



State of Vermont
Agency of Administration
Office of the Secretary
Pavilion Office Building
109 State Street
Montpelier, VT 05609-0201
www.adm.state.vt.us

[phone] 802-828-3322
[fax] 802-828-3320

Michael K. Smith, Secretary

May 11, 2007

Representative Martha Heath, Chair
Senator Susan Bartlett, Chair
State House
Montpelier, Vermont 05602

Re: Nongroup Market Trust - Sec. 91a of the Appropriations Bill (H.537)

Dear Representative Heath and Senator Bartlett:

It is with regret that I learn of the Legislature's intention to refuse to fund the Nongroup Market Security Trust program without including legislative veto authority over implementation of the program. As a result of the Legislature's actions, the Administration cannot accept funding for this otherwise worthwhile program.

As you know, the Nongroup Market Security Trust program was enacted as part of Vermont's historic Catamount Health reform legislation, for the purpose of assisting Vermonters with individual (or "nongroup") health insurance. Vermonters insured in the nongroup market are currently paying very high premiums for very thin coverage, and the Administration has been concerned for some time that further erosion of this market may result in its collapse. If the nongroup market does collapse, many Vermonters will be without health insurance, something I had thought we were all anxious to avoid. We had also assumed that the Legislature, through the enactment of the Catamount Health reform legislation, agreed that the Nongroup Market Security Trust program is a reasonable mechanism to address these problems, by lowering premiums for Vermonters insured in this market and thereby reducing the risk of harm to Vermonters.

The legislative veto authority proposal embodied in proposed Sec. 91a of the H.537 Committee of Conference report is unnecessary and puts the state in fiscal jeopardy. As directed by the Catamount Health legislation last year, the Department of Banking, Insurance, Securities and Health Care Administration, with the support of the Legislature, sought and secured approval of \$1 million in federal grant funds to start up and administer the program. The federal grant funds also will support consultation about the most cost-effective method for using the state appropriation to bring down this market's costs. Should the Legislative Commission on Health Care Reform fail to approve spending for the program from the amounts appropriated, the State of Vermont

will be liable for the repayment of any portion of the \$1 million federal grant already spent to develop and start the program.

I want to be clear that the rationale that we have been given for your need to include this veto authority is that we are making a policy change to Act 191. This rationale is not sound and is convoluted at best. Act 191 created the authority to allow BISHCA to develop a Non-Group Market security trust to lower the costs of this market (8 V.S.A. § 4062d), and it provided a specific methodology for achieving this. However, there could be more cost effective methods to achieve a better cost reduction for this market and we requested that you provide us with legislative authority to give us flexibility to implement a different methodology if more cost effective. Because we asked for this flexibility in methodology, you have now inserted the veto authority requirement that will put the state in fiscal jeopardy.

The Administration has been more than willing to consult with the Legislature as the program is developed and implemented, and we have even provided you with written language to insert into the bill. You have chosen to not take this collaborative approach during development of the options and instead have proposed legislative veto authority which represents an unnecessary and unwarranted financial risk. The program is a good one for Vermont and Vermonters, and if the Legislature agrees, it should be willing to approve funding for the program without the legislative veto authority proposed in Sec. 91a.

Sincerely,

Michael K. Smith (rrs)

Michael K. Smith
Secretary of Administration

MKS/rrs

cc: Paulette J. Thabault, Commissioner of BISHCA



Mailing Address:
1 Baldwin Street
Drawer 33
Montpelier, Vermont 05633-5701

Tel.: (802) 828-2295
Fax: (802) 828-2483

**STATE OF VERMONT
JOINT FISCAL COMMITTEE**
1 Baldwin Street
Montpelier, Vermont 05633-5701

MEMORANDUM

To: James Reardon, Commissioner of Finance & Management

From: Rebecca Buck, Staff Associate *RB*

Date: March 8, 2007

Subject: Status of Requests

No Joint Fiscal Committee member has requested that the following items be held for review:

JFO #2286 – \$1,000,000 grant from the Department of Health and Human Services, Centers for Medicare & Medicaid Services to the Department of Banking, Insurance, Securities & Health Care Administration. During fiscal year 2008 the Department will use this grant to fund \$1,000,000 of the \$2,500,000 budgeted for the creation and initial operation of a qualified high risk pool.

[JFO received 02/06/06]

JFO #2287 – \$250,000 grant from the Social Security Administration and Mathematica Policy Research, Inc. to the Department of Disabilities, Aging & Independent Living. This grant will fund a “Youth Transition Demonstration” pilot program. In combination with the existing statewide service system for youth in transition, this project will test a group of SSI waivers for youth designed to promote employment and economic self-sufficiency.

[JFO received 02/06/06]

In accordance with 32 V.S.A. §5, the requisite 30 days having elapsed since these items were submitted to the Joint Fiscal Committee, the Governor’s approval may now be considered final. We ask that you inform the Secretary of Administration and your staff of these actions.

cc: Linda Morse
Paulette Thabault
Cynthia LaWare
Patrick Flood

From: Rebecca Buck
To: Obuchowski, Michael
Subject: Re: 2 week request to hold date for JFO #2286 & #2287

Thanks. I will print your "approved with reservations" e-mail and also include it in the grant file.

>>> Michael Obuchowski 2/24/2007 9:43 AM >>>
Approved with reservations.

>>> Rebecca Buck 2/23/2007 12:53 PM >>>
JFO #2286 was the \$1 million grant (of the \$2.5 million budgeted) for creation and initial operation of a qualified high risk pool. I made a copy of the material BISHCA submitted per your request and it will be included in the grant file.

>>> Michael Obuchowski 2/23/2007 3:41 PM >>>
2287 okay; refresh me regarding 2286. Thank you.

>>> Rebecca Buck 2/23/2007 9:40 AM >>>
Good morning Obie: Today is the 2 week request to hold date for JFO #2286 (\$1,000,000 BISHCA grant) and JFO #2287 (\$250,000 Voc-Rehab grant to DAIL). Are you ok with these items to proceed? --Becky

CC: Klein, Steve

From: "Sandy Barton" <SBarton@bishca.state.vt.us>
To: <OBIE@leg.state.vt.us>, <rbuck@leg.state.vt.us>
Date: 2/14/2007 8:14 AM
Subject: RE: info you requested on JFO #2286 (BISHCA grant)

CC: <SKLEIN@leg.state.vt.us>

Becky - I'm pretty sure John Crowley signed that form on January 4. (my final save date of the form is January 3 and I know he signed it within a day or so of the final copy).

Let me know if any more info is required.

Sandyb

Sandy Barton, Business Manager
Dept. of Banking, Insurance, Securities
and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620
802-828-2379
sbarton@bishca.state.vt.us

-----Original Message-----

From: "Rebecca Buck" [mailto:rbuck@leg.state.vt.us]
Sent: Tuesday, February 13, 2007 5:03 PM
To: "Michael Obuchowski" <OBIE@leg.state.vt.us>
Cc: "Sandy Barton" <SBarton@bishca.state.vt.us>, "Steve Klein" <SKLEIN@leg.state.vt.us>
Subject: Re: info you requested on JFO #2286 (BISHCA grant)

Obie--Herb Olson dropped off material this afternoon in response to your request. I want to make a copy for our office files and then will forward the material on to you tomorrow morning. Sandy Barton (business manger at BISHCA) will be providing the date Commissioner Crowley signed the AA-1 form. --Becky



**Project Narrative for the VT Dept. of BISHCA's
Alternative Mechanism:
Nongroup Market Security Trust, Inc.**

Steps Taken

In 2004, Vermont governmental officials including John P. Crowley, Commissioner of the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA"), and Paulette J. Thabault, then Deputy Commissioner of the Health Care Administration Division, carefully studied the progress of other states in addressing challenges affecting the individual health insurance market. Receiving input from key Vermont legislators interested in market improvements, they examined high-risk pool experience in other states. They also considered alternatives which might be offered in light of Vermont's current individual market guaranteed issue laws and legislative concerns regarding the operation of a high-risk pool in Vermont.

After considering numerous alternatives, BISHCA officials determined it most appropriate to obtain legislative authority for a reinsurance alternative mechanism approach to the challenges associated with the high-risk market, focusing on the particularly vulnerable individual (nongroup) market. In so doing, BISHCA officials sought to emphasize existing strengths in the private health insurance market by offering this cost-tempering mechanism, minimizing administrative costs, and formulating a solution which was suited to Vermont's small market with a relatively modest number of potential participants.

In the 2005 legislative session, the Vermont Legislature worked to address a wide variety of health care and health insurance reforms. Continuing with those efforts, in 2006, the Vermont Legislature, working with the Governor, enacted many broad-based health insurance reforms, including the Catamount Health program which is intended to provide private health insurance coverage to the uninsured which are not eligible for existing state and federal health care programs. In coordination with those efforts, and picking up on the work started in 2004, the Vermont Legislature authorized Commissioner Crowley to implement a reinsurance plan to support the nongroup market. 8 V.S.A. § 4062d. (See Exhibit 1 for a copy of the statute.)

Mindful of pending reauthorization of the federal Trade Adjustment Act, the Vermont Legislature specifically authorized the Commissioner to develop a nongroup market reinsurance alternative mechanism "*in a manner that permits the trust to be eligible*" for federal funding in order to strengthen the vulnerable nongroup market. 8 V.S.A. § 4062d(c). Pursuant to this legislation, the Commissioner has been empowered to adjust the plan design as needed to conform to federal funding requirements.

The goal of Vermont's reinsurance plan is to provide a mechanism by which affordable health insurance is made available to all citizens, including those with serious health concerns. The plan would help improve portability and access to the individual health insurance market while promoting stability and private carrier participation. The means to effectuate the goals include a predominantly private market oriented strategy with the preservation of guaranteed issue in the individual market.

Considerable work has been completed on basic administration. BISHCA has created a nonprofit entity to serve the individual market pursuant to the Commissioner's authority under § 4062d(c) to create an alternative mechanism for the high-risk individual market consistent with federal grant guidelines. (See **Exhibit 2** for a copy of the entity's Articles of Incorporation, **Exhibit 3** for Commissioner Crowley's memorandum authorizing the rule-making process regarding the mechanism, **Exhibit 4** for a description of the entity's professional support personnel, and **Exhibit 5** for resumes.) Actuarial analysis has been completed to evaluate individual (nongroup) premium subsidies. (See **Exhibit 6**.) Given the current status of plan implementation demonstrated by the Commissioner's creation of the nonprofit entity, the commencement of the rule-making process, and the allocation of funds by the Vermont Legislature (see **Exhibits 7 and 8**), Vermont shall proceed rapidly to implement the individual high-risk market reinsurance mechanism consistent with CMS goals.

Remaining Steps

As noted, promptly following adoption of 8 V.S.A. § 4062d, BISHCA formed a nonprofit free-standing entity, Nongroup Market Security Trust, Inc., devoted to serving the high risk individual market consistent with the legislative purposes of the federal funding. (See **Exhibit 2**.) Following confirmation of funding award, BISHCA will contract with a suitable third-party administrator, acceptable to BISHCA's leadership, and complete the start-up phase already underway and commence immediate actuarial work for reinsurance mechanism design. The design will include consultation with CMS to assure conformity with legislative goals and legal requirements for funds awarded under the CMS seed money grant and potential additional operational and bonus funding grants.

Once approved, the reinsurance mechanism will be made available to all eligible carriers in the state. Although plan design may evolve, it is presently contemplated this alternative mechanism for the high-risk market would be based upon a reinsurance model on a policy-by-policy claims experience basis. BISHCA does not anticipate *mandating* participation by private carriers, but the reinsurance would be available to all carriers in the individual market and thus provide support for all HIPAA eligible Vermont insureds as required by the federal statute.

At present, BISHCA has initiated the rule making process to guide development and oversight of the plan implementation. (See **Exhibit 3**.) In addition, the Legislature has expressed its continued support for the reinsurance mechanism. The Vermont Legislature has budgeted \$1.5 million for fiscal year 2008, starting July 1, 2007, to

support these efforts. (See Exhibits 7 and 8.) (On Exhibit 7, the H.861 Balance Sheet, the line item under the category, "Other Spending," and subcategory, "Individual Market Investment," identifies the funds allocated by the Vermont Legislature to support this program.)

Finally, BISHCA will timely complete (or cause to be completed) all reporting necessary for grant administration and the processing of grant funds to conform fully to federal requirements.

A contact list of individuals involved with the grant application and the Trust is attached to the application as **Exhibit 9**.

Index of Exhibits to the Program Narrative

Exhibit 1	8 V.S.A. § 4062d (Vermont Authorizing Statute)
Exhibit 2	Articles of Agreement, Nongroup Market Security Trust, Inc.
Exhibit 3	June 26, 2006 Memorandum from Commissioner Crowley re: Proposed Rules Related to the Nongroup Market Security Trust, Inc.
Exhibit 4	Professional Support Personnel
Exhibit 5	Resumes
Exhibit 6	June 22, 2006 Letter from Timothy M. Harrington, FCA, MAAA re: Actuarial Estimates
Exhibit 7	Legislative (H.861) Balance Sheet
Exhibit 8	June 26, 2006 Letter from Senator Bartlett and Representative Heath re: Funding for Nongroup Market Security Trust, Inc.
Exhibit 9	Contact List

EXHIBIT 1

The Nongroup Market Security Trust Enacted by Sec. 27 of Act 191 of the Vermont General Assembly (2006)

Sec. 27. 8 V.S.A. § 4062d is added to read:

§ 4062d. NONGROUP MARKET SECURITY TRUST

(a) The commissioner shall establish the nongroup market security trust for the purpose of lowering the cost of and thereby increasing access to health care coverage in the individual or nongroup health insurance market.

(b) The commissioner shall permit nongroup carriers to transfer five percent of the carriers' claims costs to the nongroup market security trust, based on the earned premium as reported on the most recent annual statement of the carrier. At the close of the year, the commissioner shall reconcile the amount paid against the actual expenses of the carriers and collect or expend the necessary funds to ensure that five percent of the actual expenses are paid under this section. The individuals incurring the claims shall remain enrolled policyholders, members, or subscribers of the carrier's or insurer's plan, and shall be subject to the same terms and conditions of coverage, premiums, and cost sharing as any other policyholder, member, or subscriber.

(c) The commissioner may develop the nongroup market security trust in a manner that permits the trust to be eligible for a federal grant to administer the trust, including a grant under the federal Trade Adjustment Act.

(d) All of the revenues appropriated shall be deposited into the nongroup market security trust to be administered by the commissioner for the sole purpose of providing financial support for the nongroup market security trust authorized by this section. The trust shall be administered in accordance with subchapter 5 of chapter 7 of Title 32, except that interest earned shall remain in the trust.

(e) The commissioner may adopt rules for the nongroup market security trust relating to:

(1) Criteria governing the circumstances under which a nongroup carrier may transfer five percent of the claims expenses of the carrier to the trust as provided for in this section.

(2) Eligibility criteria for providing financial support to carriers under this section, including carrier claims' expenses eligible for financial support, standards and procedures for the treatment and chronic care management as defined in section 701 of Title 18, and any other eligibility criteria established by the commissioner.

(3) The operation of the trust.

(4) Any other standards or procedures necessary or desirable to carry out the purposes of this section.

(f) As used in this section, "nongroup carrier" means a nongroup carrier registered under section 4080b of this title that has an annual earned premium in excess of \$100,000.00.

STATE OF VERMONT

OFFICE OF SECRETARY OF STATE

Vermont Non-Profit Corporation Act (T.11B, Ch.14)

The Office of Secretary of State hereby grants a

Certificate of Incorporation

GROUP MARKET SECURITY TRUST, INC.

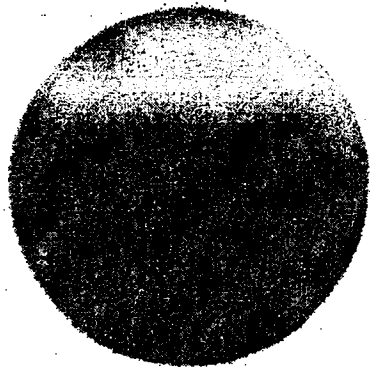
Vermont domestic non-profit corporation

June 25, 2003

Given under my hand and the seal
of the State of Vermont, at
Montpelier, the State Capital



e
Deborah L. Markowitz
Secretary of State



Articles of Incorporation Form Nonprofits and Cooperatives

Vermont Secretary of State, 81 River Street, Montpelier, VT 05609-1104 802-828-2386

CORPORATION NAME:

Nongroup Market Security Trust, Inc.
(2nd choice)

Corporation type (check only one): Public Benefit Mutual Benefit
 Housing Cooperative Marketing Co-op (Ch 7) Worker Co-op (Ch 8)
 Consumer Co-op (Ch 7) Railroad Co-op (Ch 7)

Cooperatives must include additional information, including the word "cooperative." Refer to the appropriate statute.

Registered agent's name

Herbert Olson

Registered agent's address in Vermont: (street, city and zip)

c/o Department of Banking, Insurance, Securities and Health Care Administration
89 Main Street, Drawer 20, Montpelier, VT 05620-3101

Principal office address: (street, city, state and zip code)

c/o Department of Banking, Insurance, Securities and Health Care Administration
c/o BISHCA, 89 Main Street, Drawer 20, Montpelier, VT 05620-3101

Number of required directors: Public or Mutual benefit corporations (at least 3)
Marketing co-op (at least 5) Worker, Housing, Consumer or Railroad co-op (at least 3)

DIRECTOR'S NAMES AND ADDRESSES:

- | | | |
|----|------------------|--|
| 1. | John P. Crowley | c/o BISHCA, 89 Main Street, Drawer 20, Montpelier, VT 05620-3101 |
| 2. | Herbert Olson | c/o BISHCA, 89 Main Street, Drawer 20, Montpelier, VT 05620-3101 |
| 3. | Christine Oliver | c/o BISHCA, 89 Main Street, Drawer 20, Montpelier, VT 05620-3101 |
| 4. | | |
| 5. | | |

MEMBER'S NAMES AND ADDRESSES:

- | | | |
|----|--|--|
| 1. | | |
| 2. | | |
| 3. | | |

VERMONT
SECRETARY OF STATE
2006 JUN 23 AM 9:30

Officers: Unless otherwise stated in the articles a non-profit shall have a president, a secretary, a treasurer, and other officers as appointed by the directors. The same individual may hold all offices except the office of pres & sec.

MMK

IRS will likely require you to include, in these articles, certain provisions to obtain 501(c)(3) tax exemption. To include these provisions check each box that you want included or attach a separate addendum page. For more information contact IRS.

PURPOSE:

See Addendum A

(A corporation is considered to be doing any lawful purpose without being limited to one or more of the following: charitable, benevolent; educational; civic; patriotic; political; religious; social; fraternal; literary; cultural; athletic; scientific; agricultural; horticultural; animal husbandry; professional; commercial; industrial or trade assn.)

No part of the net earnings of the corporation shall inure to the benefit of, or be distributed to its members, trustees, officers, directors or other private persons, except to pay reasonable compensation for services rendered.

No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the publishing or distribution of statements for any political campaign on behalf of any candidate for public office.

Notwithstanding any other provision of this document, the corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax of the IRS code.

Dissolution: Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of the IRS code, or corresponding future code, or shall be distributed to the federal, state or local government for a public purpose. Any such assets not disposed of shall be disposed of by the Court of the county in which the principal office of the corporation is located exclusively for such purposes or to such organization(s) as said Court shall determine.

State specific dissolution provisions here, if applicable:

(* Optional information

*Anticipated paid staff after (one) 1 Year: No response

*Anticipated budget after (one) 1 Year: No response

*Anticipated volunteer staff after (one) 1 Year: No response

* Do you plan to apply for tax-exempt status with the IRS? Yes No

You can delay the effective date up to 90 days, otherwise it is effective the date it is approved.

Incorporators Printed Name & Signature:

Herbert Olson *Herb Olson*

Incorporators postal address

c/o BISHCA, 89 Main Street, Drawer 20, Montpelier, VT 05620-3101

Nonprofit corporations are required to file a biennial report the year following incorporation, then every 2 years thereafter, between Jan 1 & Apr 1.

Fees: Non-profit public or mutual benefit corporation (\$75.00) Worker Co-op (\$75.00) Housing Co-op (\$75.00) Marketing Co-op (\$20.00); Consumer Co-op (\$75.00); Railroad Co-op (\$75.00)

Email address or phone number where you can be reached.

holson@bishca.state.vt.us; 802-828-3301

VERMONT
SECRETARY OF STATE

2006 JUN 23 AM 9:30

**NONGROUP MARKET SECURITY TRUST, INC.
ARTICLES OF INCORPORATION
ADDENDUM A**

PURPOSE:

Pursuant to 8 V.S.A. § 4062d and under the authority of the Commissioner of the Vermont Department of Banking, Insurance, Securities & Health Care Administration (the "Commissioner"), Nongroup Market Security Trust, Inc. is established to conduct any lawful charitable purpose within the meaning of Section 501(c)(3) of the Internal Revenue Code; such purposes may include, but are not limited to:

Facilitating a risk sharing plan in accordance with a plan of operation adopted and/or amended by the Board of Directors and subject to the final approval by the Commissioner of Vermont's Department of Banking, Insurance, Securities & Health Care Administration ("BISHCA"), and subject to any applicable rules adopted by BISHCA; creating and operating a high risk pool to serve and strengthen the nongroup market in the State of Vermont; creating and operating a reinsurance mechanism for risk adjustment and subsidization whereby the risk of claims experienced by writers of health insurance for individual policy holders is offset to a predetermined, limited extent, by a financial subsidy furnished by state and federal funds and/or such other sustainable funding sources as may be determined from time to time; and

Providing for risk adjustment, risk spreading, or a risk spreading mechanism (among issuers of individual health insurance or policies of an issuer of individual health insurance) and/or otherwise providing financial subsidization to assist individuals to obtain individual health insurance, such as through assistance to participating issuers of health insurance in the individual market; and/or providing a mechanism under which each eligible individual is provided a choice of all individual health insurance coverage otherwise available to eligible individuals in the State of Vermont.

The Corporation shall possess all powers and be entitled to take all actions permitted a nonprofit, voluntary corporation organized under Vermont law, any additional powers approved by the Commissioner under 8 V.S.A. § 4062d, and, acting through its Board of Directors, the powers set forth in 8 V.S.A. § 4062d or the Vermont Nonprofit Corporation Act.

VERMONT
SECRETARY OF STATE

2006 JUN 23 AM 9: 30

State of Vermont
Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101
www.bishca.state.vt.us

For consumer assistance
[Insurance] 800-964-1784
[Securities] 877-550-3907
[Health Care Administration] 800-631-7788

MEMORANDUM

To: Herbert W. Olson, General Counsel
Christine Oliver, Deputy Commissioner
From: John P. Crowley, Commissioner
Date: June 26, 2006
Re: Proposed Rules Related to the Nongroup Market Security Trust

By this memorandum I am authorizing the Division of Health Care Administration ("HCA"), of the Vermont Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA"), to initiate rule-making procedures to effectuate the Nongroup Market Security Trust authorized by the Vermont Legislature in the Catamount Health reform legislation - Act 191 (8 V.S.A. § 4062d).

I intend that the Trust will be designed to operate as a reinsurance mechanism, or some similar mechanism that is consistent with the purposes of the Trust, and that is eligible for funding through the State of Vermont's High Risk Pool Seed Grant Application under the Deficit Reduction Act of 2005 (DRA) (P.L. 109-171) and the State High Risk Pool Funding Extension Act of 2006 (Extension Act) (P.L. 109-172).

To assist in the rule making process I refer you to the NAIC Model Rules, NAIC 85-1 "Model Health Plan for Uninsurable Individuals Act," which I believe will assist in providing a solid framework for the reinsurance program.

I intend for the rules to call for the establishment of a nonprofit corporation to administer the Trust, and for the nonprofit corporation to operate in accordance with rules adopted by the Commissioner, and in accordance with a Plan of Operation approved by the Commissioner.

I further intend that the rules will reflect one or more of the following purposes of the Trust:

- To reduce premium trends, actual premiums, or other cost-sharing requirements for Vermont residents currently insured in the nongroup market.
- To expand the number of Vermont residents capable of affording coverage in the nongroup market.
- To maintain an affordable and competitive nongroup health insurance market in Vermont.
- To establish disease management programs in the nongroup market, through the implementation in the commercial health insurance markets of the Vermont Blueprint for Health - the Chronic Care Initiative.

The Department's goal should be a fully operational Trust at the start of State Fiscal Year 2008, which begins on July 1, 2007.



MERCER OLIVER WYMAN

Timothy M. Harrington, FCA, MAAA
Managing Director

19 Loker Street
Wayland, MA 01778
508 650 1899 Fax 508 650 1992
tharrington@mow.com
www.merceroliverwyman.com

June 22, 2006

Ms. Rebecca Heintz
Vermont Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3601

Via Email and First Class Mail

Subject:

Estimating the Dollar Worth of Various Nongroup Premium Subsidies in 2008

Dear Rebecca:

The purpose of this report is to respond to your June 9, 2006 telephone request to estimate the dollar worth of various nongroup premium subsidies in 2008. You requested estimates for 5%, 10% and 15% subsidies.

Data

You supplied me with a draft of the 2005 ASSR report for nongroup business. A copy of that draft is attached to this report for convenience. To the extent that there are any substantive changes when the draft is finalized, we should recalculate these estimates, since they are based on projections of these draft 2005 earned premiums.

I have assumed that the classification "HDHP Only" at the bottom of the report contains data that is also recorded in the main body of the report, and, as such, is double counted. For the purposes of my calculations, I have ignored it.

The key data that I use as the basis for my analysis, as taken from the ASSR report, are as follows:

	<u>2005</u>
	<u>Nongroup</u>
• Covered Lives	9,383
• Earned Premium	\$26,088,918

MERCER OLIVER WYMAN

Ms. Rebecca Heintz

Vermont BISHCA

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June 22, 2006

Projection to 2008

There are three basic considerations in projecting the 2005 nongroup earned premium to 2008. They are:

- expected changes in unit cost and the utilization of medical services,
- expected changes in the number of people enrolled in nongroup programs, and
- expected changes in the benefit programs selected by those enrolled people.

Since Blue Cross and Blue Shield insures the vast majority of the nongroup enrollment, it is appropriate to use their latest nongroup unit cost and utilization trend. Their 3Q06 amended nongroup rate filing, dated May 22, 2006, contains a weighted average leverage adjusted trend factor of 11.3% per year. We have to project for three years. The compound trend is 1.379 (1.113^3).

We have not projected any changes in the number of people enrolled or in the benefit levels selected. Recent substantial decreases in the number of nongroup covered members are most likely attributable to the revamping of the nongroup pool insured by Blue Cross and Blue Shield. With the substantial increase in deductibles, many cancelled their insurance. Most likely, that change has cycled through, and those remaining are satisfied and will continue their coverage.

The passage of the health initiative would suggest an increase in nongroup enrollment, as some currently uninsured people enroll. That expected increase in enrollment would increase premium, all other things equal. On the other hand, as members and insurers increase deductibles over time, that would have the effect of decreasing premium.

Since these two effects may be offsetting, and since little information is available on either one, we have chosen not to include any estimates of their impact.

The projected 2008 nongroup premium is estimated to be:

<u>2005 Nongroup Premium</u>	<u>Projection Factor</u>	<u>Expected 2008 Nongroup Premium</u>
\$26,088,918	1.379	\$35,976,618

MERCER OLIVER WYMAN

Ms. Rebecca Heintz
Vermont BISHCA
Page 3
June 22, 2006

Calculation of Subsidy Amounts

Next, we apply the various subsidy percentages to the projected 2008 expected nongroup premium to develop the expected subsidy amounts.

<u>Expected 2008 Nongroup Premium</u>	<u>Subsidy Percentages</u>	<u>Expected 2008 Subsidy Amounts</u>
\$35,976,618	5%	\$1.8 million
\$35,976,618	10%	\$3.6 million
\$35,976,618	15%	\$5.4 million

Application of Subsidy Amounts

The subsidy would be used to fund a catastrophic stop loss insurance pool. It would be designed to protect nongroup insurers from the excess portion of very large claims. The attachment point for the excess claim amount would be determined based upon the subsidy amount that is ultimately selected, and would be designed to produce estimated excess claim amounts that would be equivalent to the subsidy amount for a given policy year.

Summary

Under the assumptions stated in this report, we estimate the following 2008 nongroup premium subsidy amounts:

<u>Subsidy</u>	<u>Amount</u>
5%	\$1.8 million
10%	\$3.6 million
15%	\$5.4 million

We have relied on the data in the 2005 ASSR report. While we have not audited that data, we did check it for general reasonability. However, to the extent the data may be incorrect, our 2008 projections may be impacted.

In arriving at these estimates, we used generally accepted actuarial methodology. Since these are projections of future contingent events, actual results will vary to some degree from these estimates.

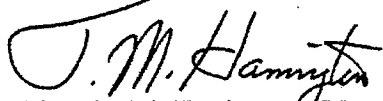
MERCER OLIVER WYMAN

Ms. Rebecca Heintz
Vermont BISHCA
Page 4
June 22, 2006

I meet all of the requirements of the American Academy of Actuaries to render this estimate.

I'm happy to review the development of these estimates with you at your convenience.

Sincerely,



Timothy M. Harrington, FCA, MAAA

Copy:
Herb Olson – BISHCA
Karen Bender – Mercer Oliver Wyman

H.861 Balance Sheet

Committee of Conference
2007 2008 2009 FINAL 2010 5/5/2006
TOTAL

Enrollment

Catamount

Currently Cov. No Sub.	861	1,756	2,635
New - No Subsidy	525	1,071	1,607
Subsidy (inc. curr cov)	4,479	9,169	14,488
New-ESI	735	1,469	1,469

Medicaid

New (eligible, not enrolled)	2,500	3,280	4,060
From VHAP to ESI	1,590	3,180	3,180
New VHAP elig to ESI	1,404	2,808	2,808
Total Affected	12,094	22,734	30,247
Total Newly Covered	9,195	16,881	22,984

PMPY

Catamount

Program (6.5% Trend)	\$3,854	\$4,104	\$4,371
ESI (inc. Chronic Care cost)	\$1,115	\$1,203	\$1,298

ESI & Medicaid

New (eligible, not enrolled)	\$2,646	\$2,858	\$3,086
VHAP To ESI current (net)	(\$2,082)	(\$2,259)	(\$2,451)
New VHAP elig To ESI (costs)	\$915	\$993	\$1,077

Spending (\$millions)

Catamount

New Catamount Prog Cost	\$17.3	\$37.6	\$63.3	\$118.2
New-ESI (150% -300%)	\$0.8	\$1.8	\$1.9	\$4.5

ESI & Medicaid

ESI admin cost	\$1.0	\$0.5	\$0.5	\$0.5	\$2.5
New (eligible, not enrolled)		\$6.6	\$9.4	\$12.5	\$28.5
VHAP to ESI (net)		(\$3.3)	(\$7.2)	(\$7.8)	(\$18.3)
New VHAP elig to ESI		\$1.3	\$2.8	\$3.0	\$7.1

Other Spending

Public Health Initiatives	\$1.9	\$4.0	\$4.2	\$4.3	\$14.4
Blueprint	\$6.0	\$3.3	\$3.3	\$3.3	\$15.9
Individual Market Investment		\$1.5	\$1.5	\$1.5	\$4.5
Chronic Care Savings (Medicaid)		(\$4.0)	(\$10.0)	(\$12.0)	(\$26.0)
Planning Grant	\$0.1				
Medicaid Reimbursement					
Hospitals - incr	\$1.0	\$2.0	\$4.1	\$6.3	\$13.4
Physicians -incr	\$2.5	\$5.0	\$5.0	\$5.0	\$17.5
GROSS SPENDING	\$12.5	\$35.0	\$53.0	\$81.9	\$182.3
Premiums	\$0.0	\$3.4	\$12.0	\$21.6	\$36.9
SPENDING NET OF PREMIUMS	\$12.5	\$31.6	\$41.0	\$60.3	\$145.4

See Over for Revenue and Operating Results

H.861 Balance Sheet

	Committee of Conference		FINAL		5/5/2006
	2007	2008	2009	2010	TOTAL
SPENDING NET OF PREMIUMS	\$12.5	\$31.6	\$41.0	\$60.3	\$145.4
REVENUE					
Federal					
Global Commitment	\$2.6	\$9.8	\$17.6	\$28.5	\$58.5
State Revenue Already in Budget					
Blueprint	\$4.3	\$3.2	\$3.2	\$3.2	\$14.0
Additional State Revenue in H.861					
Cigarette Tax Increase (\$0.60 / \$0.80)	\$12.9	\$12.1	\$14.5	\$14.1	\$53.6
Other Tobacco Products (OTP)	\$1.3	\$1.3	\$1.7	\$1.7	\$6.0
Employer Assessment	\$2.0	\$8.3	\$10.6	\$13.1	\$34.0
Subtotal	\$16.2	\$21.7	\$26.8	\$28.9	\$93.6
Operating Results (rev-exp)	\$10.6	\$3.2	\$6.6	\$0.3	\$20.7

Increases cigarette tax by \$0.60 in FY 2007 and by \$0.20 in 2009

Increases OTP tax in 2009 to preserve relativity with cigarette tax

Employer assessment is based on FTEs.

Employer assessment is on employees not offered insurance and uninsured employees

who are offered. Assumes 20% of employees who decline employer coverage are uninsured.

Assessment is \$365 per FTE in 2007 and grows 6.5% per year

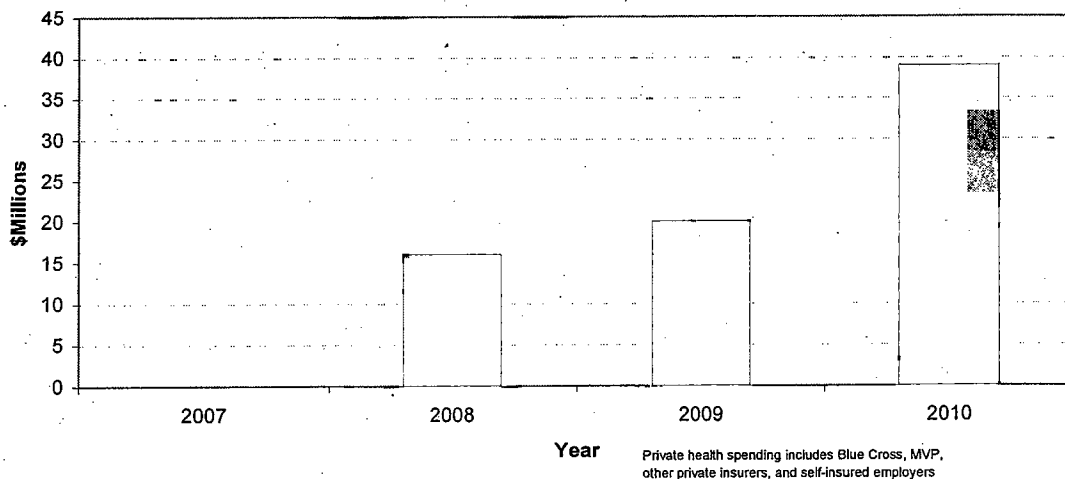
State population (number of employees) grows 0.5% per year

Includes state and local employees

Employer assessment starts April 1, 2007 (payable July 1, 2007)

Assessment exclusion is 8 FTEs in 2007 and 2008, 6 FTEs in 2009, and 4 FTEs in 2010

Private Health Spending - Savings Under Catamount Health Compared to Current Law





Mailing Address:
1 Baldwin Street
Drawer 33
Montpelier, Vermont 05633-5701

Tel.: (802) 828-2295
Fax: (802) 828-2483

STATE OF VERMONT
JOINT FISCAL COMMITTEE
1 Baldwin Street
Montpelier, Vermont 05633-5701

June 26, 2006

John P. Crowley, Commissioner
Vermont Department of Banking, Insurance, Securities
and Health Care Administration
89 Main Street, Drawer 20
Montpelier, VT 05620-3101

Re: State of Vermont for a High Risk Pool Seed Grant Application for Funding Opportunity Number HHS-2006-CMS-HRP-0003, Under the Deficit Reduction Act of 2005 (DRA) (P.L. 109-171) and the State High Risk Pool Funding Extension Act of 2006 (Extension Act) (P.L. 109-172)

Commissioner Crowley:

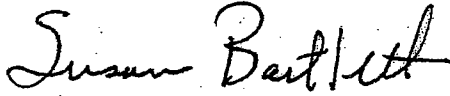
We are writing to support your Department's application for a federal grant to assist the State of Vermont in implementing the Nongroup Market Security Trust provisions of the Catamount Health reform legislation, Act 191.

Catamount Health is a major health care reform effort that commits the State of Vermont to providing universal access to affordable health insurance to all Vermonters. While many Catamount Health initiatives focus on uninsured Vermonters, the Nongroup Market Security Trust is included in the legislation in an effort to address issues of affordability and access for Vermonters currently insured in the nongroup market, where costs are high and enrollment is declining.

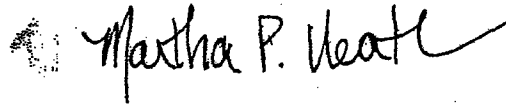
The intention of the Legislature, working with the administration of Governor Douglas, is to appropriate funds sufficient to accomplish the purposes of the Trust. The Catamount Health reform legislation was designed with a commitment of state financial support for the Trust of \$1.5 million in State Fiscal Year 2008 (which begins on July 1, 2007), and a legislative balance sheet that reflects a continuing commitment of state financial support through 2010. The Executive and Legislative leadership share an express intention and expectation that federal funding under the High Risk Pool Seed Grant Application will be available to assist Vermont in the start up and ongoing operation of the Trust.

Stephen Klein, Chief Fiscal Officer for the Legislature, is available should any additional information be needed concerning the intentions of the Legislature relative to this matter.

Sincerely,



Senator Susan Bartlett
Chair Senate Appropriations Committee
Committee



Representative Martha Heath
Chair House Appropriations

cc: James B. Reardon, Commissioner of Finance and Management
Susan Besio, Director of Health Care Reform Implementation
Stephen Klein, Chief Fiscal Officer
Herbert W. Olson, BISHCA General Counsel





**Budget Narrative for the VT Dept. of
BISHCA's
Alternative Mechanism:
Nongroup Market Security Trust, Inc.**

The Vermont Department of Banking, Insurance, Securities and Health Care Administration ("BISHCA") submits this budget narrative describing the first eighteen months of operation of Vermont's nongroup market reinsurance alternative mechanism for the high-risk market (hereafter, the "Nongroup Market Security Trust, Inc." or "Nongroup Trust"). This narrative refers to and incorporates the document entitled, "Statement of Activities" (attached to the application as **Schedule A**), a spreadsheet that outlines the budget for the Trust during the seed grant's eighteen month drawn down period from September 2006 through March 2008.

The Trust's fiscal year will run from July 1 through June 30. If a seed grant is awarded, the Trust will draw down on the awarded funds immediately in order to pay the expenses associated with the Trust's start-up costs. BISHCA intends to contract with an experienced administrator to perform the functions required to implement the Legislature's mandate to the Commissioner to create the nongroup market reinsurance alternative mechanism. The seed grant funds will be used to pay the start-up costs for the Trust, including Trust's actuarial, accounting, legal, and administrative services associated with the start-up.

The expense figures provided in the Statement of Activities for administrative fees, professional fees, office and board expenses are based on CML Administrators, LLC's own experience in helping to fashion and manage the start-up of New

Hampshire's High Risk Pool, as well as New Hampshire's Vaccine Association, another state-created nonprofit corporation with which CML has been engaged to serve as its executive director. Given the geographical proximity of the two states and their similar population sizes, CML believes that the estimates set forth on the Statement of Activities are a realistic approximation of the likely expenses to be encountered by BISHCA in starting up the Trust.

Seed grant funds awarded but that are not utilized to pay for direct start-up expenses will be used to pay the Trust's ongoing program costs in order to ensure that the opportunities for Vermont's high risk health population to obtain nongroup health insurance are strengthened. BISHCA anticipates that the Trust will be operational during Vermont's 2008 Fiscal Year and that in addition to substantial start-up costs (approximately \$200,000 to \$300,000), substantial funds will be expended to support and accomplish the Trust's purposes in the grant's eighteen month draw-down period.

The Statement of Activities for the Trust contemplates that for the first nine months of the start-up period that federal seed grant funds will pay all expenses related to the start-up of the Nongroup Trust. The Vermont Legislature has slated Vermont's fiscal year 2008 (starting July 1, 2007) as the first date State funds will be allocated to support the Trust's activities. Vermont's Legislature has budgeted \$1.5 million per year for Fiscal Years 2008, 2009, and 2010 to support the Trust. (Please see **Exhibits 7 and 8** to the Project Narrative for copies of (a) the Legislative Balance Sheet (Ex. 7) documenting the budgeted amounts for the Trust [see the line item, "Other Spending, Individual Market Investment"], and (b) the June 26, 2006 Letter from Senator Bartlett and



Representative Heath to Commissioner Crowley (Ex. 8) describing the Vermont Legislature's intentions regarding financial support for the Trust.)



VT Dept. of BISHCA
(Nongroup Market Security Trust, Inc.)
Statement of Activities

	A	B	C	D
	Start-Up	Annual	18 months	Total A+ C
10 ASSESSMENTS, GAINS AND OTHER SUPPORT				
11 Budget Alloc per Legislative Fiscal Note	-	1,500,000	1,500,000	1,500,000
12 Member assessments ¹	-	-	-	-
13 Grant Income	1,000,000	-	-	1,000,000
14 Interest	-	-	-	-
19 Total assessments, gains & other support	1,000,000	1,500,000	1,500,000	2,500,000
20 SUBSIDIES, EXPENSES AND OTHER DEDUCTIONS				
21 Reinsurance claims paid	-	1,500,000	1,500,000	1,500,000
22 Loss & loss adjustment expense	-	-	-	-
23 Public information	5,000	5,000	7,500	12,500
29 Total program disbursements	5,000	1,505,000	1,507,500	1,512,500
30 Administration				
31 Administrative services				
32 Base fee	65,000	115,000	172,500	237,500
33 Contract administration ²	6,530	4,560	6,840	13,370
34 Professional fees ³				
35 Actuary	45,000	20,000	30,000	75,000
36 Legal	25,000	10,000	15,000	40,000
37 Accounting / Taxes	5,000	15,000	22,500	27,500
39 Total administration	146,530	164,560	246,840	393,370
40 Office				
41 Office supplies	600	1,500	2,250	2,850
42 Bank fees	-	200	300	300
43 Membership dues	-	500	750	750
44 Postage & shipping	1,000	1,000	1,500	2,500
45 Printing	4,000	1,500	2,250	6,250
46 IT Setup & Licensing	25,000	5,000	7,500	32,500
47 Telephone	2,000	3,000	4,500	6,500
49 Total office	32,600	12,700	19,050	51,650
50 Board				
51 Insurance	-	15,000	22,500	22,500
52 Travel	15,000	10,000	15,000	30,000
53 Conferences	-	3,500	5,250	5,250
54 Board meetings	3,000	5,000	7,500	10,500
59 Total board	18,000	33,500	50,250	68,250
60 Total subsidies, exp & other deductions	202,130	1,715,760	1,823,640	2,025,770

¹ assessment will be zero

² .5% of all other costs

³ professional fees are allowance items which would be adjusted for actual amounts billed. CML anticipates that fees would be held below these budget levels. Special projects requested by the Board or BISHCA could add to these expenses.

From: Rebecca Buck
To: Barton, Sandy
Subject: Questions from Rep. Michael Obuchowski regarding JFO #2286

Good afternoon Sandy:

Representative Michael Obuchowski has the following questions regarding JFO #2286 (\$1,000,000 Seed Grant to States for Qualified High Risk Pools):

- 1) Please provide specifics on what this money is for and how it is going to be utilized.
- 2) Please provide the date Commissioner Crowley signed the AA-1 form. Item #13 (signature of appointing authority) is missing the signature date.

Please cc me on your response to Representative Obuchowski. Thanks. --Becky

CC: Klein, Steve; Obuchowski, Michael

From: Michael Obuchowski
To: Rebecca Buck
Date: 2/13/2007 6:57 PM
Subject: Re: info you requested on JFO #2286 (BISHCA grant)

Thank you.

>>> Rebecca Buck 2/13/2007 5:03 PM >>>

Obie--Herb Olson dropped off material this afternoon in response to your request. I want to make a copy for our office files and then will forward the material on to you tomorrow morning. Sandy Barton (business manger at BISHCA) will be providing the date Commissioner Crowley signed the AA-1 form. --Becky



STATE OF VERMONT
JOINT FISCAL COMMITTEE
1 Baldwin Street
Montpelier, Vermont 05633-5701

Mailing Address:
1 Baldwin Street
Drawer 33
Montpelier, Vermont 05633-5701

Tel.: (802) 828-2295
Fax: (802) 828-2483

MEMORANDUM

To: Joint Fiscal Committee Members

From: Rebecca Buck, Staff Associate *RB*

Date: February 9, 2006

Subject: Grant Requests

Enclosed please find two (2) requests which the Joint Fiscal Office recently received from the Administration:

JFO #2286 – \$1,000,000 grant from the Department of Health and Human Services, Centers for Medicare & Medicaid Services to the Department of Banking, Insurance, Securities & Health Care Administration. During fiscal year 2008 the Department will use this grant to fund \$1,000,000 of the \$2,500,000 budgeted for the creation and initial operation of a qualified high risk pool.

[JFO received 02/06/06]

JFO #2287 – \$250,000 grant from the Social Security Administration and Mathematica Policy Research, Inc. to the Department of Disabilities, Aging & Independent Living. This grant will fund a “Youth Transition Demonstration” pilot program. In combination with the existing statewide service system for youth in transition, this project will test a group of SSI waivers for youth designed to promote employment and economic self-sufficiency.

[JFO received 02/06/06]

The Joint Fiscal Office has reviewed these submissions and determined that all appropriate forms bearing the necessary approvals are in order.

In accordance with the procedures for processing such requests, we ask you to review the enclosed and notify the Joint Fiscal Office (Rebecca Buck at 802/828-5969; rbuck@leg.state.vt.us or Stephen Klein at 802/828-5769; sklein@leg.state.vt.us) if you would like any item(s) held for Legislative review. Unless we hear from you to the contrary by February 23 we will assume that you agree to consider as final the Governor's acceptance of these requests.

cc: James Reardon, Commissioner
Linda Morse, Administrative Assistant
Paulette Thabault, Commissioner
Cynthia LaWare, Secretary
Patrick Flood, Commissioner
Jim Hester, Director
Representative Steven Maier
Senator Jane Kitchel

INFORMATION NOTICE

The following items were received by the Joint Fiscal Committee:

JFO #2285 – \$1,000,000 grant from the Environmental Protection Agency to the Department of Housing and Community Affairs and the Department of Economic Development. This grant will be used to capitalize Vermont's Brownfields Revitalization fund with \$750,000 utilized for loans to developers and eligible owners for hazardous materials remediation and \$250,000 utilized for loans for petroleum contamination remediation. [*JFO received 12/22/06*]

JFO #2286 – \$1,000,000 grant from the Department of Health and Human Services, Centers for Medicare & Medicaid Services to the Department of Banking, Insurance, Securities & Health Care Administration. During fiscal year 2008 the Department will use this grant to fund \$1,000,000 of the \$2,500,000 budgeted for the creation and initial operation of a qualified high risk pool. [*JFO received 02/06/06*]

JFO #2287 – \$250,000 grant from the Social Security Administration and Mathematica Policy Research, Inc. to the Department of Disabilities, Aging & Independent Living. This grant will fund a "Youth Transition Demonstration" pilot program. In combination with the existing statewide service system for youth in transition, this project will test a group of SSI waivers for youth designed to promote employment and economic self-sufficiency. [*JFO received 02/06/06*]

STATE OF VERMONT
GRANT ACCEPTANCE FORM

JFO#
2286

DATE: January 9, 2007

DEPARTMENT: Banking, Insurance, Securities & Health Care Administration

GRANT/DONATION (brief description and purpose): \$1 Million of the \$2.5 Million budgeted for the creation and initial operation of a qualified high risk pool.

GRANTOR/DONOR: Health & Human Services, Center for Medicaid and State Operations

GRANT PERIOD: 9/30/06 – 3/31/08

AMOUNT/VALUE: \$1,000,000

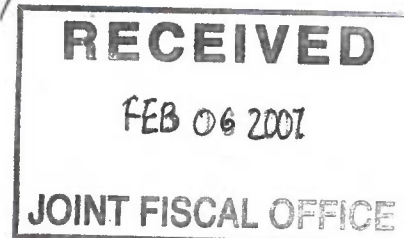
POSITIONS REQUESTED (LIMITED SERVICE): NONE

ANY ON-GOING, LONG-TERM COSTS TO THE STATE: This will depend on the development of the Catamount Health/ESI program.

COMMENTS:

DEPT. FINANCE AND MANAGEMENT:
SECRETARY OF ADMINISTRATION:
SENT TO JOINT FISCAL OFFICE:

(INITIAL) JK 1/16/07
(INITIAL) MS 1/17/07
(DATE) 1/29/07



STATE OF VERMONT
REQUEST FOR GRANT ACCEPTANCE
 (use additional sheets as needed)

FORM AA-1
 (Rev. 9-90)

1. Agency:
 2. Department: BISHCA
 3. Program: Nongroup Market Security Trust

4. Legal Title of Grant: Seed Grants for Qualified High Risk Pools
 5. Federal Catalog No.: 93.781

6. Grantor and Office Address:
 Centers for Medicare & Medicaid Services
 Acquisition and Grants Group
 Mail Stop C2-21-15
 7500 Security Boulevard
 Baltimore, MD 21244-1850

7. Grant Period: From: 10/1/06 To: 3/31/08

8. Purpose of Grant: Grant is for the cost (attach additional sheets if needed)
 This grant is for the costs of creation and initial operation of a reinsurance mechanism design in Vermont. Such reinsurance design will be in compliance with federal requirements and Vermont law.

9. Impact on Existing Programs if Grant is not Accepted:
 If grant is not accepted, a nongroup market security trust will not be created.

10. Budget Information:

	(1st State FY) FY 2007	(2nd State FY) FY 2008	(3rd State FY) FY 2009
--	---------------------------	---------------------------	---------------------------

EXPENDITURES:

Personal Services	\$ 0.00	\$ 925,000.00	\$ 0.00
Operating Expenses	\$ 0.00	\$ 75,000.00	\$
Grants	\$	\$ 0.00	\$
TOTAL	\$ 0.00	\$ 1,000,000.00	\$ 0.00

REVENUES:

<u>State Funds:</u>			
Cash	\$ 0.00	\$ 0.00	\$ 0.00
In-Kind	\$ 0.00	\$ 0.00	\$ 0.00
	0.00		
<u>Federal Funds:</u>			
(Direct Costs)	\$ 0.00	\$ 0.00	\$ 0.00
(Statewide Indirect)	\$ 0.00	\$ 0.00	\$ 0.00
(Department Indirect)	\$ 0.00	\$	\$ 0.00
		0.00	
<u>Other Funds:</u>			
(source) Grant	\$ 0.00	\$ 1,000,000.00	\$ 0.00

TOTAL	\$ 0.00	\$ 1,000,000.00	\$ 0.00
--------------	----------------	------------------------	----------------

Appropriation Nos.

Amounts

\$
\$
\$

-over-

NOTE: Budget is still being developed with assistance of grantee.

REVISED JAN 09 2007

11. Will grant monies be spent by one or more personal service contracts?

YES

NO

If YES, signature of appointing authority here indicates intent to follow current guidelines on bidding.

X

John P. Crowley

12a. Please list any requested Limited Service positions:

Titles	Number of Positions
TOTAL Positions	0

12b. Equipment and space for these positions:

Is presently available.

Can be obtained with available funds.

13. Signature of Appointing Authority

I certify that no funds have been expended or committed in anticipation of Joint Fiscal Committee approval of this grant.

John P. Crowley
(Signature)
Commissioner
(Title)

(Date)

14. Action by Governor:

Approved
 Rejected

[Signature]
(Signature)

1/19/07
(Date)

15. Secretary of Administration:

Request to JFO
 Information to JFO

[Signature]
(Signature)

1-17-07
(Date)

16. Action by Joint Fiscal Committee:

(Dates)

- Request to be placed on JFC agenda
- Approved (not placed on agenda in 30 days)
- Approved by JFC
- Rejected by JFC
- Approved by Legislature

(Signature)

(Date)

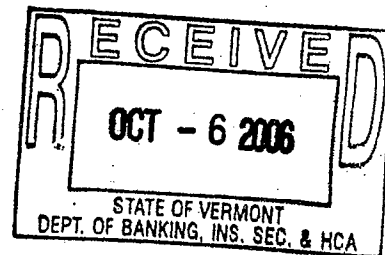
DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-01-16
Baltimore, Maryland 21244-1850



Center for Medicaid and State Operations

Fred Potter
Vermont Department of BISHCA
89 Main Street
Drawer 20
Montpelier, VT 05620

SEP 28 2006



Dear Mr. Potter:

We are pleased to inform you that the grant application submitted by the Vermont Department of BISHCA in response to the Centers for Medicare & Medicaid Services' (CMS) Federal grant announcement entitled "Seed Grants to States for Qualified High Risk Pools" has been approved.

The approved grant amount is \$1,000,000 for the costs of creation and initial operation of a Qualified High Risk Pool in your State. Please find enclosed the Financial Assistance Award (FAA), and the Special Terms and Conditions defining the nature, character of involvement and requirements of the grantee. This award is subject to our receipt of your written notification of acceptance of the Special Terms and Conditions set forth in the enclosure within 30 days of your receipt of this letter.

All questions concerning this letter and other technical matters can be directed to the CMS Project Officer Ms. Lyn Killman. Ms. Killman's contact information is as follows:

Centers for Medicare and Medicaid Services
Center for Medicaid and State Operations
7500 Security Boulevard
Mail Stop: S2-01-16
Baltimore, MD 21244-1850
Telephone: 410-786-5957
Facsimile: 410-786-5834
E-mail: Lyn.Killman@cms.hhs.gov

Official correspondence regarding the award should be submitted to Ms. Nicole Nicholson, CMS Grants Management Specialist, Office of Operations Management, Acquisitions and Grants Group. A copy of such correspondence should be sent to Ms. Killman. Ms. Nicholson's contact information is as follows:

Centers for Medicare and Medicaid Services
7500 Security Boulevard
Mail Stop: C2-21-15
Baltimore, MD 21244-1850

Page 2 – Mr. Fred Potter

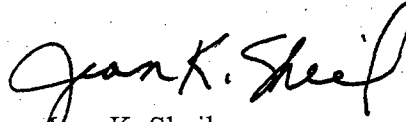
Telephone: 410-786-5158

Facsimile: 410-786-9098

E-mail: Nicole.Nicholson@cms.hhs.gov

We extend our congratulations on this award and look forward to working with you on this grant.

Sincerely,

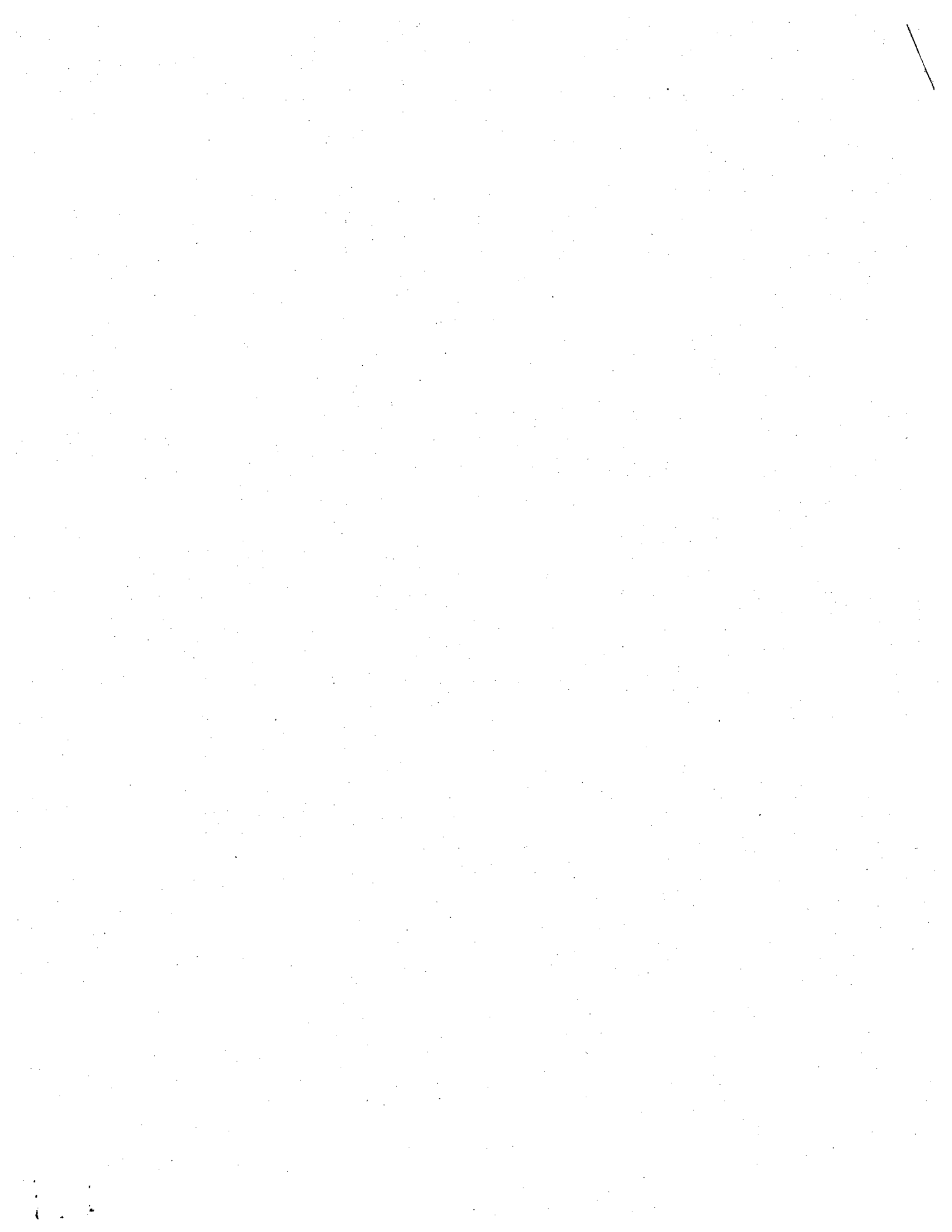
A handwritten signature in black ink that reads "Jean K. Sheil". The signature is written in a cursive style with a large, sweeping initial "J".

Jean K. Sheil

Director

Family and Children's Health Programs

Enclosures



**Department of Health and Human Services
Centers For Medicare Medicaid Services
Notice of Award (NOA)**

1. RECIPIENT

SAI NUMBER:

PMS DOCUMENT NUMBER:
1G0CMS300107A

1. AWARDING OFFICE: COA/Center for Medicaid and State Operations		2. ASSISTANCE TYPE: Discretionary Grant	3. AWARD NO.: 1G0CMS300107/01	4. AMEND. NO.:
5. TYPE OF AWARD: DEMONSTRATION		6. TYPE OF ACTION: New	7. AWARD AUTHORITY: TAA Reform Act of 2002	
8. BUDGET PERIOD: 09/30/2006 THRU 03/31/2008		9. PROJECT PERIOD: 09/30/2006 THRU 03/31/2008		10. CAT NO.: 93780 ...

11. RECIPIENT ORGANIZATION: VT Dept. of BISHCA 89 Main Street, Drawer 20 Montpelier VT 05620 3101 John P. Crowley, Commissioner	12. PROJECT / PROGRAM TITLE: An alternative mechanism as contemplated by Public Law No: 109-172 in order to provide a reinsurance mechanism to streng
--	---

13. COUNTY:	14. CONGR. DIST:	15. PRINCIPAL INVESTIGATOR OR PROGRAM DIRECTOR: Fred Potter
--------------------	-------------------------	---

16. APPROVED BUDGET:		17. AWARD COMPUTATION:	
Personnel.....	\$ 0	A. NON-FEDERAL SHARE.....	\$ 0 0.00 %
Fringe Benefits.....	\$ 0	B. FEDERAL SHARE.....	\$ 1,000,000 100.00 %
Travel.....	\$ 0	18. FEDERAL SHARE COMPUTATION:	
Equipment.....	\$ 0	A. TOTAL FEDERAL SHARE.....	\$ 1,000,000
Supplies.....	\$ 0	B. UNOBLIGATED BALANCE FEDERAL SHARE.....	\$
Contractual.....	\$ 0	C. FED. SHARE AWARDED THIS BUDGET PERIOD..	\$ 1,000,000
Facilities/Construction.....	\$ 0	19. AMOUNT AWARDED THIS ACTION:	
Other.....	\$ 1,000,000	\$ 1,000,000	
Direct Costs.....	\$ 1,000,000	20. FEDERAL \$ AWARDED THIS PROJECT PERIOD:	
Indirect Costs.....	\$ 0	\$ 1,000,000	
At _____ % of \$ _____		21. AUTHORIZED TREATMENT OF PROGRAM INCOME:	
In Kind Contributions.....	\$ 0	22. APPLICANT EIN:	23. PAYEE EIN:
Total Approved Budget(**)..	\$ 1,000,000	1-036000264-D5	1-036000264-D5
		24. OBJECT CLASS: 41.45	

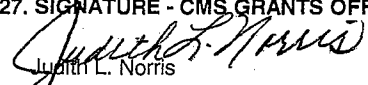
25. FINANCIAL INFORMATION:

ORGN	DOCUMENT NO.	APPROPRIATION	CAN NO.	NEW AMT.	UNOBLIG.	NONFED %
	1G0CMS300107A	75-6-0516	2006 5992031	\$1,000,000		

26. REMARKS: (Continued on separate sheets)

Paid by DHHS Payment Management System (PMS), see attached for payment information.
This grant is subject to the requirements set forth in 45 CFR part 74 (for non-profit organizations and educational institutions) or 45 CFR Part 92 (for state, local, and federally recognized tribal governments).
Initial expenditure of funds by the grantee constitutes acceptance of this award.
No future support is anticipated.
(**) Reflects only federal share of approved budget. There are special conditions attached to this award.

Please reference the grant/award number in Section 3 above on all correspondence.

27. SIGNATURE - CMS GRANTS OFFICER  Judith L. Norris	DATE: SEP 28 2006	28. SIGNATURE(S) CERTIFYING FUND AVAILABILITY Signature Not Required
29. SIGNATURE AND TITLE - PROGRAM OFFICIAL(S) Lyn R. Killman, Signature Not Required	DATE:	

1. RECIPIENT

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE MEDICAID SERVICES
FINANCIAL ASSISTANCE AWARD**

SAI NUMBER:

PMS DOCUMENT NUMBER:
1G0CMS300107A

1. AWARDING OFFICE: COA/Center for Medicaid and State Operations		2. ASSISTANCE TYPE: Discretionary Grant	3. AWARD NO.: 1G0CMS300107/01	4. AMEND. NO.:
5. TYPE OF AWARD: DEMONSTRATION		6. TYPE OF ACTION: New		7. AWARD AUTHORITY: TAA Reform Act of 2002
8. BUDGET PERIOD: 09/30/2006 THRU 03/31/2008		9. PROJECT PERIOD: 09/30/2006 THRU 03/31/2008		10. CAT NO.: 93781
11. RECIPIENT ORGANIZATION: VT Dept. of BISHCA				

26. REMARKS: (Continued from previous page)

For administrative assistance, please contact your Grants Management Specialist: Nicole Nicholson, 410 786-5158 or Nicole.nicholson@cms.hhs.gov.

For programmatic assistance, please contact your Project Officer: Lyn Killman, 410 786-1068 or at lyn.killman@cms.hhs.gov.

Please note that Section 28 and 29 of this document does not require the signature.

CMS Transmittal No.: 7526203101 BOAX 620311 (for CMS purposes only)

**CENTERS FOR MEDICARE & MEDICAID SERVICES
SPECIAL TERMS AND CONDITIONS**

TITLE: Seed Grants to States for Qualified High Risk Pools

AWARDEE: Vermont Department of BISCHA

PROGRAM COMPLIANCE

1. The grantee is required to adhere to all the provisions specified in 45 CFR Part 92- Uniform Administrative Requirements for Grants and Cooperative Agreements to State, Local and Tribal Governments can be located at www.access.gpo.gov/nara/cfr/waisidx_03/45cfr92_03.html.
2. The grantee will maintain all program and fiscal records as specified in 45 CFR Part § 92 .42.

FINANCIAL REQUIREMENTS

3. All funds provided under this grant will be used by the grantee exclusively for the creation and the initial operations of a qualified high risk pool as operation of a qualified high risk pool as defined in section 2744(c)(2) and 2745(g) of the Public Health Service Act. If the grantee should decide after receiving the funds, not to proceed with the creation of a qualified high risk pool, then all funds provided under this grant will returned to the United States Treasury within the timeframe specified by CMS.
4. All funds received under this grant will be "earmarked" in the event the funds are transferred to a state general fund or placed in a reserve fund. This allows for proper identification if the funds are required to be returned to the United States Treasury or to CMS.
5. Pursuant to 45 CFR 92.21(h)(2)(i), grantee will remit quarterly to CMS any interest earned on grant funds pending disbursement. Grantee may keep interest amounts up to \$100.00 per year for administrative expenses.

REPORTING REQUIREMENTS

6. **Program Progress Reports** - The grantee will submit written progress reports no later than 30 days from the end of each project operating quarter. The first report is due no later than ~~30~~ days after the end of the first quarter in which grants funds were expended. The program progress reports should include at a minimum:
 - (1) A comparison of the actual accomplishments to the objectives established for the period;
 - (2) The reason for slippage, if established objective were not met;

Need a work plan w/ & under 30 days

- (3) The number of enrollees in the risk pool; and
- (4) The status of the expenditure of funds.

The grantee should refer to 45 CFR §92.40(b)(2) for the performance reports required contents. The reports will continue to be submitted until all grant funds have been expended. The contents of these reports will be included in the Secretary's annual report to Congress. A final report will be due 90 days from the end of the last quarter when the final funds were expended or termination of grant support. All reports will be submitted to Lyn Killman, Project Officer at the Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Mail Stop S2-01-165, Baltimore, MD 21244. A copy of the report will be sent to the Nicole Nicholson, Grants Management Specialist, CMS, Office of Operations Management, Acquisition and Grants Group, Mail Stop C2-21-15.

- 7. **Financial Progress Reports** - The grantee will submit a financial status report related to all grant funds using the Federal Standard Form 269 no later than 30 days from the end of each project operating quarter. The first report is due no later than 30 days after the end of the first quarter in which grant funds were expended. The grantee should refer to 45 CFR §92.41(b) for financial reporting requirements. Accounting will be on a cash basis. The contents of these reports will be included in the Secretary's annual report to Congress. A final report will be due 90 days from the end of the quarter when the final funds were expended or termination of grant support. All reports will be submitted to Nicole Nicholson, Grants Management Specialist, CMS, Office of Operations Management, Acquisition and Grants Group, Mail Stop C2-21-15. A copy of the report will be sent to Lyn Killman, Project Officer at the Centers for Medicare & Medicaid Services, 7500 Security Boulevard, Mail Stop S2-01-165, Baltimore, MD 21244.

SUPPLEMENTAL INFORMATION SHEET

NOTICE TO CMS GRANT AND COOPERATIVE AGREEMENT RECIPIENTS

September 2006

CORRESPONDENCE:

The Office of Acquisition and Grants Management (OAGM), Division of Research Contracts and Grants (DRCG) grants management staff (GMS) is the official receipt and control center for **all** written communications concerning CMS grants and cooperative agreements. The GMS is responsible for the initial control, review, and dissemination of **all** correspondence to the sponsoring program office. This includes:

- all new and continuation applications;
- quarterly, semi-annual, annual and final program reports;
- quarterly, semi-annual, annual and final Financial Status Reports (SF-269A);
- all incoming correspondence, i.e., no-cost extensions, key personnel changes, budget revisions, carryover requests, changes to scope of work, etc.; and,
- letters of acceptance (and requests for exception) of the "Special Terms and Conditions" of the award.

All correspondence (original signatures) must be sent directly to:

Judith L. Norris
Grants Management Officer
CMS/OAGM/DRCG
Mailstop C2-21-15
7500 Security Boulevard
Baltimore, MD 21244-1850

Information sent to any office other than OAGM/DRCG will cause a delay in the processing of your request.

IMPORTANT: Please include your award number in Section 3 of the Financial Assistance Award on all correspondence.

FAX copies are acceptable only if a hard copy is received timely through regular mail services. All documents should be typed on one side only.

Please note that continuation applications are due into the OAGM/DRCG 120 days prior to the budget period ending date (see Section 8 of the Notice of Award (NOA)).

FORMS:

SF-424 Application Forms:

http://www.grants.gov/agencies/approved_standard_forms.jsp#1

The Lobbying Form (SF-LLL):
<http://whitehouse.gov/omb/grants/sfillin.pdf>

The Additional Assurances Form:
http://apply.grants.gov/forms/sample/SSA_AdditionalAssurances-V1.0.pdf

CONTACTS

Your assigned Grants Management Specialist and Project Officer are shown in Section 26 of the NOA. In determining which staff person to contact, please refer to the following breakdown of functional responsibilities:

Grants Management Staff Responsibilities

- Central point of receipt and initial processing of grant applications and related correspondence.
- Issuance of the Awards including:
 - New Continuations
 - Amendments/Revisions Terminations/Suspensions
- All aspects of grant/cooperative agreement business management, i.e., review and approval of proposed budgets; review and acceptance of Financial Status Reports (SF-269/SF-269A); requests for audits and resolution of audit issues; and indirect cost issues.
- Policy issues – including Federal grant regulations and policies.
- Assistance in preparation of budget and application forms.

Grants Management Staff Contacts:

If you wish to contact a member of the Grants Management Staff, please call or e-mail:

Judith L. Norris	Grants Management Officer	410-786-5130	Judith.Norris@cms.hhs.gov
JuDee A. Caquelin	Grants Management Specialist	410-786-3076	JuDee.Caquelin@cms.hhs.gov
Nicole M. Nicholson	Grants Management Specialist	410-786-5158	Nicole.Nicholson@cms.hhs.gov

Program Office Responsibilities

- Technical assistance in the preparation of application narratives and progress reports.
- Review and evaluation of the programmatic aspects of the application.
- Preparation of "Special Terms and Conditions."
- Evaluation of performance and problem resolution.
- Joint responsibility in determining necessity of re-budgeting or other actions requiring prior approval by the CMS Grants Management Officer.
- Joint review of Financial Status Reports (SF-269A) and budget proposals.

Program Office Contacts

Section 26 of the NOA will provide the name and phone number of the assigned Project Officer.

PAYMENT INFORMATION

This award will be paid through the Department of Health and Human Services' Division of Payment Management (DPM) (*not CMS*). The DPM provides automated grant payment and cash management services for the entire Federal Government. DPM operates the centralized payment system, Payment Management System (PMS), and acts as a liaison between the grantee and CMS to resolve any discrepancies. For additional information, please call the PMS help desk at 1-877-614-5533 (hours are from 7:30 A.M. to 6:00 P.M. EST) or visit their website at: <http://www.dpm.psc.gov>.

Please Note: M-Account legislation requires federal agencies to track and report funds for five years after the fiscal year in which the funding was authorized. After the five year period, the Department of Treasury will cancel any unexpended or unobligated funds remaining on an award. All expenditures must be reported to the Payment Management System (PMS) prior to September 30 of the 5th fiscal year if applicable or any remaining balance shall be canceled and thereafter not available for obligation or expenditure for any purpose. (See http://www4.law.cornell.edu/uscode/html/uscode31/uscode31_00001552----000-.html).

GRANTEE REPORTING REQUIREMENTS

Both financial and programmatic reporting is required by statute for all CMS grant programs. An original and two copies of the progress report and the financial status report shall be submitted to the OAGM/DRCG at the address shown above. Please remember to include your grant number on the reports.

Financial Report

Grantees are required to submit an SF-269A (short form) as specified in the Standard/Special Terms and Conditions. The SF-269A can be downloaded from the following web site: <http://www.whitehouse.gov/omb/grants/sf269a.pdf>.

Progress & Final Reports

Grantees are required to submit narrative reports as specified in the Standard/Special Terms and Conditions. Please see the Special Terms and Conditions of the award or contact your CMS Project Officer for instructions on how to prepare final progress reports.

INDIRECT COST RATES

Grantees charging indirect costs to the grant must have a written Indirect Cost Rate Agreement with Division of Cost Allocation (DCA), Department of Health and Human Services. A copy of the current agreement must be furnished to GMS within 30 days of award. If the grantee does not have an agreement, they have 90 days to apply to DCA to obtain one. When submitting the proposal to DCA, provide a copy to the GMS staff. The website for DCA is: <http://rates.psc.gov/fms/dca/dcamgrs.html> Reimbursement of Indirect Costs are limited until a formal indirect rate is established. (R)

AUDIT REQUIREMENTS

Audit requirements for Federal award recipients are defined in OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (revision published June 27, 2003).

An organization is required to have a non-Federal audit if, during its fiscal year, it expended a total of \$500,000 (\$300,000 for fiscal years ending before December 31, 2003) or more in Federal awards. Federal awards are defined in OMB Circular A-133 to include Federal financial assistance and Federal cost reimbursement contracts received both directly from a Federal awarding agency as well as indirectly from a pass-through entity.

Information can be found on the Internet at <http://harvester.census.gov/sac/>. Audit reports for both CMS and other HHS awards shall be submitted to the Federal Audit Clearinghouse at the address shown below:

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

Please do not have Auditors contact CMS.

DUNS NUMBER

Electronic Government or eGovernment is one of the new Presidential Management Initiatives. The Federal Government is rapidly advancing to providing the public with the ability to conduct all business with the government electronically. This necessitates a grantee to provide CMS with a DUNS number.

Grant applicants must obtain a DUNS number (Data Universal Numbering System) from Dun and Bradstreet. This number is required whether an applicant applies on-line or by hard copy. It is a unique, nine-digit identification number, which provides unique identifiers of single business entities. Organizations receive a DUNS number at no cost by simply calling the Dun and Bradstreet request line at 1-866-705-5711. Applicants can also apply on-line at the following website: <http://www.dnb.com/us/index.asp>

DHHS OFFICE OF THE INSPECTOR GENERAL - FRAUD, WASTE OR ABUSE

The DHHS Office of the Inspector General (OIG) maintains a toll free telephone number, 1-800-HHS-TIPS (1-800-447-8477) for receiving information concerning fraud, waste or abuse under grants and cooperative agreements. Information may be submitted by e-mail to hhstips@oig.hhs.gov or by mail to Office of the Inspector General, Department of Health and Human Services, Attn: HOTLINE, 330 Independence Ave., SW, Washington, D.C. 20201. Such reports are treated as sensitive material and submitters may decline to give their names if they choose to remain anonymous.

PRO CHILDREN ACT OF 1994

Public Law 103-227, Part C – Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994, prohibits smoking in any portion of any indoor facility owned, leased, or contracted for by any entity and used routinely or regularly for the provision of health, day care, education or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan or loan guarantee. The law does not apply to services provided in private residences, facilities funded solely by Medicare or Medicaid, and portions of facilities used for inpatient drug or alcohol treatment.

GRANTS.GOV

Effective October 1, 2005, CMS **requires** applicants to submit applications electronically through the www.Grants.gov website. Using Grants.gov, you 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.

Please note the following in submitting your application (new or continuation) electronically via Grants.gov:

- When entering the Grants.gov website, you will find information about submitting an application electronically through the site, as well as the hours of operation. We strongly recommend that you do not wait until the application due date to begin the application process through Grants.gov.
- To use Grants.gov, you, as the applicant, must have a D-U-N-S Number and register in the Central Contractor Registry (CCR). You should allow a minimum of five days to complete the CCR registration.
- DUNS Number: The Office of Management and Budget requires applicants to provide a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) identifier when applying for Federal grants or cooperative agreements on or after October 1, 2003. It is entered on the SF 424. It is a unique, nine-digit identification number, which provides unique identifiers of single business entities. The D-U-N-S number is *free and easy* to obtain. Organizations can receive a DUNS number at no cost by calling the dedicated toll-free DUNS Number request line at 1-866-705-5711 or by using this link: https://www.whitehouse.gov/omb/grants/duns_num_guide.pdf.
- You must submit all documents electronically, including all information included on the SF424 and all necessary assurances and certifications.
- Your application must comply with any page limitation requirements described in this program announcement.
- After you electronically submit your application, you will receive an automatic acknowledgement from Grants.gov that contains a Grants.gov tracking number.
- You may access the electronic application for this program on www.Grants.gov.
- You must search the downloadable application page by the CMS CFDA number or Funding Opportunity Number.

POSTAWARD ADMINISTRATIVE REQUIREMENTS

Introduction

This Notice implements the process by which grantees may submit prior approval requests (postaward administrative changes) for the Centers of Medicare and Medicaid Services' (CMS) grants and cooperative agreements. All requests for CMS awarding office prior approval must be made in writing to the awarding office Grants Management Officer (GMO) no later than 30 days before the proposed change. Failure to obtain prior approval, when required, may result in the disallowance of costs, termination of an award, or other enforcement action within CMS' authority.

The GMO is responsible for reviewing the request with the appropriate program official, as necessary, and for informing the grantee in writing of the final disposition of the request. Only responses signed by the GMO are to be considered valid. Grantees who take action on the basis of letters or emails by unauthorized officials do so at their own risk. Such responses will not be considered binding by or upon CMS, and HHS.

Grantee Procedures

1. The Project/Program Director initiates a request, and includes his/her title and organization, telephone number, fax number and e-mail address countersigned by the organization's business official.
2. Such request must be sent to the awarding office GMO with a copy to the Project Officer.
3. All information and justification will be included in plain text in the body of the formal request including the grantee's grant number. If the grant number is omitted and/or additional documentation is necessary for CMS to properly evaluate the request, the request will be considered incomplete and will be returned to the grantee clearly delineating the missing information.
4. The grantee must resubmit the entire documentation to the awarding office GMO.
5. When submitting e-mail requests, please include grant number, Project Director, the authorized institutional official's name, title and institution, telephone number, fax number and e-mail address. It is understood that the transmission of electronic prior approval requests is a clear expression of institutional approval and that all internal procedures have been properly completed. Additionally, the grantee will be responsible for any internal distribution of the request.

CMS Procedures

- When CMS staff receives a request, it will be routed to the Grants Management Specialist (GMS) who will determine if the request is complete or incomplete.

- If the request is complete, a copy along with the GMS' recommendation will be forwarded to the Project Officer for his/her recommendation.
- The normal CMS response time should be within 30 days of the receipt of the formal request, and CMS' acceptance of the request.
- All requests for prior approval and subsequent replies will be filed in the CMS official grant file, and will be available for future reference.

Content of Prior Approval Requests

The following outline is intended to be helpful in presenting the content necessary for CMS staff to properly judge the request. If all the required information outlined below is not provided in the initial request, it may be necessary for CMS staff to return the initial documentation to the grantee and/or request additional information from the grantee. This will result in a substantial delay of any decision being rendered on the original request.

For CMS discretionary grants, grantees must obtain written prior approval from the GMO for the following postaward changes. Other prior approvals may be required by the FAA, specific program legislation, or regulations. Therefore, the following list may not be all inclusive.

Carryover requests: The Financial Status Report, SF-269a, must be submitted directly to the Office of Grants Management before a carryover request can be considered by CMS staff. The request should be signed by the Project/Program Director and the Business/Finance Office of the organization and must include the following:

- Justification and plans for use of carryover.
- Amount of funds requested for carryover. Include line-item budget and budget narrative (in text format), of requested direct and indirect costs. If other than one time cost, please explain future year implications.
- If unobligated balance is significant (25% of the current budget period's total costs), please provide an explanation as to why available funds were not used.

No-cost (time) extension requests: A no-cost extension may be requested if the grantee requires additional time beyond the established expiration date (project end date) to fully complete its program plans and objectives proposed in the original application, or accomplish orderly phase-out of the project. The fact that funds remain at the expiration of the grant is not, in itself, sufficient justification for a no cost extension. The grantee must submit a written request for an extension to the CMS awarding office no later than 60 days prior to the expiration date of the project period. The request must include the following:

- Strong programmatic justification explaining why it is crucial for the project to be granted a time extension.
- Length of time extension is requested (not to exceed 12 months).

- Project plans and objectives proposed for the time extension.
- The amount of unexpended funds available from prior budget period(s).
- The amount of current year funds that will be available for use during the extension period.
- A detailed line-item budget and budget narrative for the (1) unobligated funds and (2) current year funds.

Approved requests will receive a Notice of Award (NOA) signed and dated by the CMS Grants Management Officer (GMO). Only an approved NOA signed by the GMO is to be considered valid and official. Grantees who take action on the basis of letters or emails by unauthorized officials, including by not limited to, the CMS Project/Program Officers, do so at their own risk. Such responses will not be considered binding by or upon CMS, and HHS.

Re-budgeting requests: CMS grantees are, in general, allowed a certain degree of latitude to re-budget within and between budget categories in the approved total direct budget of the project to meet unanticipated requirements or to accomplish certain programmatic changes. However, significant re-budgeting requires CMS awarding office prior approval. Significant re-budgeting occurs when the cumulative amount of transfers among direct cost categories for the current budget period exceeds 25 percent of the total amount awarded, or \$250,000, whichever is less. The request must include the following:

- Detailed budget and justification.
- Amount of funds to be re-budgeted.
- Indication of which budget categories will be moved from and to.
- Indication as to whether there will be a change in scope.

Change in effort: Whenever there is to be a change in the level of participation (increase or decrease) in the approved project by the project director, program director or key personnel as designated by the terms and conditions of award, the grantee must notify CMS as soon as such information is known but no later than 30 days before the expected date of departure or change in participation level. The request must include the following:

- Justification for the increase or decrease in the level of participation.
- Statement of proposed changes in duties/responsibilities.
- Description of the change in effort level (from what percent to what percent).
- Description of the duration of change.

- Indication of what re-budgeting may occur as a result of the change in effort.

Change in Program Director (PD)/Key Personnel: The grantee organization is required to seek approval in writing before a substitute or permanent individual is appointed to replace an absent or departed PD or key personnel. If the PD or key personnel is absent from the project for 3 months or more, a substitute or permanent individual must be proposed by the grantee organization and must be approved by the CMS awarding office. The request for approval of a substitute or permanent PD should include:

- Justification for the change.
- Curriculum vitae of the individual proposed.
- Any budgetary changes resulting from the proposed change.

GRANT CLOSEOUT REQUIREMENTS

This section provides details regarding required documentation that must be **submitted to the Centers for Medicare and Medicaid Services within 90 days of the project end date** of a grant or cooperative agreement to close out a grant in accordance with U.S. Department of Health and Human Services (HHS) regulations and CMS policy. A Final Financial Status Report and Final Progress Report are required for all projects.

Final Financial Status Report

The final Financial Status Report (FSR) submitted to this office must agree with the final expenditures reported on the PMS 272 to the Payment Management System. Before FSR submission, all obligations must be liquidated. An original and two copies are due no later than 90 days after the project period end date. Use Standard Form 269a, which is available online at: <http://www.whitehouse.gov/omb/grants/sf269a.pdf>

Final Progress Report

The Final Progress Report is needed to describe the results of the research/demonstration funded by the Agency. It may be made available to the public, and, therefore, should not include any copyrighted, private, or proprietary information. An original and two copies are due no later than 90 days after the project period end date. Please remember to include the grant number.

Failure to Comply

Failure to submit the required reports in a timely and accurate manner may result in the imposition of a special award provision or the withholding of funding of other eligible projects or activities involving the grantee organization or the principal investigator.

CMS Instructions for Completing the Financial Status Report (SF-269a)

Block One: Federal Agency **MANDATORY FIELD**

- Enter Centers for Medicare and Medicaid Services or CMS

Block Two: Federal Grant Number **MANDATORY FIELD**

- Enter the Alpha/Numeric Grant Number cited in Section 2 of the Notice of Grant Award (NGA) or Section 3 of the Financial Assistance Award (FAA)

Block Three: Recipient Organization **MANDATORY FIELD**

- Enter Grantee's Organization's legal name and address as identified on the award document

Block Four: Employer ID Number (EIN) **MANDATORY FIELD**

- Enter the 9-digit EIN as cited on the award document.

Block Five: Recipient Account Number **NON-MANDATORY FIELD**

- For Grantee's internal accounting use.

Block Six: Final Report **MANDATORY FIELD**

- This block should always be checked *NO* until the Grantee has expended their total allowable federal share granted for *all* awards issued under the same *Grant Number*, or the grant has expired.
- A Final SF-269a is due *90* days after a Grantee has expended their total allowable federal share granted for all awards issued under the same *Grant Number*, or after the last award has expired. If multiple supplements or continuations are issued under one Grant Number, the Grantee would not submit a Final SF-269a until the last supplement or continuation expires.

Block Seven: Basis-Cash or Accrual **MANDATORY FIELD**

- This block is used by the Grantee to designate which basis of Accounting is used to record financial transactions.

Block 8: Funding/Grant Period

MANDATORY FIELD

- These dates represent the cumulative time period covered by all awards, supplements, continuations, modifications, and extensions issued under one Grant Number. This equates to the Project Period on most current awards.

- **EXAMPLE:**

Original Award:	11-P-94000-1/0	\$50,000	09/30/04-09/29/05
Supplement:	11-P-94000-1/1	\$25,000	Extended to 12/31/05
No Cost Extension:	11-P-94000-1/2	\$0	Extended to 03/30/06

For the above example, the Grantee would enter *From: 09/30/04 To: 03/30/06* in **Block 8**. Note: use the beginning date of the original award and the latest ending date of the most recent award.

Block 9: Period Covered by this Report

MANDATORY FIELD

- Enter the (budget) period of the grant that will be reported on the SF-269a.
- **EXAMPLE:**

The Funding/Grant Period of Grant 11-P-95000 is 01/01/02 – 12/31/04. The budget periods are as follows:

Year One Budget Period:	01/01/02 – 12/31/02 – <i>First Report</i>
Year Two Budget Period:	01/01/03 – 12/31/03 – <i>Second Report</i>
Year Three Budget Period:	01/01/04 – 12/31/04 – <i>Third and Final Report</i>

Enter only one of the above sets of dates for Block 9 for which the report will cover.

Block 10: Transactions

MANDATORY FIELD

- The purpose of Columns I, II, and III is to show the effect of this reporting period's transactions on cumulative financial status.
- If this is the first reporting period, use only **Column III Cumulative**.
- If this is the second (or more) reporting period, input the current reporting period's information in **Column II This Period** and copy the information from **Column III Cumulative** of your last previous report into **Column I Previously Reported** of this report. Add Columns I and II to get the cumulative total in Column III.

Table I below provides a model of Block 10. Transactions of an SF-269a. The fields on the model have been labeled to illustrate the mathematical relationship of the Lines and Columns to be completed in Block 10.

Table I.		COLUMN I	COLUMN II	COLUMN III
		I Previously Reported	II This Period	III Cumulative
a. Total Outlays (CASH PAID OUT)	LINE a ⇒	Line a Col. I = Line b Col. I + Line c Col. I (Step 1)	Line a Col. II = Line b Col. II + Line c Col. II (Step 3)	Line a Col. III = Line a Col. I + Line a Col. II = Line b Col. III + Line c Col. III (Step 6)
b. Recipient's share of outlays	LINE b ⇒	Line b Col. I (Step 1)	Line b Col. II (Step 2)	Line b Col. III = Line b Col. I + Line b Col. II (Step 5)
c. Federal share of outlays	LINE c ⇒	Line c Col. I (Step 1)	Line c Col. II (Step 2)	Line c Col. III = Line c Col. I + Line c Col. II (Step 4)
d. Total unliquidated obligations (ACCRUED EXPENSES NOT YET PAID)	LINE d ⇒	N/A	N/A	Line d Col. III = Line e Col. III + Line f Col. III = (Step 8)
e. Recipient share of unliquidated obligations	LINE e ⇒	N/A	N/A	Line e Col. III = (Step 7)
f. Federal share of unliquidated obligations	LINE f ⇒	N/A	N/A	Line f Col. III = (Step 7)
g. Total Federal share (sum of lines c and f)	LINE g ⇒	N/A	N/A	Line g Col. III = Line c Col. III + Line f Col. III (Step 9)
h. Total Federal funds authorized for this funding period (CUMULATIVE VALUE OF ALL AWARDS WHICH INCLUDES ORIGINALS, SUPPLEMENTS, CONTINUATIONS, MODIFICATIONS ISSUED UNDER ONE GRANT NUMBER)	LINE h ⇒	N/A	N/A	Line h Col. III = (Step 10)
i. Unobligated balance of Federal funds (line h minus line g)	LINE h ⇒	N/A	N/A	Line i Col. III = Line h Col. III - Line g Col. III (Step 11)

Block 10 – Step 1: Complete Column I Previously Reported

- Enter the ending figures from Column III Cumulative from the previous SF-269a submitted. If this is the first SF-269a that the Grantee is submitting, enter \$0s on Lines a, b, and c in Column I, Previously Reported or leave blank.
- Line a Column I should equal the sum of the figures entered on Lines b and c in Column I.

- If the Grantee needs to make corrections to prior SF-269a submissions, then the figures reported in **Lines a, b, and c** in Column I for the most current SF-269a would be adjusted.

EXAMPLE:

The date is 07/03/05 and the SF-269a is due for the quarter ending 6/30/05. The Grantee has determined that they should have reported \$2,000 less on Lines c, Column II of their 12/31/04 SF-269a.

12/31/04 Submission

	<u>Previously Reported</u>	<u>This Period</u>	<u>Cumulative</u>
	Column I	Column II	Column III
Line a.	\$50,000	\$27,000	\$77,000
Line b.	\$12,500	\$ 6,250	\$18,750
Line c.	\$37,500	\$20,750	\$58,250

03/31/05 Submission

	Column I	Column II	Column III
Line a.	\$77,000	\$25,000	\$102,000
Line b.	\$18,750	\$ 6,250	\$25,000
Line c.	\$58,250	\$18,750	\$77,000

Adjustment to
12/31/04 Submission

06/30/05 Submission

	Column I	Column II	Column III
Line a.	\$100,000	\$25,000	\$125,000
Line b.	\$25,000	\$ 6,250	\$31,250
Line c.	\$75,000⁽¹⁾	\$18,750	\$93,750

In Block 12, the Grantee would footnote the \$2,000 adjustment on the 6/30/05 submission and attach any supporting documentation that explains why the adjustment was made and which quarterly submission(s) was corrected.

Example of footnote:

⁽¹⁾ Adjustment of \$2,000 is reflected on this quarter's submission to correct erroneously reported numbers for Federal share of outlays on the 12/31/04 submission.

Step 2: Complete Lines b and c, Column II This Period:

- Enter the cash outlays (which are the monies that the Grantee has spent) during the current reporting period.
- Enter Grantee's share of cash outlays (local matching contributions) on Line b.
- Enter Federal share of cash outlays on Line c. Federal share of outlays are the costs that are covered by Federal funds.
- For assistance in determining allowable and unallowable costs, please reference the OMB Circular for Cost Principles designated for your organization:
 - A-87 – State, Local and Indian Tribal Government
 - A-21 – College and Universities
 - A-122 – Nonprofit
 - 45 CFR Part 74, Appendix E – Hospitals

Step 3: Complete Line a, Column II This Period:

- Sum the figures entered on Lines b and c in Column II.

Step 4: Complete Line c, Column III Cumulative:

- Sum the figures entered on Line c in Columns I and II.

Step 5: Complete Line b, Column III Cumulative:

- Sum the figures entered on Line b in Columns I and II.

Step 6: Complete Line a, Column III Cumulative:

- Sum the figures entered on Line a in Columns I and II.
- Crosscheck by summing the figures entered on Lines b and c in Column III.

Step 7: Complete Lines e and f, Column III Cumulative:

- If the Grantee is on the Cash Basis of Accounting (Block 7 on the form), then skip to Step #9, Line g, Column III Cumulative.
- If the Grantee is on the Accrual Basis of Accounting (Block 7 of the form), then complete Lines d, e, and f in Column III Cumulative.
 - Enter Grantee's share of Accounts Payable (expenses incurred but not yet paid) on Line e, Column III.
 - Enter the Federal share of Accounts Payable (expenses incurred but not yet paid) on Line f, Column III.

Step 8: Complete Line d, Column III Cumulative:

- Sum the figures entered on Lines e and f in Column III.

Step 9: Complete Line g, Column III Cumulative

- Sum the figures entered on Lines c and f in Column III.

Step 10: Complete Line h, Column III Cumulative:

- Enter the sum of the total federal funds authorized under the Grant Number. This will include all accepted original awards, supplements or continuations.

EXAMPLE:

Original Award	11-P-94011-5/01 0	\$500,000	09/30/03 – 09/29/05
Supplement #1	11-P-94001-5/01 1	\$100,000	09/30/03 – 09/29/05
Supplement #2	11-P-94001-5/01 1	\$100,000	09/30/03 – 09/29/05
	Total:	\$700,000	

For this example, the figure entered on **Line h** in Column III would be **\$700,000**. This will normally match the total on your latest Grant Award.

Step 11: Complete Line i, Column III Cumulative:

- **Line h**, Column III minus Line g, Column III.

Block 11: Indirect Expense

NON-MANDATORY FIELD

- Complete 11a and 11b if indirect costs were included in the approved budget.

Block 12: Remarks

NON-MANDATORY FIELD

- Use this block to footnote any adjustments made for prior reporting periods on the most current SF-269a that is due for submission.
- Use this block to explain any other items (s) that should be brought to the attention of the CMS Grants Office.
- Do **NOT** use this box to request a **No Cost Extension and Carryover**.

Block 13: Certification

MANDATORY FIELD

- Type or print the Certifying Official's Name, Title, and Telephone Number
- Type or print the Date Report Submitted
- Grantee's Authorized Certifying Official must sign document

Glossary

Accrual Basis:	An accounting method whereby revenues and expenses are identified with specific period of time such as a month or year, and are recorded when they are earned or incurred without regard to the date of receipt or payment of cash; distinguishing from cash basis
Allowable Cost:	A cost is allowable to a particular cost objective (i.e., a specific function, grant project, service, department, or other activity) in accordance with the relative benefits received. A cost is allowable of a Federal Award where it is treated consistently with other costs incurred for the same purpose in like circumstances and (1) is incurred specifically for the award; (2) benefits both the award and other work and can be distributed in reasonable proportion to the benefits received; or (3) is necessary for the overall operation of the organization.
Budget Period:	The intervals of time (usually 12 months each) into which a project period is divided for budgetary and funding purposes.
Carryover:	Unobligated Federal funds remaining at the end of any budget period that may be carried forward to one of the two subsequent budget periods to cover allowable costs of that budget period (whether as an offset or additional authorization). Obligated but unliquidated funds are not considered carryover.
Cash Basis:	An accounting method whereby, in contrast to the accrual basis, revenue and expenses are recorded on the books of account when received and paid, respectively, without regard to the period in which they are earned or incurred.
Federal Funds Authorized:	The total amount of Federal funds obligated by the Awarding Agency for use by the recipient.
Indirect Costs:	Costs that are incurred by a recipient for common or joint objectives and cannot be identified specifically with a particular project or program. These costs are also known as "facilities and administrative costs".
Outlays:	The charges made to the federally sponsored project or program. They may be reported on a cash or accrual basis.
Unallowable Cost:	A cost specified by law or regulation, Federal cost principles, or term and condition of award that may not be reimbursed under a grant or cooperative agreement.
Unliquidated Obligations:	The amount of obligations incurred by the recipient that has not been paid (for financial reports prepared on a cash basis) or the amount of

obligations incurred by the recipient for which an outlay has not been recorded (for reports prepared on an accrual basis).

Unobligated Balance: The portion of funds authorized by the Federal agency that has not been obligated by the recipient.

FREQUENTLY ASKED QUESTIONS

What is the mailing address for submitting a hardcopy FSR?

Judith L. Norris
Grants Management Officer
CMS/OAGM/DRCG
Mailstop C2-21-15
7500 Security Boulevard
Baltimore, MD 21244-1850

Where do I obtain hard copy of SF-269a FSR form?

<http://www.whitehouse.gov/omb/grants/sf269a.pdf>

Which SF-269 forms are available for hard copy submission?

The SF-269 (long form) is filed for those grants that must report program income. The SF-269a (short form) is filed for the majority of CMS grants that do not report program income. Please use the appropriate form.

When is the FSR due?

FSRs are due 90 days after the end of the budget period or as specified in the Special Terms and Conditions of the grant.

What happens if I submit an incorrect hard copy FSR?

The hardcopy FSR will be returned to the grantee for correction. A grantee's failure to submit a timely and accurate FSR represents a material violation of the terms and conditions of the award, and may result in enforcement action.

How can I be notified if I submit an incorrect hardcopy FSR?

If the grantee includes their email address in the Remarks Section, the Grants Specialist will notify them via email.

How do I receive funds from a Grant Award?

Grant funds are received through a drawn down from the Payment Management System (PMS). For information and assistance about drawing funds, contact the Division of Payment Management at 1-877-614-5533 (hours are from 7:30 A.M. to 6:00 P.M. EST) or visit their website at: <http://www.dpm.psc.gov>.

Can the grantee request to carry forward the unobligated balance from one budget period to the next successive budget period?

Yes, if the grantee is under the Expanded Authorities (not State Government Agencies), they may carry forward the unobligated balance by informing CMS in a statement in the Remarks section of the hardcopy FSR. Otherwise, the grantee must submit a request for carryover and obtain approval from the CMS Grants Management Office. (See Supplement Information Sheet for more information on how to request carryover).

What is the Recipient ID?

It is the grantee's number which identifies the account. This is optional. The number is helpful to the grantee when CMS calls regarding a discrepancy.

When is the Final FSR due?

An original and two copies of the final FSR are due 90 days after the end of the project period. The report must be marked Final in Section 6.

Does the Final FSR have to match the SF-272 that's reported to PMS?

Yes. The final Financial Status Report (FSR) submitted to this office must agree with the final expenditures reported on the PMS 272 to the Payment Management System. Before FSR submission, all obligations must be liquidated.

What happens if I fail to submit the final FSR?

Failure to submit the required reports in a timely and accurate manner may result in the imposition of a special award provision or the withholding of funding of other eligible projects or activities involving the grantee organization or the principal investigator.





**State of Vermont
Department of Banking, Insurance,
Securities and Health Care Administration**

89 Main Street, Drawer 20
Montpelier, VT 05620-3101

www.bishca.state.vt.us

Consumer Assistance Only:
Insurance: 1-800-964-1784
Health Care Admin. 1-800-631-7788
Securities: 1-877-550-3907

To: Jan Westervelt, Budget Analyst
From: Sandy Barton, Financial Services Director
Date: January 5, 2007
Re: Grant Acceptance Form for BISHCA

Attached please find form AA-1, Request for Grant Acceptance, for BISHCA to accept a \$1 million grant from the Centers for Medicare and Medicaid Services. This grant is for creating and funding initial startup costs of a reinsurance program for Vermont.

I have also attached the grant information that has been supplied to me by the project leader.

Please let me know if you have any questions or if further information is required.

I can be reached at 828-2379.

SB
Attachments

REC'D JAN 09 2007

