCT awarded the SHOP contract to New York Health Purchasing Alliance, Inc., d/b/a Healthpass New York in April of 2013. Healthpass will be operating in Connecticut as "Access Health CT Small Business." Healthpass has partnered with the Chicago technology firm, bswift, for its system solution.

Lastly, it is important to note that AHCT furthered its many partnership activities with other Connecticut state agencies, specifically with the Connecticut Insurance Department (CID), Department of Social Services (DSS), Office of Policy and Management (OPM), and the Office of the Healthcare Advocate (OHA) in order to further AHCT's mission, vision, and guiding principles.

Consumer and Stakeholder Engagement and Support Efforts

AHCT understands the critical importance of employing numerous customer outreach and assistance channels and, as a result, implemented a comprehensive Navigator program in Connecticut. The Exchange finalized its Navigator Program Design, and received approval from the Board of Directors and the Brokers, Agents & Navigators Advisory Committee. The Program Design included the framework for Navigator and In-Person Assister training and certification, as well as the general guidelines for the Navigator and In-Person Assister roles. AHCT worked closely with the Office of the Healthcare Advocate (OHA) in order to adequately support its network of Navigator and In-Person Assister organizations and the RFP review process, and finalized a Memorandum of Understanding (MOU) in early 2013 to officially establish that collaborative relationship.

AHCT also recognizes the importance of outreach to Connecticut's American Indian population. There are two federally recognized tribes in the state: the Mohegans (1,700 members) and the Mashantucket Pequots (800 members). AHCT finalized its Tribal Consultation Plan and Policy to govern its engagement with the Mohegan Indian Tribe of Connecticut and the Mashantucket Pequot Tribe of Connecticut. This policy was approved by the Exchange Board of Directors in November, 2012, and AHCT has nominated a staff member to serve as Tribal Liaison in future interactions.

Important to note, there is a lack of consumer knowledge about the ACA and about the State Based Marketplaces which has resulted in a need for unplanned messaging and consumer education on the ACA, its benefits, and how it will work. Through our local research, it was determined that the vast majority of Connecticut residents were not even aware of the ACA's existence, nonetheless understood its benefits and what was and will be available to them under the law, thus requiring this extensive marketing & outreach campaign. As a result, a great deal of AHCT's marketing focus in Fiscal Year 2013

is to make up for this gap in consumer awareness through state-wide education and implementation of a robust go-to-market plan.

Throughout Fiscal Year 2013, AHCT conducted more than fourteen (14) town hall-style events in various Connecticut cities called "Healthy Chats." The events generated a wealth of dialogue concerning health reform and Exchange implementation in the state and nationally. The Healthy Chats were hosted by a moderator from NBC television and a panel of experts that included AHCT CEO Kevin Counihan, members of the Exchange's Board of Directors and Advisory Committees, and members of various professional stakeholder entities. These events were followed up with seventy-five (75) additional targeted outreach and education presentations, using the Healthy Chat format in fiscal year 2013. Specifically, AHCT conducted several Business to Business Healthy Chats focusing on small businesses, unions and broker education; as well as specific outreach to community-based organizations that currently work with many uninsured residents in CT.

Following new rules released by CMS/CCIIO, AHCT developed a comprehensive plan for the In-Person Assistants (IPA) program which followed the design approved by the Board of Directors for the Navigator program. To support that program, AHCT applied for a Federal Grant to fund the IPA program and was awarded this grant by CMS in February of 2013. Upon award of the IPA grant, AHCT issued RFPs for both Navigator and In-Person Assistant organization. AHCT received an overwhelming response to both the Navigator and In-Person Assistant RFPs. For the Navigator program, AHCT received twenty-six (26) applications. For the In-Person Assistant program, four hundred (400) applications were received, which represented seven hundred (700) individual grant funding requests. Applications have been reviewed and local grant awards are planned for the late summer of 2013.

June 2013 marked the beginning of AHCT's media activity for the year. As AHCT heads towards open enrollment, it will be conducting a full scale media branding and awareness campaign throughout the summer utilizing TV, radio, newspaper, billboards, and online advertising elements. This activity will be set against the backdrop of substantial in-person outreach in the months ahead as AHCT attends more than 30 summer festivals, 20 health fairs, and establishes a branded presence at CT beaches and key retail locations. The combination of these outreach elements ensures that AHCT raises broad media awareness across the state, while also reinforcing the direct interactions with potential customers.

AHCT has expanded its television presence, beyond the NBC-CT station, to ensure it reaches as many residents as possible. The first of three television spots aired on all of the major networks in Connecticut on June 18, 2013 and sought to reinforce the friendly, approachable and helpful brand identity that AHCT is building, while promoting a few of the key value propositions for consumers such as potential savings on premiums, and access to name brand health insurance coverage.

In addition to television ads, AHCT launched additional summer media activity in June:

- Banner ads on select web and mobile sites
- 30-second radio spots (using much of the same language as the TV spot)

- Newspaper ads in the Sunday supplement section of the Hartford Courant and New Haven Register
- Billboard placement in Hartford, New Haven and Bridgeport

A search engine optimization (SEO) campaign was implemented in order to increase website visibility and brand awareness while driving more targeted visitors to the site. Media placement and performance will be monitored closely, with the goal of adjusting the schedule in real time to achieve optimal efficiency.

Technology

The Exchange and Connecticut's Department of Social Services (DSS) have partnered to develop an integrated eligibility and enrollment system plan. This partnership has ensured coordinated planning and procurement that enables the state to maximize federal grant dollars in the development of the dual eligibility system. In addition, this joint effort maximizes reuse and the sharing of technical resources and vendors to establish an integrated eligibility system within the very compressed timeline required by the ACA.

Connecticut is fully committed to implementing a technology solution for use by both AHCT and DSS. This shared technology for the Exchange, Medicaid, and CHIP eligibility determination is anticipated to serve as the core of an integrated eligibility platform that will eventually support all HHS agencies and their associated social services benefit programs. DSS is leveraging this unique opportunity to replace its antiquated Eligibility Management System (EMS). The State plans a phased implementation for other HHS programs following the Exchange and Medicaid/CHIP roll-outs.

Connecticut's planned integrated eligibility initiative will provide the core functional and technical requirements for eligibility determination for Exchange participation (e.g., advance payment of premium tax credits and cost-sharing reductions), in addition to state Medicaid and CHIP eligibility determinations. This integrated eligibility platform (i.e. shared eligibility service), once designed, developed and implemented, will provide a seamless eligibility and enrollment process for the Exchange, Medicaid and CHIP.

During this fiscal year, DSS and the Exchange continued to utilize the joint Program Management Office (PMO) approach to facilitate an overall strategic integration approach to manage the implementation of both the Exchange and Integrated Eligibility System. The PMO is comprised of project managers, staff consisting of program area leads, and subject matter experts in program and policy, IT, compliance, security, and legal support. The PMO is responsible to ensure adherence to data management and security standards, including Federal Hub data transfer interface, and system privacy and security compliance.

In late 2012 and into early 2013, Deloitte initiated design confirmation sessions with key stakeholders from the state of Connecticut, including public advocacy representatives. Deloitte presented draft design documents and screen mock-ups to illustrate the proposed solution. The purpose of these sessions was to confirm that Deloitte's design met the confirmed requirements, to garner feedback from

the key stakeholders on the draft of the proposed solution, and to discuss and finalize any outstanding design questions. These design confirmation sessions concluded in January of 2013.

In March of 2013, the System Integrator and AHCT submitted a detailed technical design deliverable for the AHCT system. This deliverable which included details on the system architecture components, the data base components, middleware components, security architecture, and the integration architecture components, was submitted to the Centers for Medicare & Medicaid Services (CMS) in support of the Final Detailed Design Review (FDDR) held on March 27, 2013. AHCT shared proposed metrics and measurements to be used to track Marketplace performance once operational. Based on this FDDR, CMS recognized Connecticut for its strong operational progress to date, including the following key achievements: securing a call center vendor, finalizing the Qualified Health Plan (QHP) contract and solicitation, issuing a Request for Proposal (RFP) for Navigator and In Person Assistants, participating in a CMS Security Review, and completing Wave 1 of the federal Hub testing.

In May 2013, AHCT was selected to enter Wave 3 Testing with the Federal Data Services Hub (FDSH) to test the underlying FDSH services via the application and has since also participated in Wave 4 Testing. In addition to FDSH testing, AHCT also successfully performed System Integration Testing (SIT), User Acceptance Testing (UAT), and Performance Testing.

Plan Management Activities

Throughout Fiscal Year 2013, AHCT established manual and automated processes, policies, and procedures to effectively implement a successful Qualified Health Plan (QHP) certification process for insurance carriers.

Development of manual Plan Management processes included:

- Review and evaluation of the QHP application for QHP certification;
- Notifying issuers on QHP certification requirements
- Drafting and development of an issuer appeal process;
- Monitoring and compliance activities of issuers and plan designs; and,
- Development of a state specific standard for Essential Community Providers (ECPs) and a monitoring standard

Development of automated Plan Management processes included:

- Collection of carrier and plan information;
- Loading, updating and accessing of QHP issuer information;
- Loading, updating and accessing plan design, benefit and cost sharing data;
- Recording plan accessibility when a plan closes or re-opens enrollment during the calendar year or plan year;
- Displaying quality ratings from NCQA or URAC, and Displaying PDF documents (summaries of benefits and coverage, the Evidence of Coverage (EOC) or Certificates of Coverage (COC) and Schedule of Benefits (SOB).

AHCT issued the initial Solicitation to Health Plan Issuers for participation in the Individual and Small Business Health Options Program (SHOP) Exchanges on December 13, 2012 and on April 6th 2013 a final Amendment to that Solicitation. The purpose of the Solicitation was to encourage health insurance issuers within the state to market and sell qualified health plans (QHPs) through the AHCT Marketplace beginning October 2013.

The Solicitation and Amendment defined plan compliance requirements for issuers' participation in both the Individual Exchange and the Small Business Health Options Program (SHOP) Exchange for medical. In addition, the document referenced a response deadline communicated to AHCT in the form of a Non-binding Notice of Intent to Submit Qualified Health Plans. This notice advised AHCT of each issuer's interest to participate in the marketplace. The table below summarizes the number of responses received by AHCT in early 2013.

	Individual Medical	SHOP Medical	Individual Dental	SHOP Dental
Total	4	4	1	2

Beginning in January 2013, Plan Management activities have included regularly scheduled weekly sessions with insurance carriers. These meetings are often in the form of webinars, conference calls, and in person working sessions. These are work group meetings in order to provide and facilitate the exchange of information as it relates to ACA requirements, AHCT, QHP certification, and general procedural guidelines. These sessions were well received by the carriers as demonstrated by the attendance and level of participation. On average approximately 30-50 representatives from the various medical and dental carriers in the State participated.

AHCT released its QHP applications in May of 2013 for carriers seeking Exchange Marketplace certification. AHCT received responses from seven carriers seeking certification.

Financial Summary

During fiscal year ended June 30, 2013, grant revenue was the only revenue source for AHCT. The investment for the development of the State Exchange is entirely funded from Federal grant dollars awarded. This Federal investment is expected to cover all development, start-up, and ongoing operating expenses until AHCT begins generating revenues from the operation of a fully-functioning state Health Insurance Marketplace beginning in October, 2013. The availability of Federal grant revenue ends December 31, 2014.

In May of 2013, the AHCT Board of Directors adopted a policy to acquire operating funds by charging a market assessment and/or user fees from health insurance carriers. The policy provides AHCT with a broad basis for achieving financial sustainability beginning in calendar year 2015.

During Fiscal Year 2013, AHCT successfully transitioned the financial management function from the Connecticut Office of Policy and Management (OPM) to AHCT as a stand-alone quasi- public entity. While AHCT leveraged OPM's infrastructure and processes to manage grant funds in fiscal year 2012,

AHCT worked diligently to ensure the necessary financial processes and procedures were developed and implemented in order to assume management and administrative responsibility for all grant funds. AHCT finalized and filed a Grantee Change Application consisting of seven (7) artifacts with HHS in October of 2012, and received approval by HHS through the reissuance of the establishment grants directly to AHCT in December of 2012.

In June of 2013, the Finance team developed and implemented a formal Vendor Management Program with enhanced procurement guidelines and procedures. As part of that process, a purchase order process was automated.

AHCT's independently audited FY 2013 financial statements are included in **Appendix A** as follows:

1. The Statement of Net Position (Balance Sheet);
2. The Statement of Income, Expenses, and Changes in Net Position; and
3. The Statement of Cash Flows

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used, similar to private industry. Income is recorded when earned, and expenses are recorded when incurred.

The Statement of Net Position presents information on AHCT assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of AHCT is improving or deteriorating.

The Statement of Income, Expenses and Changes in Net Position reports income and expenses of AHCT for the fiscal year. The difference - increase or decrease in net assets - is presented as the change in net assets for the fiscal year. The cumulative differences from inception forward are presented as the net assets of AHCT, reconciling to total net assets on the Statement of Net Position.

The Statement of Cash Flows presents information showing how AHCT cash and cash equivalent positions changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from cash provided by operating activities and cash used for capital assets and related financing activities. The net result of those activities is reconciled to the cash balances reported at the end of the fiscal year. This statement is prepared using the direct method, which allows the reader to easily understand the amount of cash received and how much cash was disbursed.

Human Resources Summary

AHCT continued its progress to create a sustainable workforce with the knowledge, skills, and abilities to ensure a successful business launch and the readiness to operate a fully functioning insurance Marketplace. AHCT leveraged the Federal Establishment Grant funding to staff core positions and to:

- Establish an organizational structure and leadership roles

- Assess and analyze business operations and IT systems
- Assess consumer support capabilities and requirements
- Provide market research and strategy development

In Fiscal Year 2013, AHCT's focus has shifted from these planning activities to the hiring of key personnel in support of the design, development, and implementation of a fully functioning Health Insurance Marketplace. Staffing expanded at a rapid pace, beginning the fiscal year with Nine (9) employees and ending the fiscal year with fifty (50) employees, which equates to approximately a 550% increase in staffing in one year's time. As a result, and in addition to the staffing component, AHCT has implemented many human resources policies and procedures, a robust employee training program, and a comprehensive employee benefits package.

Affirmative Action Policy Statement

On January, 27, 2012, the Exchange Board of Directors approved the following policy:

The Connecticut Health Insurance Exchange ("Exchange") is an equal employment opportunity and affirmative action employer, dedicated to the policy of nondiscrimination in employment on any basis prohibited by law. The Exchange is committed to providing equal employment and advancement opportunities without consideration of race, color, religious creed, age, sex, sexual orientation, gender identity or expression, marital status, national origin, ancestry, veteran status, mental retardation, genetic information, disability, or other legally protected status, unless there is a bona fide occupational qualification under applicable Connecticut statute excluding persons in one of the foregoing protected groups. Additionally, the Exchange will take affirmative action to ensure workplace equality, avoid all forms of discrimination, and develop a workforce that is representative of all segments of the population.

AHCT continues to utilize affirmative action measures at all stages of the employment process and notifies all recruiters, consultants, prospective candidates, and employees that "The Connecticut Health Insurance Exchange is an "Affirmative Action/Equal Employment Opportunity Employer" and shall broadly disseminate this policy by posting it on its website, bulletin boards, and other locations accessible to employees and potential candidates for employment. AHCT continues to recruit highly qualified female and minority applicants who apply for each vacancy with the result being a fiscal year end workforce, which was 28% other than white (including Hispanic, African-American, and Asian), as well as 64% female.

AHCT is also committed to equal opportunities for its employees with regard to all employment practices, including but not limited to compensation, benefits, training, promotions and discipline. All personnel decisions are strictly based upon the needs of AHCT and an employee's job-related skills and abilities. Consistent with its commitment to equal opportunity, the AHCT expects that all employees shall adhere to its policy of nondiscrimination. AHCT is equally committed to ensuring non-discrimination in all of its programs and initiatives.

Employees are advised in the Employee Handbook, which was updated in August 2013, to bring complaints regarding discrimination or any other violation of this policy to the immediate attention of the designated Equal Employment Opportunity (EEO) / Affirmative Action Officer. Alternatively, employees may submit discrimination complaints to their supervisor. Complaints brought under this policy will be promptly investigated. Any employee, who violates this policy or knowingly retaliates against an employee reporting or complaining of a violation of this policy, shall be subject to immediate disciplinary action, up to and including discharge.

AHCT is committed to ensuring that all contractors who do business with it provide equal opportunities in employment without regard to legally protected status. The participation of minority business enterprises meeting the qualifications established by applicable regulation shall also be solicited and encouraged. All bidders, contractors and suppliers will be notified regarding this policy and all contracts for services or materials must include a statement in which the contractor agrees to abide by affirmative action and nondiscrimination principles.

The EEO/Affirmative Action Officer shall monitor compliance with this policy, including but not limited to maintaining data with regard to the hiring and promotion of women and minorities, and shall regularly report on these matters to the Chief Operating Officer (COO), CEO and the Board of Directors. All managers shall be responsible for administering and complying with this policy within his or her respective departments. The COO, CEO and the Board of Directors will provide any necessary guidance in carrying out this policy and any changes or modifications which may be necessary. In accordance with Connecticut General Statutes § 1-123, the Board of Directors' annual report to the Governor and Auditors of Public Accounts shall include this affirmative action policy statement, a description of the Exchange's work force by race, sex and occupation, and a description of affirmative action efforts.

Workforce Composition

At the end of fiscal year 2013, AHCT had 50 employees; 43 permanent employees and 7 durational employees. Appendix C (herein) provides a more detailed description of workforce composition by department.

FY 2013 Affirmative Action Efforts

In January 2012, AHCT developed and the Board approved an Equal Employment Opportunity and Affirmative Action policy. AHCT is very committed to this policy with regard to recruitment and promotional opportunities. State wide advertisement of all new staff positions are posted electronically on the state's CT.gov and Department of Labor (DOL) websites, as well as AHCT's own website. These websites reach a broad range of diverse candidates. In addition, AHCT continues to utilize recruitment agencies that routinely search for diverse candidates.

In FY 2013, a new human resource policy was adopted by the Senior Leadership Team of AHCT detailing a newly structured Paid Time Off benefit, which was effective for all employees hired after July 1, 2013. This policy will become effective for all prior employees as of January 1, 2014. The policy provides for

vacation and sick time to be pooled with each employee receiving 23 paid days off each calendar year to be used as needed, and as approved by departmental managers.

Planned Activities for Fiscal Year 2014

While there are still development, system testing, and implementation efforts to be finalized, Fiscal Year 2014 will be a tremendous transition year from one of development and implementation to operations and organizational sustainability. It will be a year in which AHCT will become an operational business enterprise. To that end, AHCT will develop a business strategy in Fiscal Year 2014 to include an analysis of employee competencies needed to support an active, progressive, and sustainable business, as well as to create an organization that emphasizes efficiencies, while maintaining effectiveness.

Most importantly, AHCT will become operational on October 1, 2013, when it will open for business for the first time. Therefore, it is paramount that the organization continues to develop and implement all systems, processes, and procedures necessary to ensure operational readiness for that "Go-Live" date. All early Fiscal Year 2014 efforts will be focused on that effort.

From a technology perspective, Fiscal Year 2014 will be focused first and foremost on a functioning integrated eligibility system, and then immediately shift to the support of required system updates and fixes, as well as anticipated system enhancements. Future system releases are planned throughout the year.

From a plan management perspective, final certification of QHP plans and carrier contract negotiations will be a major focus through the summer and early fall of 2013, in anticipation of the October 1, 2013 open enrollment start date. Once operational, plan management's focus will be on supporting all stakeholders including consumers and small business employers, the carriers, and the CID, regarding issues with plans, carrier agreements, and electronic information exchange across all stakeholder organizations.

From an organizational and human resources perspective, AHCT plans to analyze and assess its current functional alignment and staff, evaluate its sustainable business practices, and implement strategic planning in order to assure a knowledgeable and efficient staffing structure going forward. Fiscal Year 2014 is anticipated to be a year of staff reduction as the design and development stage of the organization is phased out and a financially sustainable operational staffing model is introduced. To ensure that AHCT continues to make great strides in its organizational and operational effectiveness, human resources will be integrated into all areas of goal-setting, performance, and employee development.

From a marketing perspective, AHCT will focus on implementation and continued refinement of its Go-To-Market Plan to include waves of advertising and marketplace and consumer outreach training throughout the open enrollment period. Membership in the Exchange is the most important focus of marketing efforts in Fiscal Year 2014. AHCT plans to conduct more "Healthy Chat" events, plans to open two enrollment centers, and will conduct several enrollment fairs throughout the state of Connecticut.

AHCT will also support the training of State licensed brokers and all Navigator and In Person Assister organizations.

In support of operations and long term sustainability, AHCT will also be submitting a new Federal Grant request to CMS to fund known system enhancements as well as to ensure the stabilization of AHCT's first year of operations for adherence to Federal guidance and regulations that were not previously contemplated.

Throughout Fiscal Year 2014, AHCT will continue to monitor future updates and changes to the ACA, or any other applicable Federal and/or State laws, regulations, and guidance for any required changes to the legal authority and governance of Connecticut's Health Insurance Marketplace, and will proactively manage those changes in support of an ACA compliant Marketplace for the consumers of Connecticut.

Appendix A: Connecticut Health Insurance Exchange Fiscal Years Ending 2013 and 2012 Financial Statements

Statements of Net Position

June 30, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 4,994,339	\$ 1,534,341
Accounts receivable	7,342,366	-
Prepaid expenses	1,003,958	25,135
Total current assets	13,340,663	1,559,476
Noncurrent assets		
Software development in progress	16,869,697	1,557,968
Equipment and software, net	7,017,837	38,943
Total noncurrent assets	23,887,534	1,596,911
Total assets	\$ 37,228,197	\$ 3,156,387
Liabilities and net position		
Current liabilities:		
Accounts payable - current	\$ 112,509	\$ 1,081,093
Accrued liabilities	9,773,138	45,622
Refundable advances	30,811	432,761
Total current liabilities	9,916,458	1,559,476
Long term liabilities:		
Accounts payable - long-term	3,424,205	-
Total liabilities	13,340,663	1,559,476
Net position:		
Net position invested capital assets	23,887,534	1,596,911
Total net position	23,887,534	1,596,911
Total liabilities and net position	\$ 37,228,197	\$ 3,156,387

Statements of Revenue, Expenses and Change in Net Position

For the years ended June 30, 2013 and 2012

	2013	2012
Operating Revenues:		
Government grants and contracts	\$ 45,463,090	\$ 3,448,792
Other income	513	-
Total revenues	45,463,603	3,448,792
Operating Expenses:		
Wages	2,734,791	309,049
Fringe benefits	626,199	79,796
Consultants	16,838,212	1,357,315
Equipment	217,628	7,280
Supplies	21,882	4,076
Travel	99,891	17,220
Administration	249,885	67,657
Maintenance	875,491	8,424
Depreciation and amortization	1,509,001	1,064
Total operating expenses	23,172,980	1,851,881
Change in net position	22,290,623	1,596,911
Net position, beginning of year	1,596,911	-
Net position, end of year	\$ 23,887,534	\$ 1,596,911

Statements of Cash Flows

For the year ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Receipts from funding sources	\$ 39,146,801	\$ 3,881,553
Reimbursement of operating costs	817,596	-
Payments to employees	(3,034,893)	(343,223)
Payments to vendors	(19,502,350)	(406,014)
Net cash provided by operating activities	<u>17,427,154</u>	<u>3,132,316</u>
Cash flows from capital and related financing activities:		
Payments for software development in progress	(6,667,335)	(1,557,968)
Purchase of equipment and software	(11,445,032)	(40,007)
Reimbursement of equipment and software, and software development in progress	<u>4,145,211</u>	<u>-</u>
Net cash (used for) capital and related financing activities:	<u>(13,967,156)</u>	<u>(1,597,975)</u>
Net change in cash and cash equivalents	3,459,998	1,534,341
Cash and cash equivalents at beginning of year	<u>1,534,341</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 4,994,339</u>	<u>\$ 1,534,341</u>
Reconciliation of operating income to net cash provided in operating activities:		
Operating income and change in net position	\$ 22,290,623	\$ 1,596,911
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,509,001	1,064
Changes in assets and liabilities:		
Accounts receivable	(11,487,577)	-
Prepaid expenses	(978,823)	(25,135)
Accounts payable - current	(6,655,841)	1,081,093
Accrued liabilities	9,727,516	45,622
Accounts payable - long-term	3,424,205	-
Refundable advances	(401,950)	432,761
Net cash provided by operating activities	<u>\$ 17,427,154</u>	<u>\$ 3,132,316</u>

Appendix B Listing of Outside Individuals/Firms Receiving in Excess of \$5,000.00; FY 2013

A&A Office Systems, Inc.	ING	RL Carey Consulting
Accuvant, Inc.	Informatica Corporation	RM Bradley Management Corporation
ADNET Technologies, LLC	International Business Machines Corp.	Robert Half International, Inc.
Advent Cat Risk	Jeffers Cowherd, P.C.	Scan-Optics LLC
Altura Communication Solutions, LLC	Jeffrey L. Wayand	SHI International Corp.
AmEnde Human Resource Consulting	John Freedman	Shipman & Goodwin LLP
Anthem BCBS of CT CA, Inc.	Josephine Sempere	Shrink IT Systems LLC
CDW LLC	Kardas Larson LLC	SNI Corporation
Connecticut Parking Services Inc.	Kate Celia Busch Gervais	SoftwareONE, Inc.
Dell Marketing LP	KPMG LLP	Sprint Spectrum, L.P.
Deloitte Consulting LLP	Lighthouse Computer Services, Inc.	Stanley M. Stewart
Elmore Associates, Inc.	Linium Staffing, LLC	Strategic Security, Inc.
EMC Corporation	Lockton Companies	Suburban Stationers Inc.
ePlus Technology Inc.	Matthew L. Friedman	Southern New England Telephone
Ergonomic Group, Inc.	Maximus Health Services, Inc.	Susan Rich-Bye
FedEx Office & Print Services, Inc.	MetroHartford Alliance, Inc.	TEKsystems, Inc.
Fibertech Holdings Corp.	Mercury Cabling Systems, LLC	The Go To Group, Inc.
Fitzgerald Associates	Mintz & Hoke	The Travelers Indemnity Company
Frank Ward	New York Health Purchasing Alliance, Inc.	The Tri-Com Consulting Group LLC
Gorman Actuarial, LLC	On-Line Systems, Inc.	Truven Health Analytics Inc.
Grunberg 280 Trumbull, LLC	Oxford LLC	University of Maryland
Hallmark Totaltech, Inc.	Pappas MacDonnell, Inc.	UNUM Life Insurance Company of America
Hartford Parking Authority	Patricia A. Hackett	Verizon Business Network Services Inc.
HES Advisors Inc.	Peoples United Bank	Wakely Consulting Group, Inc.
ICMA Retirement Corporation	Post Reporting Services, Inc	Whittlesey & Hadley, P.C.
	Red Thread Spaces LLC	Wright Line LLC

Appendix C Workforce Analysis as of June 30, 2013

Department	Grand Total	Total Male	Total Female	White Male	White Female	Black Male	Black Female	Hispanic Male	Hispanic Female	Other Male	Other Female
Executive	2	1	1	1	1						
Operation	15	6	9	4	5	1	1	1	3		
IT	5	4	1	3	1			1			
Marketing	11	3	8	3	4		2		2		
Plan Management	6		6		5		1				
Legal	5	2	3	2	3						
Finance	6	2	4	2	2		2				
Total Staff Positions	50	18	32	15	21	1	6	2	5		