Testimony of

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Chairman Jordan, Chairman Lankford, Ranking Member Speier, and Ranking Member Cartwright, and other members of the Oversight and Government Reform Committee, thank you for the opportunity to testify this morning on the Maryland Health Benefit Exchange.

On midnight of March 31, the first open enrollment period closed for the individual market in Maryland and across the country. Our goal had been to sign up -- from January 1, 2014 to this point in time -- 260,000 Marylanders in qualified health plans and Medicaid.

As has been widely reported, Maryland has faced considerable IT challenges in establishing our state-based exchange. On October 1, the system barely worked at all. For weeks, we struggled with a range of software and hardware problems.

But we did not give up.

New IT leadership helped to apply hundreds of fixes that substantially improved the website's performance. We expanded our call center so there were more resources available to citizens trying to enroll. Hundreds of consumer assistance workers across the state spent countless hours helping their friends and neighbors sort through the options.

We now expect not only to hit our enrollment goal but to exceed it by 10% or more. We expect our number of enrollments in qualified health plans to come within 10% of what was predicted by independent experts, and to exceed expectations for Medicaid enrollments. By the time the dust settles, we could see enrollments as high as 290,000 to 300,000.

Maryland's story includes decisions we wish we could make again, failures by multiple vendors, and too many IT frustrations to count.

But Maryland's story is also about an exchange that is a lot more than a website.

As we look to the future, Maryland intends to keep moving forward until the promise of affordable health care is made real for everyone across the state.

In this testimony, I will (1) provide an overview of state-based exchange implementation in Maryland; (2) describe the IT challenges that faced our website; (3) explain how we have tackled these challenges; and (4) close with comments about our next steps.

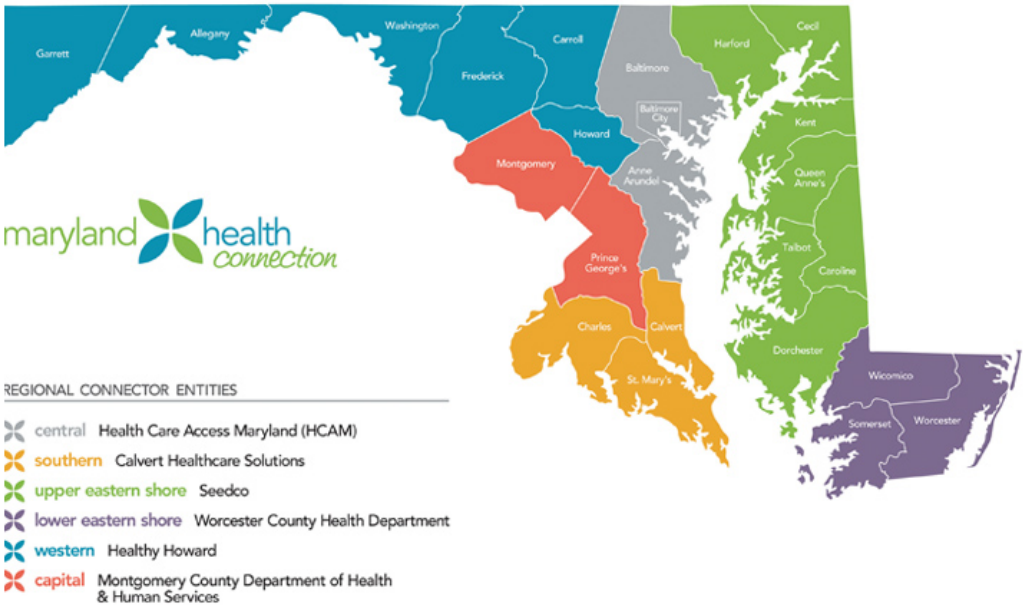
Overview of State-Based Exchange Implementation in Maryland

Maryland's implementation of a state-based exchange began with legislation passed in the 2011 session of the Maryland General Assembly. The initial legislation established the Maryland Health Benefit Exchange as a public corporation with a board of nine members, including three state employees and six selected from the public. In the first year, the exchange worked with the public, including more than 80 stakeholders, to conduct studies related to advertising and marketing, the navigator program, the insurance market, and other topics.

In the 2012 legislative session, a bill passed establishing a policy structure for the state-based exchange. Policies included keeping the individual and small group markets separate, allowing brokers to sell insurance in the exchange, setting market participation rules, and establishing a community-based navigator program.

As a result of these policies:

- More than 2,000 insurance brokers have taken training and are authorized to sell through Maryland Health Connection;
- We have a competitive market, with 4 carriers offering 45 plans. Of these, 11 are bronze, 16 are silver, 12 are gold, 3 are platinum, and 3 are catastrophic. In addition, 8 are PPO, 9 are POS, 20 are HMO, and 8 are EPO;
- We have among the most competitive insurance rates in the nation, with no exclusions for pre-existing conditions as required by law. According to a review by Kaiser Family Foundation, Maryland had the 5th-lowest rates in the country for a single 40-year old choosing a bronze plan, and the 12th-lowest rates for the second lowest-cost silver plan.
- We offer 20 dental plans. In addition, 36 of the medical plans offer embedded pediatric dental benefits;
- We have a website that provides information on physician network for each carrier and MCO offered through Maryland Health Connection; and
- We have a community-based navigator program that involves more than 30 grassroots organizations and public health agencies. (Figure 1).

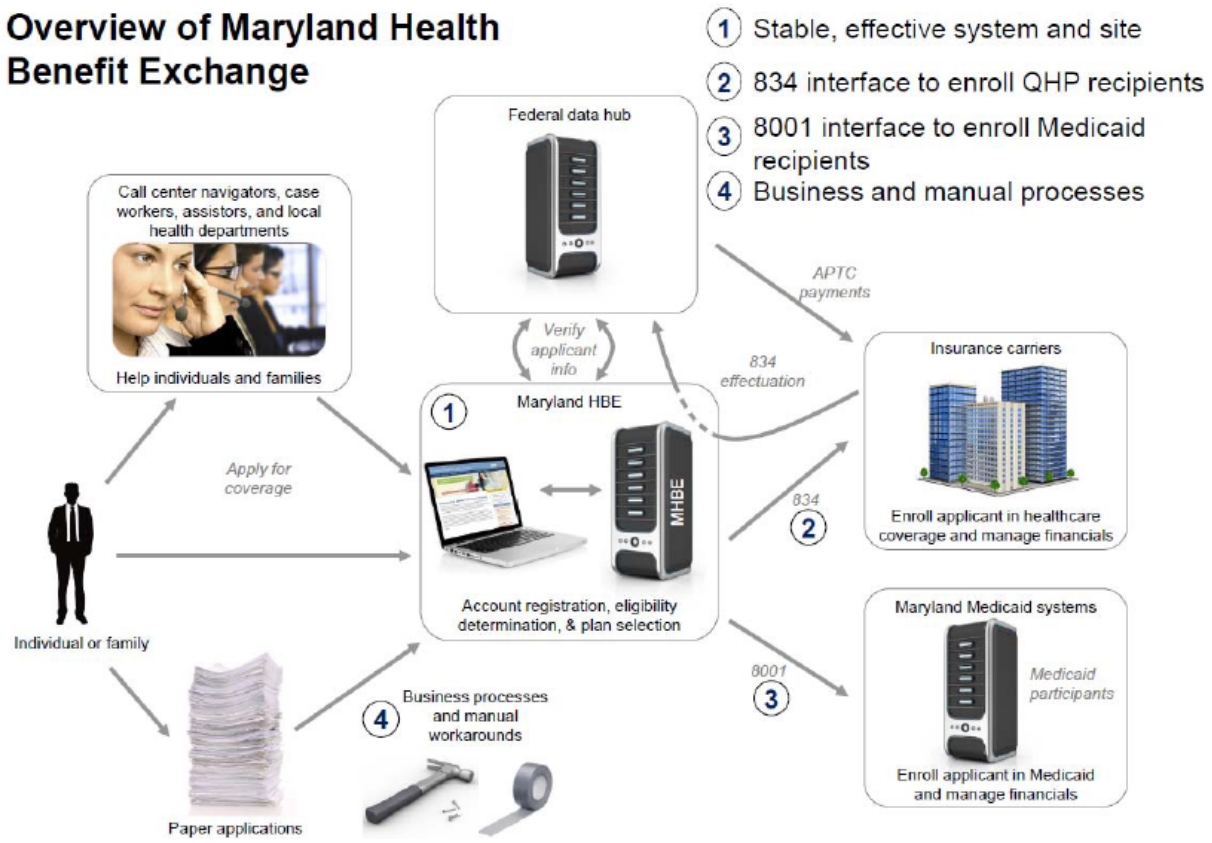


IT Challenges

The Affordable Care Act made a number of important reforms. It changed health insurance rules so that insurance companies will no longer be able to deny coverage to someone because of a preexisting condition, and so that insurance companies cannot drop someone if she gets sick.

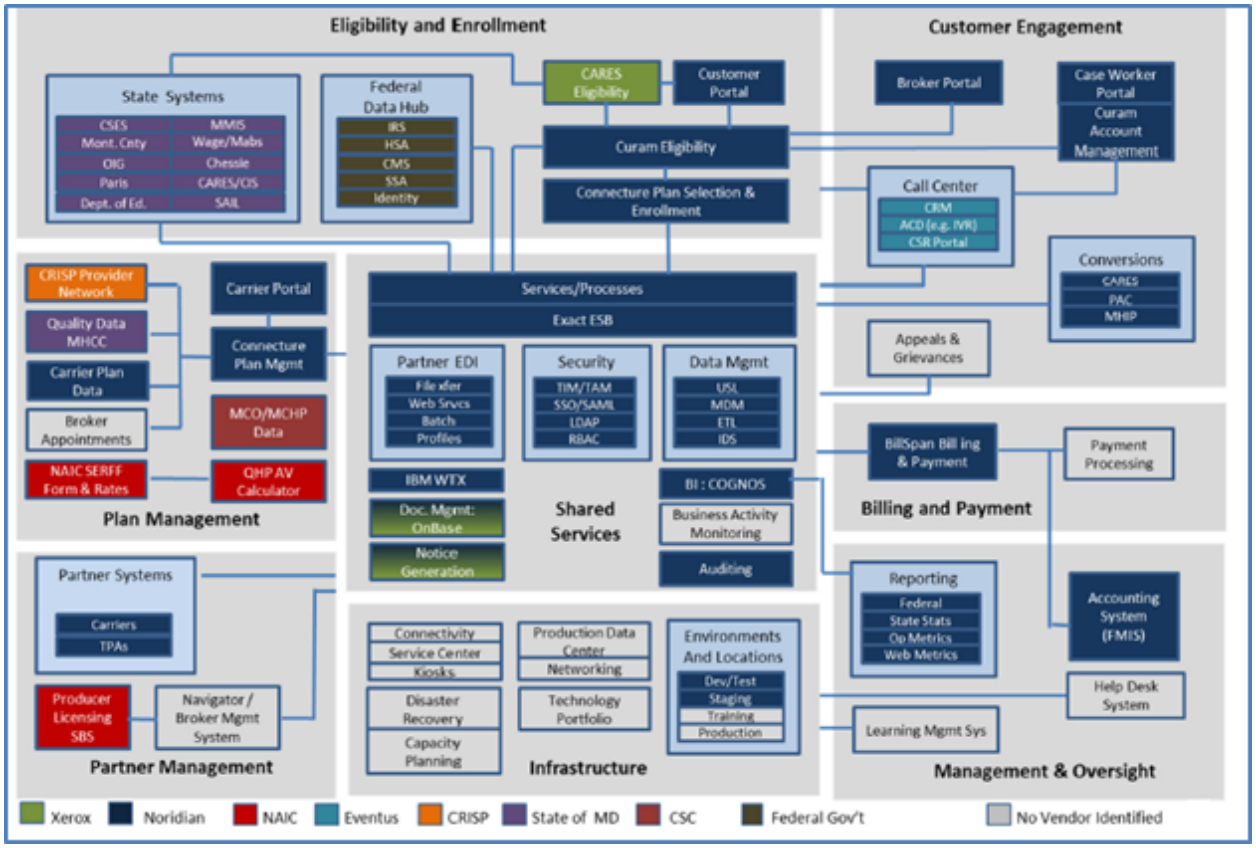
The law also seeks to increase the number of Americans with health coverage. It does this in two principal ways: (1) it expands Medicaid coverage for more citizens, and (2) it provides subsidies to low-income individuals and families to purchase private insurance.

In Maryland, we built the Maryland Health Connection website in order to make both of these steps possible. In addition to allowing Marylanders to shop for health insurance plans, the website is also used to determine whether Marylanders are eligible either to enroll in Medicaid, or to receive financial assistance to purchase private care.



The IT system is not able to make these eligibility determinations on its own. It must interact with a federal information database—called the “federal data hub”—for verifications, and with the Maryland Medicaid Information System for Medicaid enrollment. The website is interconnected with other IT systems as well. It interacts with insurance carriers for plan details, financial management, and coverage; and with consumer assistance organizations to provide access to the call center and others (Figure 2).

This adds up to a complex architecture. (Figure 3) Given this complexity, the IT build was far and away the most challenging aspect of exchange development.



Our path to an IT system began in 2011 with the development of system specifications and a Request for Proposals. We made a few key decisions, which, in retrospect, we wish we would have done differently. For example, we decided to give preference in the procurement to Commercial Off-the-Shelf or COTS products, with the reasoning that this would lower the risk as we would not have to build systems from scratch. We also aimed to fully upgrade our Medicaid eligibility and enrollment software at the same time.

The selection process for the IT vendor began in the fall of 2011 and took several months. The procurement review committee included six people: two from the Department of Health and Mental Hygiene, including our Chief Information Officer; two from the Department of Human Resources, including the CIO; one from the Department of Information Technology DoIT; and the CIO of the Maryland Health Benefit Exchange.

The selection process factored in a number of categories including understanding of the technical challenge, quality of staff and past performance (including reference checks), and meeting system requirements. Each proposal was reviewed independently by evaluation team members, and proposals were then qualitatively rated collectively in 6 full-day and 6 half-day sessions across all evaluation categories.

Based on this review, the team unanimously recommended the bid put together by Noridian Administrative Services, as the strongest technical proposal and a competitive price. A major technology partner to Noridian was IBM, which supplied both hardware and software, including the core COTS product called Curam for eligibility determination. As it turned out, the IBM/Curam product posed among the most serious and persistent problems, leading to challenges across our entire system.

The software development period had ups and downs. After initial concerns were identified, we changed project management approaches and were able to successfully complete an important demonstration of functionality with CMS in June 2013. However, progress over the summer was undermined by a bitter dispute between our prime contractor and one of its subcontractors.

In mid-September, the state leadership considered several options for the website's launch, including a limited launch with account creation only (for people to register with the system, and come back later to actually apply and choose a plan).

Governor O'Malley made the decision to go live on October 1 with several functions, including account creation, eligibility determination, and plan shopping. This decision, which I supported, was based on several factors:

- First, working around the clock, the IT team was able to demonstrate end-to-end function through the plan selection software.
- Second, even if there were glitches at launch, the expectation was that they would be short-lived: Our contractors had assured us that further improvements would be made to the system quickly.
- Third, launching would provide the opportunity to identify and address gaps in the system quickly.

In the days before October 1, the Maryland Health Benefit Exchange disclosed that IT glitches were expected and would be addressed as quickly as possible. The IT team also developed an approach of alerting everyone upon account creation of the potential for problems.

When October 1 arrived, however, the hardware crashed quickly and unexpectedly. Compounding the problem, product upgrades that our vendors assured us could be implemented in a couple of days took weeks to implement. Infighting between our prime contractor and its subcontractor intensified.

The COTS software, including Curam, proved to have multiple, serious defects that could not be quickly remediated. These defects included stuck cases, lost applications, and missing functionality. Some of these key problems remain unresolved.

It was clear that the project faced significant challenges and that change was needed.

Tackling the Challenges

Rather than give up in the face of these serious IT challenges, Maryland tackled them head on. Key steps include:

1. **New Leadership**. In early December 2013, Governor O'Malley asked the Secretary for Information Technology, Isabel FitzGerald, to step temporarily into a full-time role overseeing the IT development for Maryland Health Connection.

2. **A General Contractor.** In mid-December, the Maryland Health Benefit Exchange hired Optum/QSSI, a Columbia, Maryland-based company to serve as the General Contractor. This is the same company that has helped to stabilize healthcare.gov. Optum/QSSI immediately began to assist with project management, provide for manual work-arounds to system issues, and analyze the state's options moving forward. Optum/QSSI took over as prime contractor after the state ended its relationship with Noridian in February 2014.

3. **Critical IT Fixes.** Under Secretary FitzGerald's leadership, the IT team resolved hundreds of issues, including several that were most concerning to consumers. This materially improved the user experience and functionality of the system, and led to a surge of enrollments prior to December 31.

4. **Close Collaboration with Carriers.** In January, we worked with our carriers and the Maryland Insurance Administration to implement a "retroactive eligibility option" for Marylanders who had wanted coverage for January 1 but had run into problems on the website. Hundreds were able to take advantage of this opportunity. The state also created a last resort option for Marylanders through the state-funded high risk pool.

5. **Manual Workarounds.** We also developed a systematic approach to providing manual support for enrollments stuck in the IT system. Several thousand enrollments have been completed through this work-around process.

6. **Elbow Grease by the Gallon.** Our trained consumer assistance workforce has worked exceptionally hard to help Marylanders enroll through the IT system or through one of the available workarounds. In thank you letters, Marylanders have used these adjectives to describe navigators, call center workers, and others who have helped them: "outstanding," "diligent," "life-changing," "professional," "patient," "superb," "exceptional," "dedicated," "refreshing," "personable," "knowledgeable," "experienced," "calm," "pleasant," "informative," and "helpful."

7. **A Strong Finish.** As the end of open enrollment approached, we had several successful enrollment fairs and worked with our carriers to create a way for Marylanders who begin applications prior to March 31 to complete their applications and enroll in coverage for May 1, even if the enrollment process cannot be completed before midnight on March 31.

More Marylanders enrolled in qualified health plans during the last week in March than during the first 10 weeks after October 1.

As a result, we expect that by the time the dust settles, more than 290,000 Marylanders will have have enrolled in coverage since January 1, including more than 60,000 Marylanders in qualified health plans and more than 230,000 Marylanders in Medicaid. Incredibly, given the IT challenges Maryland has faced, this exceeds our initial goals by more than 10%.

Quality and affordable health coverage is providing peace of mind and access to life-saving care to families across Maryland. It is also going to reduce the hidden tax that all of us pay for poorly managed, uncompensated care.

In Maryland, there is a surcharge on every hospital bill in the state related to uncompensated care that institutions provide without a direct source of payment. Last week, the Health Services Cost Review Commission sent me an analysis of the cost of uncompensated hospital care in fiscal year 2013 for approximately 96,000 Marylanders who are now enrolled in Medicaid, but weren't last year.

That amount was $164.4 million.

In 2014, rather than utilize uncompensated care in hospitals, those 96,000 Marylanders will have insurance that provides access to a broad range of outpatient physicians and care coordination that can prevent illness and lower hospital costs -- and at the same time, promote health and productivity.

This data shows just how important the Medicaid expansion is, not only for those who are now covered, but for the long-term affordability of our healthcare system for businesses and families.

FY 2013 Hospital Charges Representing Uncompensated Care for 96,000 Marylanders

Hospital Inpatient	
Inpatient Stays	14,008
Unique Patients	11,784
Charges for Inpatient Stays	$127.2 million
Hospital Outpatient	
Outpatient Visits	42,839
Unique Patients	19,110
Charges for Outpatient Visits	$37.2 million

Source: CRISP analysis of HSCRC case mix data (7/1/2012-6/30/2013) and Maryland Medicaid MMIS enrollment files (2011-2013) provided by the Hilltop Institute. March 2014.

System Security

System security has been a high priority for Maryland. Prior to the the launch on October 1, we reviewed our security policies, safeguards, and procedures with both the Centers for Medicare & Medicaid Services and the Internal Revenue Service; engaged a third party security vendor to perform a security assessment, which included an onsite visit to the data center and penetration tests; conducted additional security assessments and remediated all high-risk findings. Since the launch, security teams at the state and the vendors have met weekly to review IT security status and make plans for continuous improvement.

Our general security operations include:

- On-site security engineers 24x7x365
- Multiple security tools
- Dedicated and fully managed firewalls
- Real-time alerts
- Advanced encryption of private health information.

The system has blocked hundreds of unauthorized or unverifiable access attempts per day with no known successful penetration of our systems or data.

Cost of IT Development

Maryland has paid approximately $55 million for system development (including software licenses and hardware) to Noridian, our original prime contractor. We expect about $8 million of this total may be able to reused with other systems. We will seek to recover as much as possible of the remainder from our original contractors and will share the recovery with the federal government.

Because definitions and the scope of projects vary considerably, it is difficult to compare IT expenditures between states, . In considering Maryland's IT investment, it is important to keep in mind that the state is using a legacy Medicaid eligibility system and has deferred modernization in order to implement a new system along with the Affordable Care Act. As a result, even after our system is remediated or upgraded, we expect the costs in Maryland to be in line with other states.

Next Steps

With the first open enrollment season drawing to a close, Maryland is developing a plan to address our remaining IT challenges and move forward to the second open enrollment period. Secretary of the Department of Information Technology Isabel FitzGerald is leading an evaluation of several options, including remediating of the current system, partnering with the federally facilitated marketplace, and leveraging another state's system to upgrade Maryland Health Connection.

As the chair of the board of the Maryland Health Benefit Exchange, I deeply regret the frustration that many Marylanders have experienced.

I am also proud of the efforts of so many who have worked tirelessly to overcome the IT challenges and help their friends, neighbors, and fellow citizens gain access to affordable and quality health coverage.

It is our job to fix Maryland Health Connection so that the website can serve as many Marylanders as possible as quickly and seamlessly as possible. We will not stop working on this challenge until we have succeeded.

Thank you for the opportunity to testify, and I look forward to your questions.

Joshua M. Sharfstein, M.D., is the Secretary of the Maryland Department of Health and Mental Hygiene. Previously he served as principal deputy commissioner of the U.S Food and Drug Administration 2009-2011 and as the Commissioner of Health in Baltimore, Maryland from December 2005 to March 2009. From July 2001 to December 2005, Dr. Sharfstein served on the Minority Staff of the Committee on Government Reform of the U.S. House of Representatives, working for Congressman Henry A. Waxman. He serves on Health Information Technology Policy Committee for the U.S. Department of Health and Human Services, the Board on Population Health and Public Health Practice of the Institute of Medicine, and the editorial board of the Journal of the American Medical Association. He is a 1991 graduate of Harvard College, a 1996 graduate of Harvard Medical School, a 1999 graduate of the combined residency program in pediatrics at Boston Medical Center and Boston Children's Hospital, and a 2001 graduate of the fellowship program in general pediatrics at the Boston University School of Medicine. Dr. Sharfstein lives with his family in Baltimore, Maryland.