



COVERED
CALIFORNIA

COVERED CALIFORNIA POLICY AND ACTION ITEMS

June 16, 2016 Board Meeting

2016/17 PROPOSED BUDGET, FORECAST, AND QHP ASSESSMENT FEE

Jim Lombard, Director, Financial Management Division

FY 2016-17 HIGHLIGHTS

- The Board is being asked to formally set the Exchange's enrollment assessment rates for benefit year 2017, and is also being asked to formally approve the Budget for Fiscal Year (FY) 2016-17.
- Covered California's Proposed FY 2016-17 Budget of \$308.0 million and 1,311 positions was submitted for your consideration at the May Board meeting.
- Subsequent to the issuance of the Proposed FY 2016-17 Budget, there have been several program changes, totaling \$12.9 million, for a total revised FY 2016-17 Budget of \$320.9 million and 1,323 positions.
- The proposed FY 2016-17 budget relies on plan assessments, uses no federal funds, and is balanced with prudent reserves.
- Due to carriers paying at an accelerated rate and other factors, Covered California expects \$48 million in additional revenue by the end of 2015-16 compared to earlier estimates, much of which materialized within the last month.
- We now project to end FY 2016-17 with almost \$185 million in reserves (\$21 million more than projected in May).

INDIVIDUAL & SMALL BUSINESS ENROLLMENT FORECASTS

Individual Enrollment

Effectuated Enrollment (<i>at fiscal year end</i>)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Low	1,317,392	1,267,422	1,277,456	1,285,034	1,290,497
Medium	1,320,581	1,344,087	1,409,724	1,472,852	1,522,081
High	1,320,581	1,356,691	1,445,136	1,556,631	1,659,079

Small Business Enrollment

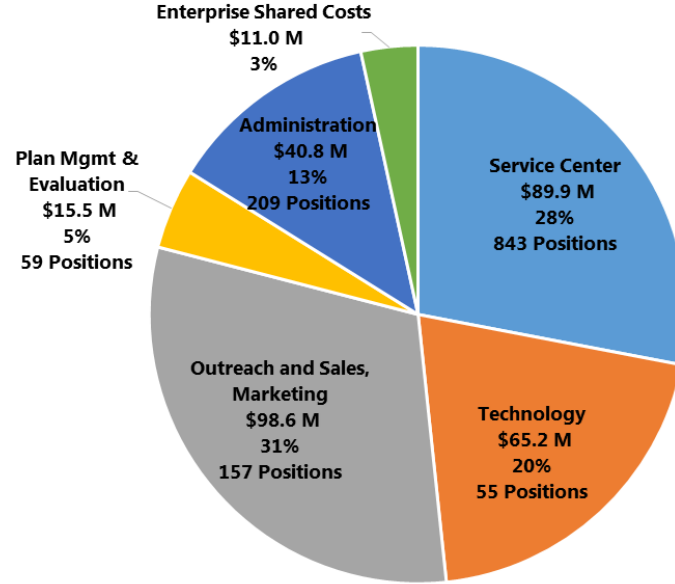
Effectuated Enrollment (<i>at fiscal year end</i>)	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Low	29,797	40,496	50,542	62,196	74,898
Medium	31,852	51,206	73,882	99,889	128,608
High	32,748	57,426	88,520	124,688	165,744

- The individual enrollment forecast presumes modest net growth over the next few years, largely as a result of the enacted increase to the state minimum wage.
- Staff reviewed the individual membership forecast based on the most recent data and have concluded that there are no adjustments necessary at this time.

REVENUE AND RESERVES

- Because of maturing reconciliation efforts carriers are now paying as billed, resulting in advancing current year cash collections on a one-time basis.
- April collections alone were in excess of \$45 million, approximately \$27 million more than expected.
- This additional revenue combined with adjustments of \$12 million more received for 2014-15, results in a one-time adjustment to revenue of approximately \$48 million.
- Beginning in 2017 Covered California will bill after the coverage month which will result in a one-time revenue reduction of an estimated \$23 million in 2016-17.
- These changes result in an increase in the number of months of reserves, which now range between 7 and 11 months throughout the outlook.

FISCAL YEAR 2016-17 REVISED BUDGET OF \$320.9 MILLION



- The figure above reflects the revised FY 2016-17 budget totals following the June budget adjustments and provides \$320.9 million with 1,323 positions.
- From a program operational perspective, the June budget revision continues to strike a balance between funding critical program delivery and providing the necessary reductions to successfully implement a multi-year plan.

SUMMARY OF BUDGET CHANGES FROM PROPOSED MAY TO FINAL RECOMMENDATION

	May Proposed	June Revision	Final Proposed
Service Center	\$ 89,359,728	\$ 509,306	\$ 89,869,034
Technology	\$ 58,699,859	\$ 6,500,000	\$ 65,199,859
Outreach & Sales, Marketing	\$ 93,805,719	\$ 4,760,000	\$ 98,565,719
Plan Management & Evaluation	\$ 14,648,362	\$ 845,002	\$ 15,493,364
Administration	\$ 40,465,421	\$ 331,596	\$ 40,797,017
Enterprise Shared Costs	\$ 11,000,000	\$ -	\$ 11,000,000
Total Expenses	\$ 307,979,089	\$ 12,945,904	\$ 320,924,993

- The final proposed Budget contains adjustments from the May Proposed Budget of \$12.9 million including:
 - Navigator's, \$2.25 million, now totaling \$7.25 million
 - Marketing, \$2.0 million, now totaling \$38 million
 - CalHEERS Cost Sharing, \$6.5 million
 - Health Consumer Alliance (HCA), \$750,000

ADJUSTMENTS TO PROPOSED MAY BUDGET

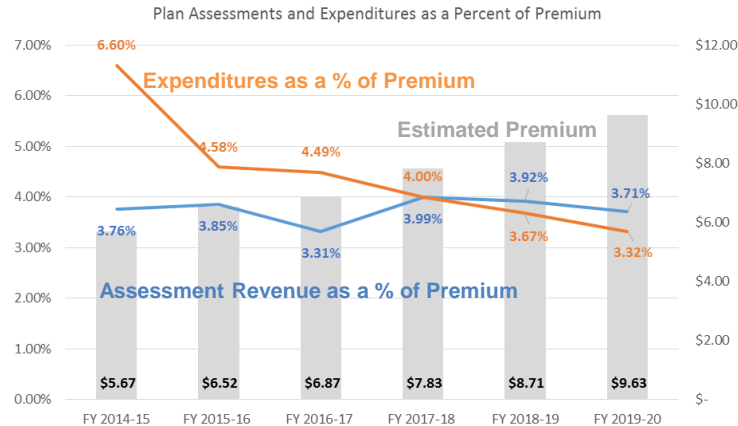
- **Service Center:** An additional \$509,306 in contract funding was added to the Service Center to support the maintenance and operations of the Appeals Case Management System operated by the California Department of Social Services.
- **Technology:** An additional \$6.5 million in contract funding was added to Technology for Covered California's portion of additional CalHEERS costs.
- **Marketing:** \$2.0 million was added to the budget for paid media to better support Asian language and efforts outside of major media markets.
- **Sales & Outreach:** Navigator funding increased by \$2.25 million, bringing the total budget to \$7.25 million. An additional \$500,000 was also added to Sales & Outreach to develop an online application portal for small businesses.
- **Policy, Evaluation & Research:** \$750,000 was added for the Health Consumer Alliance, allowing important consumer assistance work to continue for 2016-17. An additional \$95,002 was also added to the budget for analytics.
- **Administrative Services:** \$331,596 was added in Business Services and Human Resources for 2 new positions, temporary help, and overtime funding to support the Healthier U program, the transition of Service Center positions from temporary help to permanent, and the reconciliation of overtime payments.

OTHER SIGNIFICANT ITEMS

- In May's proposed FY 2016-17 budget, \$2.0 million for the Office of the Ombudsman was included in the Office of Legal Affairs budget as a place holder. Staff continue their development of the structure of the Office which is budgeted to be comprised of 10 positions with \$1.5 million for personal services and \$500,000 for contracts.
- The proposed FY 2016-17 Budget includes \$4.0 million for Contract Costa County call center services. The contract expires on June 30, 2017, and at this time there are no plans to renew this contract.

ASSESSMENT RATE RECOMMENDATION

- Based on a multi-year fiscal strategy of breaking even in FY 2017-18 and maintaining prudent levels of reserves, staff recommends that the assessment rate for the individual market be set at 4.0% of premiums and the rate for Small Business policies be set at 5.2% of premiums for the 2017 benefit year.
- Analysis of various scenarios concluded that this assessment rate was both fiscally prudent and will enable Covered California to deliver significant value to California's consumers by continuing to foster a sustainable risk mix which is the most important short term vehicle to maintain low premiums.
- While this rate is effectively higher than the current \$13.95 flat rate charged, staff expects revenues to exceed expenditures by FY 2017-18, allowing for consideration of assessment reductions in coming years.



MULTI-YEAR FINANCIAL OUTLOOK

MODEL BASED ON MEDIUM ENROLLMENT SCENARIO

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Effectuated Enrollment	1,320,581	1,344,087	1,409,724	1,472,852	1,522,081
Opening Balance	\$ 320.2	\$ 277.9	\$ 184.2	\$ 184.2	\$ 205.6
Plan Assessments-Cash Basis	\$ 250.9	\$ 227.3	\$ 313.0	\$ 341.4	\$ 357.3
Expenditures 2015-16 Projected	\$ (293.1)	\$ (321.0)	\$ (313.0)	\$ (320.0)	\$ (320.0)
Year-End Operating Reserve	\$ 277.9	\$ 184.2	\$ 184.2	\$ 205.6	\$ 242.9
<i>Months Covered by Year End Reserve</i>	11	7	7	8	9
<i>Revenue, Expenditure & Reserve dollars in millions</i>					

- Maintains reserves at a prudent level that ranges between 7 and 11 months over the term of the outlook
- The outlook uses for its projections growth rates in medical premiums of 8 percent in 2017 and 5 percent per year, thereafter
- Assessments are at the recommended rates of 4 percent of premiums for the individual market in 2017 and 2018 adjusted to 3.75 percent for 2019 and 3.5 percent for 2020
- Assessment rates for small business are at the recommended rate of 5.2 percent of premiums
- Revenues from plan assessments equal expenditures in FY 2017-18

RECOMMEND APPROVAL OF COVERED CALIFORNIA FISCAL YEAR 2016-17 BUDGET

Staff recommends that the board adopt Board Resolution 2016-31 to:

1. Approve the Budget for Fiscal Year 2016-17, providing expenditure authority of \$320,924,993.
2. Grant authority to the Executive Director to make adjustments to the budget, provided that 2016-17 expenditures remain at or below the level of expenditure authority approved by the Board; and that any material adjustments to program budgets and positions must be reported to the Board.
3. For plan year 2017, charge a per-member per-month assessment of 4% of premiums on Qualified Health Plans, and 5.2% of premiums for such plans sold through Covered California for Small Business.

HIGH DEDUCTIBLE HEALTH PLAN PROPOSAL

James DeBenedetti, Deputy Director, Plan Management Division

STANDARD BENEFIT DESIGN TECHNICAL MODIFICATIONS

HIGH DEDUCTIBLE HEALTH PLAN

- The IRS released the 2017 inflation-adjusted limits after designs had been approved at the April 7th board meeting. The MOOP limit did not go up as expected and will remain at \$6,550. (For more information, visit <https://www.irs.gov/pub/irs-drop/rp-16-28.pdf>.)
- This placed the Bronze and Silver HDHP plans out of compliance with HSA rules, and Covered California has made adjustments to comply and to meet AV requirements.

CCSB Silver HDHP Change	Board Approved	June Proposal
Individual Out-of-pocket maximum	\$6,650	\$6,550
Family Out-of-pocket maximum	\$13,300	\$13,100

Individual Bronze HPDP Change	Previous	Current
Integrated Individual deductible	\$4,500	\$4,800
Integrated Family deductible	\$9,000	\$9,600
Individual Out-of-pocket maximum	\$6,650	\$6,550
Family Out-of-pocket maximum	\$13,300	\$13,100

CERTIFIED APPLICATION COUNSELOR PROGRAM REGULATIONS FOR DISCUSSION

Drew Kyler, Interim Deputy Director, Outreach and Sales Division

CERTIFIED APPLICATION COUNSELOR PROGRAM

- The U.S. Department of Health and Human Services amended the federal regulations implementing the Affordable Care Act that will take effect in 2017.
- Federally-facilitated Exchanges are required to implement all of the changes. Most of the changes are optional for State-based Exchanges such as Covered California.

CERTIFIED APPLICATION COUNSELOR PROGRAM

- Program proposes the following amendments to the Certified Application Counselor Program:
 - Counselors provide referrals to appropriate agency for enrollees with a grievance, complaint, or question regarding their health plan, coverage, or eligibility determination.
 - Counselors inform consumers that they are not acting as tax advisors or attorneys and cannot provide tax or legal advice within their capacity as Certified Application Counselors.
 - The value of gifts provided to applicants and potential enrollees for purposes other than as an inducement for enrollment must not exceed nominal value, either individually or in the aggregate, when provided to that individual during a single encounter.

CERTIFIED APPLICATION COUNSELOR PROGRAM

- The Proposed Amendments to the CAC Regulations:
§6864 (a)(9) Roles and Responsibilities.
 - Provide referrals to any applicable office of health insurance Consumer Assistance or health insurance ombudsman established under Section 2793 of the Public Health Service Act, 42 U.S.C. § 300gg-93, or any other appropriate State agency or agencies, for any enrollee with a grievance, complaint, or question regarding their health plan, coverage, or a determination under such plan or coverage.

CERTIFIED APPLICATION COUNSELOR PROGRAM

- The Proposed Amendments to the CAC Regulations:
§6864 (b)(3) Roles and Responsibilities.
 - Inform each consumer that Certified Application Counselors are not acting as tax advisers or attorneys when providing assistance as Certified Application Counselors and cannot provide tax or legal advice within their capacity as Certified Application Counselors.

CERTIFIED APPLICATION COUNSELOR PROGRAM

- The Proposed Amendments to the CAC Regulations:
§6864 (k)(5) Roles and Responsibilities.
 - The value of gifts provided to applicants and potential enrollees for purposes other than as an inducement for enrollment must not exceed nominal value, either individually or in the aggregate, when provided to that individual during a single encounter.