



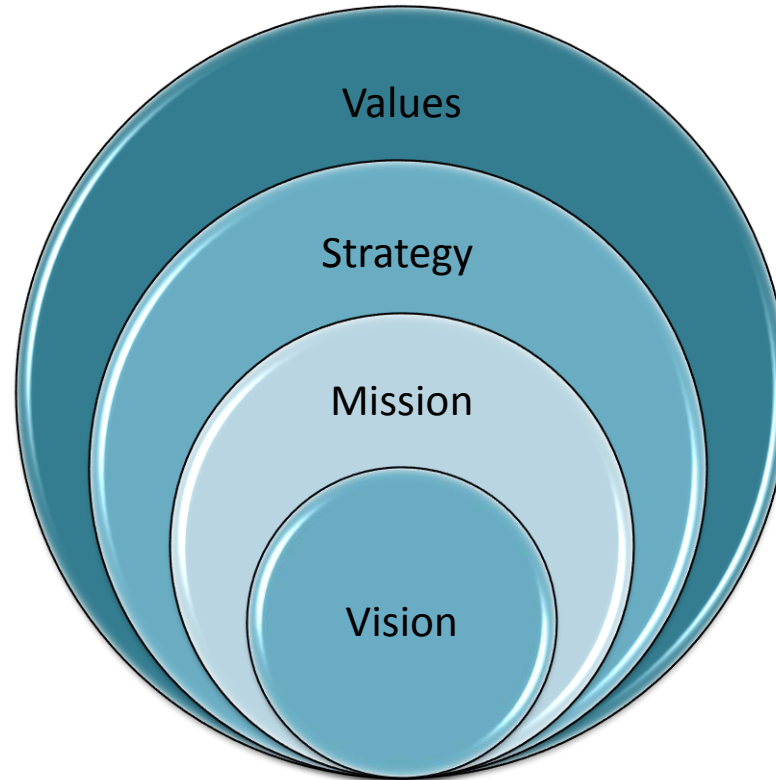
**COVERED**  
**CALIFORNIA**

## **COVERED CALIFORNIA POLICY AND ACTION ITEMS**

June 18, 2015

# PLANNING FOR SUSTAINABILITY: COVERED CALIFORNIA'S VISION, MISSION AND PILLARS

# WHAT GUIDES COVERED CALIFORNIA?



# COVERED CALIFORNIA'S VISION AND MISSION: THE TARGET

## Vision

The vision of Covered California is to improve the health of all Californians by assuring their access to affordable, high quality care.

## Mission

The mission of the Covered California is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

# Covered California's Guiding Values: How We Do It

- **Consumer-focused**: At the center of Covered California's efforts are the people it serves, including patients and their families, and small business owners and their employees. Covered California will offer a consumer-friendly experience that is accessible to all Californians, recognizing the diverse cultural, language, economic, educational and health status needs of those we serve.
- **Affordability**: The Exchange will provide affordable health insurance while assuring quality and access.
- **Catalyst**: Covered California will be a catalyst for change in California's health care system, using its market role to stimulate new strategies for providing high-quality, affordable health care, promoting prevention and wellness, and reducing health disparities.
- **Integrity**: The Exchange will earn the public's trust through its commitment to accountability, responsiveness, transparency, speed, agility, reliability, and cooperation.
- **Partnership**: The Exchange welcomes partnerships, and its efforts will be guided by working with consumers, providers, health plans, employers and other purchasers, government partners, and other stakeholders.
- **Results**: Covered California will be measured by its contributions to expanding coverage and access, improving health care quality, promoting better health and health equity, and lowering costs for all Californians.

# COVERED CALIFORNIA'S STRATEGIC PILLARS: WHAT WE DO

## Affordable Plans

Consumers purchase and keep Covered California products based on their perception that this is a good value for them.

## Needed Care

Consumers receive the right care at the right time.

## Effective Outreach & Education

Consumers understand what we offer and have a positive attitude about Covered California.

## Positive Consumer Experience

Consumers have a positive experience from initial enrollment to keeping their coverage.

## Organizational Excellence

Covered California has the right tools, processes, and resources to support our team to deliver on our mission.

# COVERED CALIFORNIA'S STRATEGIC PILLARS:

## Key initiatives for FY 2015-2016

### Affordable Plans

1. Continue to Moderate trend for 2016 and 2017 plan years
2. Leverage 2014-2015 data for future benefit designs
3. Increase consumer plan choice across the state
4. Plan for 2017 changes

### Needed Care

1. Develop path to promote "Triple Aim" in plan contracts
2. Use clinical analytics to assess "right care at the right time"
3. Assess and continue to address disparities and health equity

### Effective Outreach & Education

1. Personalize marketing, acquisition and retention efforts
2. Effectively convert Medi-Cal redetermination populations
3. Continue to assure we enroll and retain members reflecting our diverse populations

### Positive Consumer Experience

1. Apply member assessments and improve:
  - CalHEERS
  - Service Center
  - Enrollment processes
  - Language access and health insurance literacy

### Organizational Excellence

1. Ensure Covered California "walks the talk" of its core values
2. Continue to build, retain and grow staff

# FISCAL YEAR 2015-16 FINAL BUDGET

Jim Lombard, Director, Financial Management Division



# THE FY 2015-16 BUDGET: PART OF A MULTI-YEAR STRATEGY

- Over the past two years Covered California has established a solid foundation and we are confident as we:
  - Transition from startup mode to ongoing operations
  - Rely on fees collected from health insurance companies and;
  - Plan for potential use of some of the extensive reserves
- Because many startup expenses required during our opening days - such as the information technology build and certain outreach, education and marketing expenses - are no longer needed, the revised budget for fiscal year 2015-2016 is approximately \$50 million less than the current fiscal year's projected expenditures.
- This reduction is part of our managed launch and consistent with our vision to spend more in the early years to lay the foundation for this historic effort.

# COVERED CALIFORNIA FY 2015-16 OVERVIEW

- The FY 2015-16 budget aligns with Covered California's vision to improve the health of Californians by assuring their access to affordable, high quality healthcare; and its mission to increase the number of insured Californians, improve health care quality, lower costs and reduce health disparities through a competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.
- The FY 2015-16 Covered California Budget provides the resources to transition from federal establishment funds to operating funds generated from plan assessments.
- It strikes a balance between funding critical program delivery and providing the necessary reductions to implement a multi-year plan that will allow revenue to exceed expenditures as early as FY 2017-18.
- Covered California's focus in FY 2015-16 will be to continue to build enrollment and increase retention through its outreach, sales, and marketing activities, complemented by efforts to continue to refine its organizational structure in order to effectively support its stakeholders.

# FINAL RECOMMENDATION: FY 2015-16 REVISIONS TO MAY PROPOSAL

- Covered California's Proposed FY 2015-16 Budget of \$332.9 million and 1,394 positions was submitted for your consideration at the May Board meeting.
- Subsequent to the issuance of the Proposed FY 2015-16 Budget, there are several program changes that warrant adjustments, including new fiscal items which impact the FY 2015-16 budget totals and other items that reflect intra-program transfers that affect individual organizational units, but do not change the overall bottom line.
- The total changes of the June Budget Revision process result in a \$2.1 million increase to the Proposed FY 2015-16 Budget.
- As a result of these changes, the Revised FY 2015-16 Budget is \$335.0 million and 1,399 positions.
- Because of current FY 2014-15 changes, we now project that we will end FY 2015-16 with \$197 million in reserves (\$3.8 million more than projected in May).

# COVERED CALIFORNIA SUMMARY OF CHANGES

	Proposed	FY 2015-16 June Revision		Revised Budget
		Budget Impact	Transfers	
Service Center	\$ 94,919,232	\$ -	\$ 5,183,846	\$ 100,103,078
CalHEERS	\$ 42,542,356	\$ -	\$ (131,871)	\$ 42,410,485
Outreach & Sales, Marketing	\$ 121,463,472	\$ 1,258,000	\$ (1,208,999)	\$ 121,512,473
Plan Management & Evaluation	\$ 16,925,582	\$ 375,000	\$ -	\$ 17,300,582
Administration	\$ 46,656,803	\$ 345,545	\$ (842,976)	\$ 46,159,372
Enterprise Shared Costs	\$ 16,493,138	\$ -	\$ (3,000,000)	\$ 13,493,138
<b>Total Expenses</b>	<b>\$ 339,000,582</b>	<b>\$ 1,978,545</b>	<b>\$ -</b>	<b>\$ 340,979,127</b>
CalHEERS Cost Sharing	\$ (6,055,000)	\$ 114,068	\$ -	\$ (5,940,932)
Reimbursements	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Costs</b>	<b>\$ 332,945,582</b>	<b>\$ 2,092,613</b>	<b>\$ -</b>	<b>\$ 335,038,195</b>

- The June Budget Revision includes the following:
  - Additional funding to support activities within the Outreach and Sales, Plan Management & Evaluations, and Administration programs that increase the overall FY 2015-16 Budget by \$2.1 million
  - Transfers between programs that enhance Covered California's operational efficiency and change the budgets of individual programs, but do not impact the FY 2015-16 bottom line

# PROPOSED ADJUSTMENTS TO MAY BUDGET

Adjustments by Organizational Function (Business Unit)		
	Positions	Dollars
<b>1. Administration (Information Technology)</b>	3	\$ 345,545
Additional Contractual Funding by Organizational Function (Business Unit)		
		Dollars
<b>2. Outreach &amp; Sales (Program Integrity)</b>		\$ 1,258,000
<b>3. Plan Management &amp; Evaluation (Policy, Evaluation and Research - Consumer Assistance)</b>		\$ 375,000
Additional Changes with Fiscal Impact		
		Dollars
<b>4. CalHEERS Cost Sharing Reduction</b>		\$ 114,068
<b>Total Fiscal Impact</b>		\$ 2,092,613

The items requiring adjustments include:

1. \$345,545 in the IT division for 3 new positions to support the CalHEERS project at the Service Centers
2. \$1.3 million in Outreach and Sales to better support Covered California for Small Business sales and administrative efforts, and to increase support for agents in the Individual Market
3. \$375,000 in Plan Management & Evaluation to continue support for independent, on-the-ground and hotline consumer assistance, and expand support for assistance with Covered California appeals. The decrease in this budget compared to FY 2014-15 is consistent with the decrease in other budgets supporting similar activities
4. \$114,068 as a result of a reduction in the CalHEERS cost-sharing amount

# PROGRAM TRANSFERS WITH NO CHANGES TO BOTTOM LINE

In addition to the items that require a proposed adjustment to the FY 2015-16 Budget, the June revision also includes several transfers between programs that do not effect the Proposed FY 2015-16 Budget total

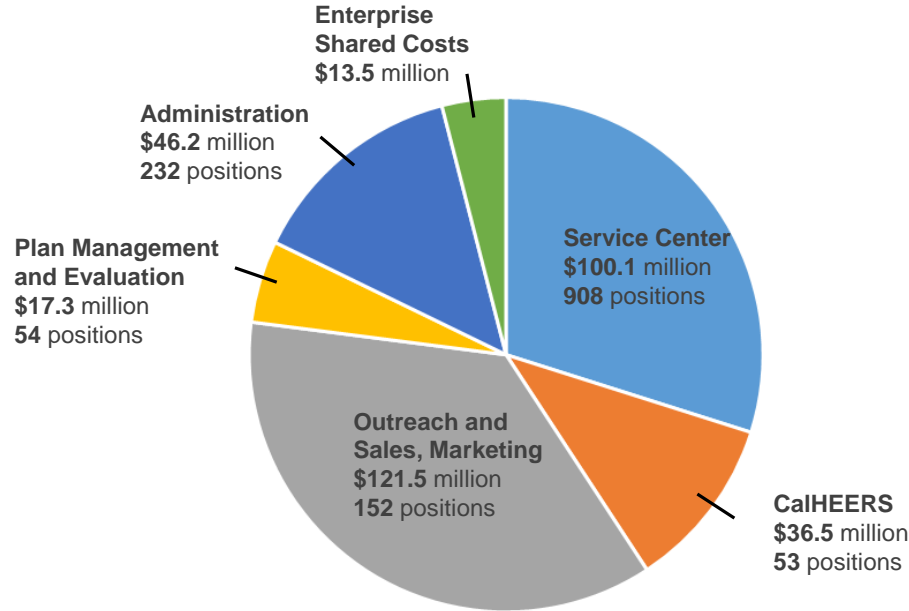
<b>Position Transfers by Organizational Function (Business Unit)</b>			
<b>From</b>	<b>To</b>	<b>Positions</b>	<b>Dollars</b>
Service Center	Outreach & Sales (Program Integrity)	19	\$ 1,816,154
Administration (Business Services)	Outreach & Sales (Program Integrity)	1	\$ 129,406
Administration (Financial Management)	Outreach & Sales (Program Integrity)	4	\$ 487,766
CalHEERS	Administration (IT)	1	\$ 131,871
<b>Total</b>		<b>25</b>	<b>\$ 2,565,197</b>
<b>Contract and Other Transfers by Organizational Function (Business Unit)</b>			
<b>From</b>	<b>To</b>		<b>Dollars</b>
Outreach & Sales (Program Integrity)	Service Center		\$ 7,000,000
Enterprise Shared Costs (Critical Infrastructure)	Outreach & Sales (Navigators)		\$ 3,000,000
Administration (Financial Management)	Outreach & Sales (Program Integrity)		\$ 357,675
<b>Total</b>	<b>Total</b>		<b>\$ 10,357,675</b>

- The creation of the Program Oversight and Compliance team within the Program Integrity Division requires the redirection of 24 positions and \$2,791,001 in funding from the Service Center, Financial Management Division, and Business Services Branch to consolidate quality assurance, fraud prevention & detection, and internal audit work.
- Existing position authority, contract funding, and workload associated with the adjudication of appeals is being redirected to the Service Center, and a conforming \$7 million in contractual funding for adjudication of appeals is also being transferred to the Service Center.
- Authorize staff to increase Navigator program by up to \$3 million from Critical Infrastructure Funds contingent upon applicants meeting program requirements (could reduce Critical Infrastructure Funds from \$10 million to \$7 million).

## OTHER ITEMS WITH NO IMPACT TO OVERALL BUDGET

- Redirect contract funding from the Business Services Branch to fund two positions for the Information Technology Division to fulfill critical activities to assist Covered California in meeting its statutory mandates of providing public content via multiple delivery channels such as YouTube, UStream, webinars, and other audio/video platforms.
- The Marketing budget as proposed, in May, includes \$2.3 million in voter registration related funding to support voter registration activities in conformance with state law.

# COVERED CALIFORNIA FISCAL YEAR 2015-16 BUDGET



- The budget incorporates the resources to transition from federal establishment funds to operating funds generated from plan assessments as envisioned by the Affordable Care Act.
- It provides 1,399 positions and \$335.0 million to fund program operations.
- There will be no job losses for our employees, and we will continue working hard to serve consumers and improve operations.



# FY 2015-16 BUDGET – ORGANIZATIONAL DETAIL

	2014-15 Projected	2015-16 Revised	Difference	% Change
Service Center	\$ 92,286,466	\$ 100,103,078	\$ 7,816,612	8%
CalHEERS	\$ 82,113,445	\$ 42,410,485	\$ (39,702,960)	-48%
Outreach & Sales, Marketing	\$ 171,808,207	\$ 121,512,473	\$ (50,295,734)	-29%
Plan Management & Evaluation	\$ 13,653,880	\$ 17,300,582	\$ 3,646,702	27%
Administration	\$ 36,599,435	\$ 46,159,371	\$ 9,559,936	26%
Enterprise Shared Costs	\$ 1,543,057	\$ 13,493,138	\$ 11,950,081	NM
<b>Total Expenses</b>	<b>\$ 398,004,490</b>	<b>\$ 340,979,127</b>	<b>\$ (57,025,363)</b>	<b>-14%</b>
CalHEERS Cost Sharing	\$ (1,937,629)	\$ (5,940,932)	\$ (4,003,303)	207%
Reimbursements	\$ (11,402,000)	\$ -	\$ 11,402,000	-100%
<b>Total Operating Costs</b>	<b>\$ 384,664,861</b>	<b>\$ 335,038,195</b>	<b>\$ (49,626,666)</b>	<b>-13%</b>

- From an operations perspective, the proposed budget includes resources to fund the following goals:
  - \$121.5 million is made available for outreach, sales and marketing efforts, including \$50 million for marketing campaigns and up to a \$13 million Navigator program to inform California consumers about our programs and encourage retention of those that have already enrolled
  - \$100 million is provided for Service Center resources to provide funding comparable to FY 2014-15
  - It includes \$36.5 million to fund the FY 2015-16 requirements of the CalHEERS 24 month road map

# COVERED CALIFORNIA FUNDING CONSTRAINTS

## Current law limits funding options

- Specifies that moneys deposited in the California Health Trust Fund can not be loaned or borrowed by any other special fund, General Fund, or any county fund
- Indicates that enrollment and expenditures be maintained to ensure that expenditures do not exceed the amount of revenue in the fund, and if insufficient, institute appropriate measures to ensure fiscal solvency
- Requires that the Board ensure that establishment, operation, and administrative functions do not exceed the combination of federal funds, private donations, and other non-General Fund moneys
- Prohibits General Fund moneys for any purpose
- Clarifies liabilities incurred by the Exchange or any of its officers or employees may not be satisfied using moneys from the General Fund
- Limits the reserve to be no more than the operating budget for the next fiscal year
- No laws allow for the issuance of bonds or warrants for Covered California's cash flow or budget needs

# COVERED CALIFORNIA MULTI-YEAR FINANCIAL FORECAST

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<b>Effectuated Enrollment</b> <i>(Individual at fiscal year end)</i>	1,299,521	1,476,342	1,666,617	1,809,095	1,977,792
<b>Beginning Balance of Unrestricted Funds</b>	\$ 5.9	\$ 197.9	\$ 197.2	\$ 156.4	\$ 160.0
<b>Balance of Federal Establishment Funds</b>	\$ 479.3	\$ 100.0			
<b>Opening Balance</b>	\$ 485.2	\$ 297.9	\$ 197.2	\$ 156.4	\$ 160.0
<b>Plan Assessments - Cash Basis</b>	\$ 197.4	\$ 234.4	\$ 269.2	\$ 303.6	\$ 329.2
<b>Expenditures</b>	\$ 384.7	\$ 335.0	\$ 310.0	\$ 300.0	\$ 300.0
<b>Year-End Operating Reserve</b>	\$ 297.9	\$ 197.2	\$ 156.4	\$ 160.0	\$ 189.2
<i>Minimum number of months expenditures covered by reserve</i>	<b>9.3</b>	<b>7.1</b>	<b>5.6</b>	<b>5.4</b>	<b>6.1</b>
Reflects Medium enrollment forecast					

- The latest forecast assumes a \$335 million budget in FY 2015-16. The multi-year outlook assumes a \$310 million budget in FY 2016-17 and a \$300 million budget in both FY 2017-18 and FY 2018-19.
- The multi-year plan is designed to balance plan assessment revenues and expenditures by FY 2017-18.
- Provides a six month operating reserve throughout FY 2015-16 with a fiscal year-end position of \$197 million.

# RECOMMEND APPROVAL OF COVERED CALIFORNIA FISCAL YEAR 2015-16 BUDGET

Staff recommend that the board adopt Board Resolution 2015-54 to:

1. Approve the Budget for Fiscal Year 2015-16, providing expenditure authority of \$340,979,127.
2. Authorize the Executive Director to make adjustments provided FY 2015-16 expenditures remain at or below the level of expenditure authority approved by the Board.
3. Require adjustments to program budgets and positions be reported to the Board as necessary.