



Fiscal Year 2015-16 Budget

June Budget Revision

June 9, 2015



June 9, 2015

Dear Members of the Covered California Board,

Covered California's proposed 2015-16 budget was submitted for your consideration on May 13, 2015. Subsequent to the issuance of the proposed 2015-16 budget, new fiscal and programmatic factors have emerged that affect the budget.

The purpose of this "2015-16 June Budget Revision Report" is to identify those new fiscal items and their impact to the FY 2015-16 budget totals. The report also includes updates on intra-program resource transfers that affect budgets for individual organizational units, but do not change the overall budget total.

The total outcome of the June budget revision process results 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 covers 1,399 positions.

Sincerely,

Peter V. Lee
Executive Director

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I. June Budget Revisions to the Proposed FY 2015-16 Budget

The proposed FY 2015-16 Covered California budget submitted for consideration on May 13, 2015, proposed \$332.9 million to fund program operations. The June 2015 budget adjustments totaling \$2.1 million increase the FY 2015-16 budget to \$335.0 million.

Table 1 below reflects the proposed FY 2015-16 budget, the June budget revisions and the revised FY 2015-16 budget.

Table 1
The FY 2015-16 Budget After June Revisions

	2015-16			
	Proposed	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	\$ (4,208,999)	\$ 118,512,473
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	\$ -	\$ -	\$ 16,493,138
Total Expenses	\$ 339,000,582	\$ 1,978,545	\$ -	\$ 340,979,127
CalHEERS Cost Sharing	\$ (6,055,000)	\$ 114,068	\$ -	\$ (5,940,932)
Reimbursements	\$ -	\$ -	\$ -	\$ -
Total Operating Costs	\$ 332,945,582	\$ 2,092,613	\$ -	\$ 335,038,195

II. Summary of 2015-16 June Budget Revisions

Table 2 below provides a listing of the specific June revision items and the corresponding funding or position impact. The following pages provide a brief description of each item.

**Table 2
Summary of FY 2015-16 June Budget Revision Items**

May Proposed FY 2015-16 Budget	\$ 332,945,582
June Revised FY 2015-16 Budget	\$ 335,038,195
Total Change	\$ 2,092,613

ITEMS WITH FISCAL IMPACT		
New Positions by Organizational Function (Business Unit)		
	Positions	Dollars
Administration (Information Technology)	3	\$ 345,545
Total	3	\$ 345,545
Additional Contractual Funding by Organizational Function (Business Unit)		
		Dollars
Outreach & Sales (Program Integrity)		\$ 1,258,000
Total		\$ 1,258,000
Plan Management & Evaluation (Policy, Evaluation and Research)		\$ 375,000
Total		\$ 375,000
Additional Changes with Fiscal Impact		
		Dollars
CalHEERS Cost Sharing Reduction		\$ 114,068
Total		\$ 114,068
Total Fiscal Impact		\$ 2,092,613

ORGANIZATIONAL TRANSFERS WITH NO FISCAL IMPACT TO COVERED CALIFORNIA			
(Funds will shift between organizational areas)			
Position Transfers by Organizational Function (Business Unit)			
From	To	Positions	Dollars
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
Total		25	\$ 2,565,197
Contract Transfers by Organizational Function (Business Unit)			
From	To		Dollars
Outreach & Sales (Program Integrity)	Service Center		\$ 7,000,000
Administration (Financial Management)	Outreach & Sales (Program Integrity)		\$ 357,675
Total	Total		\$ 7,357,675

Additional details on each of the items contained in the June revision are below, including a reference to the page on which the programs' proposed FY 2015-16 budget was presented in the "Proposed Fiscal Year 2015-16 Budget", published May 13, 2015.

Items affecting the overall FY 2015-16 Budget:

- **Information Technology — CalHEERS and Service Center Support (Page 58)**

The Information Technology (IT) Division is requesting three (3) new positions at an annual cost of \$345,545 for support of the CalHEERS project at the Service Center. This group will be responsible for oversight of Accenture's support activities, which include: system maintenance and operations, implementation of system changes, and implementation of other Service Center technologies.

- **Outreach and Sales, Marketing (Page 41)**

Contractual support within the Outreach and Sales Division has been modified, at a cost of \$1,258,000 in FY 2015-16, to better support Covered California for Small Business sales and administrative efforts and to include increased levels of support for agents in the individual market.

- **Policy, Evaluation and Research (Page 39)**

Contractual support within the Policy, Evaluation and Research Division has been modified, at a cost of \$375,000 in FY 2015-16, to provide additional support for consumer assistance.

- **California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) (Page 53)**

The transfer of one position from CalHEERS to the IT Division has reduced CalHEERS expenditures and resulted in a \$114,068 reduction in the CalHEERS cost-sharing amount.

Items that are internal transfers that do not affect the overall FY 2015-16 budget but will result in changes to individual program budgets:

- **Program Oversight and Compliance (Page 46)**

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 Business Services Branch, Financial Management Division, and the Service Center: \$1,816,154 for 19 positions performing quality assurance and fraud prevention and detection work was redirected from the Service Center; \$487,766 for four positions performing internal audit work and \$357,675 in related contracts were redirected from the Financial Management Division; and \$129,406 was redirected for one position from the Business Services Branch.

- **Service Center (Page 51)**

Existing position authority, contract funding and the workload associated with the adjudication of appeals, which was previously handled within the Eligibility and Enrollment Division, is being redirected to the Service Center, and \$7 million in contractual funding was redirected from the Program Integrity Division to the Service Center associated with this workload.

- **Information Technology — CalHEERS and Service Center Support (Page 58)**

One position is redirected from CalHEERS to the IT Division to support the oversight of Accenture's support activities.

Items that do not affect the overall FY 2015-16 Budget and are internal to an individual program:

- **Information Technology — Audio/Video and Multimedia Support (Page 58)**

Two positions are being requested by the IT 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. In lieu of spending on a contract funded within the Business Services Branch that maximizes the delivery of Covered California content to consumers and stakeholders, the funding will be redirected to support these positions.

- **Marketing (Page 44)**

Clarify that the Marketing budget proposed in May includes \$2.3 million in voter registration funding to conform with current law as Covered California assesses how to meet this request in as effective a manner as possible.

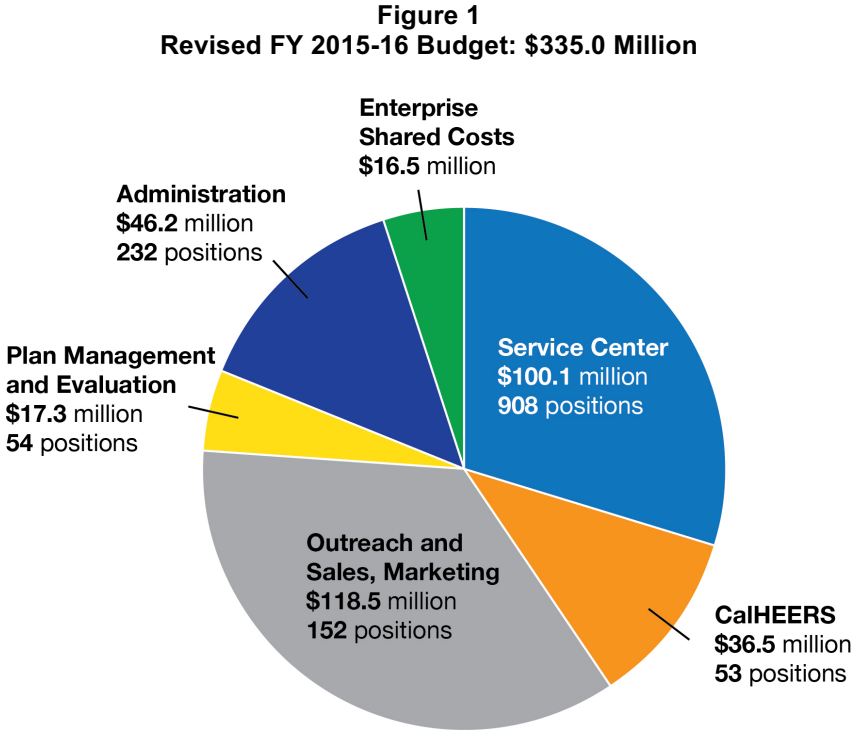
Other items of fiscal significance:

- **FY 2014-15 Expenditure Update**

In May's proposed FY 2015-16 budget, projected expenditures for the 2014-15 fiscal year were reported at \$390.6 million. At the time of this publication, projected expenditures for the 2014-15 fiscal year have dropped by approximately 2 percent to \$384.7 million. This results in savings of approximately \$5.9 million and is due primarily to updated contractual projections for Service Center vendors.

III. Revised FY 2015-16 Budget Expenditures

Figure 1 below reflects the revised FY 2015-16 Covered California budget totals resulting from June budget adjustments. The revised FY 2015-16 Covered California budget provides \$335.0 million and 1,399 positions to efficiently and cost-effectively fund the organizations' mandated responsibilities and customer services.



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 that will allow revenue to exceed expenditures as early as FY 2017-18, while maintaining robust reserves to accommodate enrollment variations from forecasts.

IV. Revised Multi-Year Financial Forecast

The multi-year forecast displayed in **Table 3** below has been revised to reflect the June budget revisions, including the decrease in FY 2014-15 expenditures from \$390.6 million to \$384.7 million, the increase in the FY 2015-16 budget from \$332.9 million to \$335.0 million, and the consequent changes in funds available at year's end, shown in **Table 4**.

Table 3
Multi-Year Forecast
Dollars in millions

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

Table 4
Change to Funds Available at Year-End from May Multi-Year Forecast (+/- May Forecast)
Dollars in millions

Funds Available at Year-End	\$ 5.9	\$ 3.8	\$ 3.8	\$ 3.8	\$ 3.8
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Enrollment Forecast

The most recent data indicate that individual effectuated enrollment through May was slightly above the March 2015 medium forecast but not significant enough to warrant changing the forecast.

ATTACHMENT

Proposed Fiscal Year 2015-16 Budget (May 13, 2015)

Proposed Fiscal Year 2015-2016 Budget



May 13, 2015



May 13, 2015

Dear Members of the Covered California Board,

I am pleased to present Covered California's "Proposed Fiscal Year 2015-2016 Budget" for your review and consideration. This budget was developed in accordance with statutory requirements and in consultation with Covered California executive and programmatic staff. In anticipation of board member input and continued internal review, this is presented as a proposed budget. We anticipate finalizing the budget between now and the June board meeting, when the budget would be considered for adoption.

This budget includes a multi-year financial summary of all revenues, expenditures and staffing utilized by each of Covered California's programs in the delivery of essential services to our organizational stakeholders for the purpose of improving the health of all Californians by assuring their access to affordable, high quality care.

For fiscal year (FY) 2015-16, Covered California's budget provides \$332.9 million and 1,394 positions to ensure that our organization has the right tools, processes, and resources to deliver on its mission. The FY 2015-16 budget is balanced with the last year for federal establishment funds and the use of plan assessment fees. With this proposed budget, Covered California would end the fiscal year with nearly \$194 million in reserve funding to address any unforeseen economic uncertainties and to facilitate the transition to supporting our operations solely on plan assessments. This budget meets the guidance provided by the board and the legislative intent behind the establishment of Covered California and reflects Covered California's multi-year financial strategy of providing continuous fiscal integrity, transparency and accountability.

In closing, I extend my sincere appreciation to senior executive management and their staff for their outstanding work in developing this Proposed Fiscal Year 2015-2016 Budget.

Sincerely,

Peter V. Lee
Executive Director

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I. Covered California Board and Senior Executive Management

COVERED CALIFORNIA BOARD

Diana S. Dooley, Chair; Paul Fearer; Genoveva Islas; Marty Morgenstern

SENIOR EXECUTIVE MANAGEMENT

Peter V. Lee
Executive Director

Yolanda R. Richardson
Chief Deputy Executive Director

LaVonne Coen
Administrative Services
Division Director/
Deputy Chief Operations
Officer

Kathleen Keeshen
General Counsel

Nancy Kvale
Service Center
Acting Division Director

Thien Lam
Program Integrity
Division Director

Jim Lombard
Financial Management
Division Director and
Chief Financial Officer

Amy Palmer
Communications
and Public Relations
Division Director

David Panush
External Affairs
Division Director

Anne Price
Plan Management
Division Director

Katie Ravel
Program Policy,
Evaluation and Research
Division Director

Karen Ruiz
Information Technology
Division Director/
Chief Technology Officer

Colleen Stevens
Marketing
Division Director

Kirk Whelan
Individual and
Small Business
Outreach and Sales
Division Director

II. Executive Summary

Fiscal Year 2015-2016 Budget

The federal Patient Protection and Affordable Care Act (the Affordable Care Act) brought health care coverage within reach for millions of Americans. In California alone, more than 4 million people now have the protection they need through coverage from either Covered California or Medi-Cal. Covered California has become a vital resource that is part of the broader fabric of ensuring all Californians have access to affordable health insurance, whether through their work, public programs or the individual market.

As we move forward, Covered California's enrollment is robust, with more than 1.4 million consumers having renewed or newly signed up for coverage at the end of the second open-enrollment period. Covered California completed its first-ever renewal period and sent 944,000 customers, or 92 percent of eligible consumers, to the health plans for renewal. Covered California also had a very strong second open enrollment period when 495,000 new consumers picked a health plan.

This enrollment helps ensure Covered California's ability to serve Californians for years to come. Currently, we are in very good financial shape, and we anticipate ending fiscal year (FY) 2014-15 with nearly \$200 million in unrestricted reserves and the ability to use federal establishment funds into the coming fiscal year to complete the initial launch of Covered California.

The following budget lays out our multi-year plan and explains how Covered California is building a strong organization that will stand the test of time and reach into every community in the state to make sure California's diverse population understands and makes use of the insurance options in this new era of health care.

Among the highlights:

FY 2015-16 marks the last year we will use federal establishment funds

- Thanks to an extension from the federal government, Covered California anticipates having approximately \$100 million in federal funding to spend in FY 2015-16 to continue funding approved planning, development and implementation activities needed to establish the largest state exchange in the nation. Spending will be in accordance with federal guidance, which, after Jan. 1, 2015, allows marketplaces to use grant funds for establishment costs for design, development and implementation, but not to support ongoing operations. Covered California is transitioning to relying solely on the fees it collects from health plans and the extensive reserves we saved while using federal funds.

- Covered California is substantially reducing expenses as initial start-up expenses - for our Information Technology build, outreach, education and marketing - needed to launch our brand decrease over time. Consequently the proposed budget for FY 2015-2016 is approximately \$58 million less than the current fiscal year projected expenditures — a 15 percent reduction. The current proposal for FY 2016-2017 calls for an additional \$25 million reduction. This is part of our managed launch and consistent with our vision that we would always need to spend more in the early years to lay the foundation for this historic effort.

Prudent fiscal planning results in positive balance sheet

- While Covered California continues to utilize federal grant establishment funding, we are streamlining our operation and banking the fees collected from our health plans to ensure our ongoing financial health. Currently, we are on solid financial footing and this budget calls for ending FY 2015-2016 with nearly \$194 million in unrestricted reserves — more than six months' worth of operating funds.
- Covered California has a positive operating balance and we project to have more than \$150 million in reserves as of the beginning of FY 2017-18.
- The conscious decision to establish and maintain these reserves allows Covered California to maintain our momentum, remain nimble and make adjustments from year-to-year if necessary. If enrollment is larger than anticipated, we will look to lower the assessment we charge health plans. If enrollment were to be lower, we would look at reducing costs, reduce our reserves or raise the assessment we charge health plans.
- This positive balance sheet ensures that our organization will have the right tools, processes and resources to deliver on our mission to increase the number of Californians with health insurance in both the near-term and long-term.

Covered California will increase the role of staff and public employees

Moving forward, Covered California will maintain its positive balance sheet by relying less on contracted services and instead relying more on the talents of state personnel to accomplish its goals and serve its customers.

Covered California will continue to provide great value to consumers

- Covered California remains committed to providing great value to the consumers we serve and being part of broader efforts to lower health care costs for all Californians. The health insurance premiums that will be collected during the 2015 coverage year are an estimated \$6.5 billion. The proposed budget is a small percentage of that amount and represents a good value for our consumers, given that Covered California provides the marketing and support to generate enrollment, manage a constantly changing pool of enrollees, coordinate a network of tens of thousands of partners and carry out various other duties that would otherwise increase health insurance costs.
- Covered California's budget leverages other work to promote the expansion of coverage. Many efforts are being done in the state to make the Affordable Care Act a success. For example, this budget does not account for the marketing dollars spent by health plans to promote enrollment or the hundreds of churches and community groups that are working to enroll people because it is the right thing to do for Californians.
- The budget reflects that Covered California will continually make itself available to consumers who need the exchange. Based on our strong enrollment and renewal, we know that Covered California is serving a critical need in our community. This budget calls for making ongoing substantial investments in marketing and outreach, and working with agents and others, to make sure that consumers know Covered California is here for them.

While this proposed FY 2015-16 budget is about “the numbers,” Covered California operates daily with the recognition that behind those numbers are staff who are dedicated to our mission, partners across the state who are moving to expand coverage and, most importantly, Californians who are getting needed access to affordable health care. As you consider this budget, we encourage you to pause to consider not only the historic scale and impact of our efforts, but also how they are affecting the lives of Californians. (See our [YouTube](#) page to see stories of Californians that have benefited from a Covered California plan.) As we go forward, Covered California will focus both on continuing to expand coverage in affordable plans and on making sure those who are covered get the care they need when they need it.

Enrollment projections informed by experience

Covered California's current enrollment of 1.4 million is within the range anticipated in our low and medium projections (1.3 million to 1.7 million) done in early 2014. The lessons from real-world experience are informing sharpening projections going forward. For example, the new enrollment Covered California achieved during the second open enrollment period of over 495,000 was almost exactly on the forecasted "medium" figure of 500,000. Lessons learned relating to the percentage of those who select a plan and then pay their premium and the rate at which individuals renew and maintain their coverage inform updated enrollment projections used in the budgeting process.

The most important adjustment to the enrollment forecasts is to base low, medium and high projections on the portions of subsidy eligible consumers Covered California successfully enrolls as of the end of the 2018 enrollment cycle (respective 70, 75 and 80 percent). Covered California recognizes that the precise mix of enrollment during open enrollment versus during special enrollment periods will vary and are hard to predict with precision, but that these overall markers – and the annual growth projected to reach those levels – are well supported by our experience to-date and the experience of other programs.

Our forecasts will continue to be refined as they are based on real-world experiences and not models or estimates. Thanks to our first two open enrollment periods and our first renewal effort, we have a real track-record on which to base the forecasts used in this budget. For example we now know that:

- Approximately 80 percent of all Covered California consumers pay their premiums after enrolling in a plan;
- While Covered California initially estimated that 85 percent of enrollees would renew from December 2014 to January 2015, a higher percentage of consumers (92 percent), actually renewed through plan selection;
- Every month 1.5 percent of our consumers dis-enroll from Covered California, perhaps because they have health care coverage from another source or are now eligible for Medi-Cal. This rate is lower than the 2.5 percent we originally projected.

III. Guiding Principles and Strategic Pillars

The annual Covered California planning and budget process is a comprehensive, analytic process used to determine the most cost-effective and efficient level of resources that the organization needs to meet its goals and carry out its legislatively mandated mission. The organization's planning and budget process is based on established budget principles and procedures, providing the highest levels of fiscal integrity, accountability, transparency and accuracy.

The proposed FY 2015-16 budget aligns with Covered California's overall mission and vision, as well as with its guiding financial principles, detailed below.

Continuing Conformity with Financial Mandates — Covered California remains in full and strict compliance with all legal financial mandates set forth in Section 100503 of the California Government Code, including assurance that the organization's operations are not funded or reliant upon State General Fund resources. Furthermore, in accordance with the Affordable Care Act and state law, starting Jan. 1, 2015, Covered California is fully self-sufficient based on the combination of revenue raised by levying a per-member per-month assessment on qualified health plans, reserves and federal grant funds used to establish the exchange.

Covered California's Vision and Mission — The proposed FY 2015-16 budget is guided by Covered California's vision and mission to improve the health of Californians by ensuring their access to affordable, high-quality health care. The Budget specifically seeks to fulfill Covered California's mission 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. To achieve its vision and mission, Covered California has established strategic pillars.

Strategic Pillars — The strategic pillars were designed by Covered California's executive team to guide the organization when making decisions, setting priorities, determining initiatives and preparing an annual plan. Each of the pillars was created as a pathway to achieving the mission and vision of Covered California, with consumers being the driving factor in four of the five pillars. Annual goals and department objectives are mapped to the strategic pillars, to ensure that activities and resources are aligned with the organization's mission. The five pillars are:

- **Affordable Plans** — Consumers purchase and keep Covered California products based on their perception that this is a good value for them

- Getting Needed Care — Consumers receive the right care at the right time
- Outreach and Education — Consumers understand what Covered California offers 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 its team to deliver on the exchange’s mission

Covered California’s Guiding Financial Principles — Covered California’s budget process is guided by the following principles:

- Controlling costs in order to deliver products and services that offer high value to consumers
- Providing a reliable and predictable level of resources to support ongoing cost-effective operations
- Maintaining flexibility to accommodate changing business priorities;
- Providing careful stewardship of public resources
- Offering transparency into the management of Covered California’s finances
- Maintaining a reserve that is sufficient to cover financial obligations and allow for time to adjust revenue and expenditures in the event of an unanticipated fiscal event

IV. FY 2014-15 Budget Goals, Highlights and Projected Expenditures

The 2014-15 Covered California budget was aligned with the organization's goals to continue the establishment process for the marketplace. In particular, the budget supported Covered California's goal of enrolling new Californians in coverage, providing a better consumer experience to applicants and enrollees, and retaining current enrollees. Central to these goals was the exchange's aim to build enrollment as the organization went through the first renewal period and second open enrollment.

The budget was constructed in anticipation of Covered California transitioning from being exclusively funded by federal grants to being funded with assessment revenue. The approval of the extension of the federal grant gave Covered California more time to establish the organization as it worked toward its goal of identifying the most efficient and cost-effective structure possible. This goal was supported by a budget that featured the following:

- Service Center funding that reflected expanded staffing, as well as limited-term resources, as Covered California continued to seek to improve consumers' experience
- The CalHEERS budget reflecting the phase-in of a new cost-allocation plan to more appropriately reflect costs across Medi-Cal and Covered California
- Substantial investments in outreach, marketing and enrollment that reflect continued efforts to build Covered California's name recognition, funding for community-based enrollment efforts and reduced administrative costs

Through the first nine months of FY 2014-15, there have been several notable accomplishments. Covered California completed its first renewal period and second open enrollment by sending 944,000 customers, or 92 percent of eligible consumers, to the health plans for renewal, and adding 495,000 new enrollees, bringing total enrollment to about 1.4 million. Not only was the second open enrollment successful at enrolling and reenrolling 1.4 million consumers, but also the demographics of the membership changed, reflecting an increase in Latino and African-American enrollees, in conjunction with a younger population.

In addition, the revised cost-allocation plan for CalHEERS expenses was approved and effective Oct. 1, 2014. While there is still opportunity for improvements in the functionality of the CalHEERS system, Service Center representatives handled much higher volumes during the open-enrollment period and at improved service levels.

The first renewal period and the new enrollment numbers for the second open-enrollment period were encouraging. In May 2014 Covered California released an enrollment forecast for the 2015 open-enrollment period and beyond. The forecast identified a range of potential enrollments based on the best estimates at the time. The overall enrollment number of approximately 1.4 million at the end of open enrollment was above the “low estimate” forecast last year (1.3 million), but not as high as the “medium estimate” used for budgeting (1.7 million). One of the main reasons for the difference was that during the special-enrollment period, while the actual retention rate was better than projected, the transition of consumers out of Medi-Cal and into Covered California was more modest than anticipated. As a result, by December 2014, the base of consumers with an option to renew was lower than the medium forecast. Covered California has been able to use that experience to further sharpen its forecasts.

To support these FY 2014-15 achievements, the projected expenditures for FY 2014-15, as of March 31, 2015, are \$390.6 million, \$21.1 million lower than the June adopted budget of \$411.7 million. Higher-than-budgeted expenditures in the Service Center, primarily associated with procurement of support from short-term Service Center representatives, were offset by lower costs in Outreach and Sales, Marketing; CalHEERS; unspent reserve/initiative funding; and salary savings. **Table 1** below shows the projected FY 2014-15 expenditures.

Table 1
FY 2014-15 Projected Expenditures versus FY 2014-15 Budget
(as of March 31, 2015)

	2014-15		Difference	% Change
	June Adopted	Projected		
Service Center	\$ 97,022,224	\$ 99,158,255	\$ 2,136,031	2%
CalHEERS	\$ 88,177,616	\$ 82,113,445	\$ (6,064,171)	-7%
Outreach & Sales, Marketing	\$ 189,831,459	\$ 180,062,748	\$ (9,768,711)	-5%
Plan Management & Evaluation	\$ 17,334,578	\$ 13,585,029	\$ (3,749,549)	-22%
Administration	\$ 37,796,386	\$ 36,487,453	\$ (1,308,933)	-3%
Enterprise Shared Costs	\$ 12,589,363	\$ 1,543,057	\$ (11,046,306)	-88%
Total Expenses	\$442,751,626	\$ 412,949,987	\$ (29,801,639)	-7%
CalHEERS Cost Sharing	\$ (3,058,183)	\$ (1,937,629)	\$ 1,120,554	-37%
Reimbursements	\$ (28,000,000)	\$ (20,402,000)	\$ 7,598,000	-27%
Total Operating Costs	\$411,693,443	\$ 390,610,358	\$ (21,083,085)	-5%

Summary of Major Areas:

Service Center — Projected expenditures for FY 2014-15 are anticipated to be \$2 million higher than budgeted because the Service Center incurred \$16 million in additional costs associated with third-party Service Center support for peak enrollment periods, which was offset by lower-than-expected operating and contractual expenditures.

CalHEERS — Covered California's projected expenditures in FY 2014-15 are projected to be \$6 million lower than budgeted.

Outreach and Sales, Marketing — Projected expenditures for these programs in FY 2014-15 are anticipated to be \$10 million lower than budgeted, largely because reimbursed expenditures for Covered California to make payments to Certified Enrollment Entities and Certified Insurance Agents on behalf of Department of Health Care Services (DHCS) are \$8 million lower than budgeted.

Plan Management and Evaluation — FY 2014-15 expenditures are projected to be \$4 million lower than budgeted, primarily because of lower-than-expected expenditures on the analytics effort, which were lower than expected due to timing and lower expenditures on contractors and other operations costs.

Administration — Projected expenditures are \$1 million lower than the FY 2014-15 budget because costs associated with building improvements and maintenance are offset by lower overall operating expenditures.

Enterprise Shared Costs — Projected expenditures are anticipated to be \$11 million lower than originally budgeted, because of lower-than-estimated mandatory Statewide Cost Allocation Plan and Statewide distributed administrative costs, as well as unexpended reserve funding.

V. Covered California Enrollment and Revenue Forecast

The Covered California enrollment projection used for this budget extends out through 2019 and incorporates the experience gained from the 2014 special enrollment (April to December 2014) and the second open enrollment (October 2014 to February, 2015). The outlook projects continued enrollment growth through 2018, followed by modest growth in 2019 as the program enrolls an increasing share of the California population that is eligible for financial assistance through Covered California.

Updating the Forecast and Comparing the 2015 and 2014 Enrollment Projections

Although the 2014 forecast was based largely on input from experts and on the performance of similar health care programs, the 2015 forecast relies to a much greater extent on Covered California's actual enrollment experience in 2014 through the end of the second open enrollment.

Although many of the key assumptions in the 2014 forecast were confirmed, the actual experience has informed assumptions in a number of areas. In particular: The renewal rates were close to those projected in the 2014 forecast; monthly disenrollment rates were slightly lower than forecast (with about 1.5 percent of those insured disenrolling each month, compared with the forecast rate of 2.5 percent, meaning higher retention); the realized effectuation rate of 80 percent was lower than the projected rate of 85 percent; and monthly new enrollment from consumers' loss of employer-supplied insurance and Medi-Cal coverage during special enrollment was lower than projected. These lower effectuation and monthly new enrollment rates were offset to some extent by better-than-expected retention and renewal rates. All of these trends are reflected in the 2015 forecast and help explain the difference between the two forecasts.

At the end of the second open enrollment, Covered California achieved a total enrollment of 1.4 million. This was above the "low estimate" projected in 2014 (1.3 million), but it was below the "medium estimate" (1.7 million). Informed by that experience, the 2015 "maximum" forecast assumes enrollment will reach market penetration of almost 2 million at the end of 2018.

Individual Market Forecast

Overview

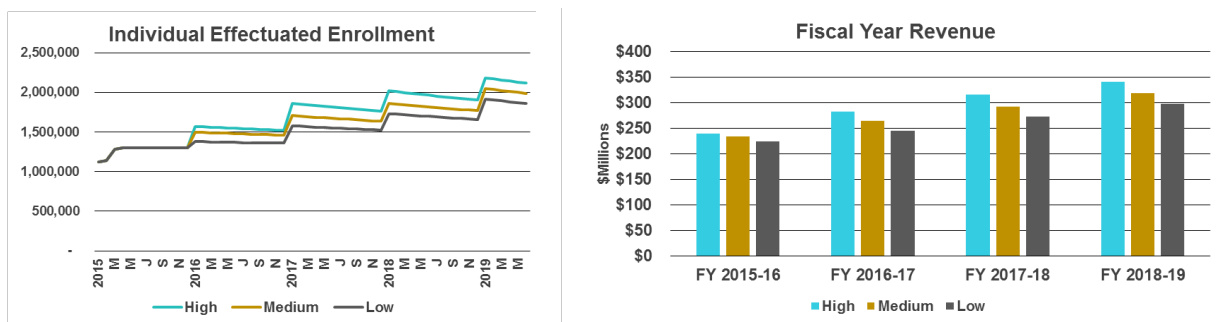
This projection begins after the end of the second open enrollment and takes into account the following:

- The pace that new enrollees acquired coverage through Covered California during 2014 special enrollment
- The rate at which enrolled individuals leave Covered California through termination or by failing to renew coverage
- The likelihood that an individual who selects a plan will pay their premium
- The size of the California population eligible for subsidies

For the next several years, the most significant enrollment gains will occur during open enrollment. Enrollment growth is projected through 2018 open enrollment, at which point Covered California will likely have enrolled the greatest achievable share of those eligible for the Advance Premium Tax Credit (APTC). The basis for the projected level and timing are explained in Key Assumptions on the next page.

A range of enrollment estimates was developed based on different assumptions about the share of the subsidy-eligible population that ultimately will be enrolled. The Low enrollment forecast reflects enrolling 70 percent of this population after the 2018 open enrollment; the Medium projection, 75 percent; and the High, 80 percent. These are displayed in **Figure 1**.

Figure 1
Individual Market Enrollment and Revenue Scenarios



Key Assumptions

Enrollment of the Subsidy-Eligible Population

By the end of its second open enrollment, Covered California had enrolled approximately 53 percent of California's estimated subsidy-eligible population. The Low, Medium and High alternative assumptions used in the forecast are that Covered California will enroll 70, 75 or 80 percent of those eligible for subsidies who do not already have coverage by 2018. We believe these are reasonable in light of outside estimates and examples of participation in similar programs.

- The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides food, nutrition education, breastfeeding support and referrals to health care and social services to low-income pregnant women, new mothers, infants and children. In 2015, California's WIC program served 82 percent of those eligible.
- The Healthy Families program was created in 1998 to provide low-cost health insurance to children of families whose incomes are too high to qualify for Medi-Cal but are below 250 percent of the federal poverty level. In 2003, five years after its creation, the program had enrolled 75 percent of those eligible. Covered California's five-year mark will be reached in 2018.
- Version 1.91 of the University of California Simulation of Insurance Markets (CalSIM) model estimates the subsidy-eligible population in California to be approximately 2.5 million, increasing to 2.7 million by 2017. This includes 470,000 individuals who are offered unaffordable policies by their employer but are unlikely to switch to a subsidized policy. The simulation estimates that 78 percent to 81 percent of the subsidy-eligible population, excluding those who don't switch from unaffordable policies, will enroll in Covered California by the end of 2018.

To the extent possible, actual enrollment trends during 2014 were used as the basis for the major assumptions used in forecasting. It should be noted, however, that 2014 was the opening year for the marketplace and two notable events complicate the interpretation of these trends. There was a last-minute surge of enrollment on the eve of the March 31, 2014, deadline to satisfy the individual mandate and avoid the shared responsibility penalty. For many, this meant that their policies did not become effective until May. Secondly, Covered California worked with consumers who had started an application, but had not completed it by the end of the inaugural open enrollment. These applicants were able to enroll as late as April 15, which also led to coverage starting in May 2014. As a consequence, strong month-over-month gains averaging almost 200,000 were made through May 2014 — well after the original end of open enrollment. A slower pace was assumed in this forecast that is comparable to enrollment after May.

Monthly enrollment rate during special enrollment

Outside of open enrollment, the loss of minimum essential coverage due to the loss of employer-supplied insurance or loss of Medi-Cal coverage will be the most significant reasons for people to enroll in Covered California through a special-enrollment period. The 2014 forecast projected average monthly gains of approximately 46,000 associated with these two reasons. The current model considers the average pace of monthly new enrollment achieved from June through November in 2014 — approximately 31,000 — to represent gains for these and other qualifying events. Because the actual month-to-month pace slowed notably after July 2014 and because there is some uncertainty about the future pace of Medi-Cal redeterminations, a conservative assumption of 25,000 monthly gains was used (the 2014 forecast assumed an average of 52,000 new monthly enrollments overall).

Monthly Disenrollment Rate

From January through November 2014, there were a total of 1.35 million effectuated enrollments. Over the same period, 218,000 effectuated enrollments were terminated, which means that of all the new policies started, 16.2 percent were terminated at some point, or an average of 1.47 percent per month. A disenrollment rate of 1.5 percent was used in the forecast. The previous forecast assumed that 2.5 percent of enrollees would disenroll each month.

Nonrenewal Rate

Of all enrollees who went through the renewal process at the end of 2014, 11.9 percent were either found ineligible or did not renew for 2015. Therefore, a nonrenewal rate of 12 percent was used. The 2014 forecast projected that 15 percent would not renew their coverage.

Effectuation Rate

The projection used the effectuation rates achieved in 2014 as the basis for subsequent years.

- Open enrollment: From January through May 2014, 80.3 percent of the enrollees who completed an application and selected a qualified health plan paid at least their first month's premium.
- Special enrollment: From June through December 2014, the payment rate was 75.4 percent.

Covered California is projecting an 80 percent effectuation rate during open enrollment and a 75 percent effectuation rate during special enrollment. The previous forecast applied an overall effectuation rate of 85 percent, which increased to 90 percent starting in May 2015.

Subsidized and Unsubsidized Enrollments

The model uses the ratio of subsidy-eligible individuals to individuals not eligible for subsidies based on 2014 enrollment, of which 83 percent were qualified for financial assistance. The previous forecast assumed a subsidized rate of 88 percent. The latest forecast assumes 85 percent.

The assumptions detailed above will be consistently updated and informed by new information as it becomes available. The exact mix of people who enroll during special enrollment and open enrollment will be adjusted as the exchange learns, and will be affected by the mix of people who come in and out of Covered California due to gaining job-based insurance, moving, transitioning from other health insurance programs or disenrolling.

According to this enrollment outlook, annual individual plan assessments will increase steadily in upcoming years. On a budgetary basis, Covered California projects \$233 million in individual market revenues will be generated in FY 2015-16; \$264 million, in FY 2016-17; \$292 million, in FY 2017-18; and \$319 million, in FY 2018-19. These estimates will differ from the revenues expressed in the multi-year forecast in **Table 5**, which are for the combined individual and small-business markets and are expressed on a cash basis. These assessments should be modest in comparison to the total book of business they represent for participating health plans. Assessments for 2014 coverage totaled approximately \$160 million for an enrolled membership that generated approximately \$4.7 billion in premiums — including \$3.1 billion in APTC. Assessments for 2015 coverage are based on an enrolled membership that is estimated to generate approximately \$6.5 billion in premiums — including \$4.3 billion of Advanced Premium Tax Credits.

Sensitivity Analysis

Covered California has modeled updated Low, Medium and High enrollment forecasts. The High enrollment alternative estimates from \$6 million to \$23 million (2.5 percent to 7 percent) more annual revenue over the Medium alternative. The Low alternative projects from \$10 million to \$21 million (4 percent to 6.5 percent) less revenue. For the purpose of this analysis, revenues are calculated on a budgetary basis, in contrast to the cash basis revenue calculation used in the multi-year financial forecast displayed later in this document.

Table 2

Individual Market								
Comparison of Low, Medium & High Enrollment and Revenue Projections								
Alternative	Year End Effectuated Enrollment				PMPM Revenue (\$millions)*			
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
High	1,542,380	1,807,166	1,953,172	2,101,643	\$239.1	\$282.0	\$316.2	\$341.1
Medium	1,476,342	1,666,617	1,809,095	1,977,792	\$233.2	\$264.3	\$292.2	\$318.6
Low	1,366,329	1,548,359	1,689,065	1,854,521	\$223.5	\$245.0	\$272.1	\$298.0

* \$13.95 PMPM in all years.

Covered California for Small Business Forecast

Overview

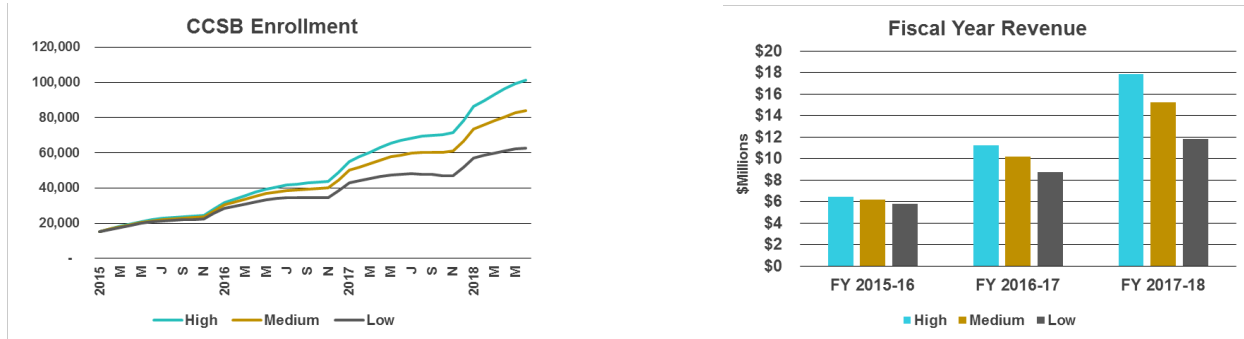
The enrollment outlook for Covered California for Small Business (CCSB) (previously identified as the Small Business Health Options Program, or SHOP), is based on the assumption that the program addresses many of the challenges encountered since its launch in 2014. Principal among these was a widespread expectation among employers who offer their employees insurance coverage that premiums were going to increase sharply when the Affordable Care Act took effect, which led many to renew their existing policies early at the end of 2013. In addition, the delay of the requirement for employers to offer minimum essential coverage allowed many non-compliant small-group health plans to remain in effect through 2015. Although the program originally offered a competitive mix of health plans, enrollment system functionality problems and higher demand for agent support led to limited promotion of the plans and greater-than-expected cancellations. All of these developments contributed to lower-than-forecast enrollment in 2014.

A number of developments should contribute to better participation over the next several years. Small-group employers will need to transition to Affordable Care Act-compliant plans at the beginning of 2015. Currently, employers with one to 50 eligible employees can access the CCSB marketplace. This ceiling is scheduled to change to 100 in January 2016, which will expand the potential market. Finally, the improvements in Covered California's agent support should improve agent participation and the promotion of CCSB policies.

As with the individual enrollment projections, Low, Medium and High enrollment estimates have been developed based on different assumptions about new sales growth, cancellations and renewal rates. These projections begin after January 2015, which was the anniversary and first annual renewal point for the first CCSB policies sold at the launch of the program.

The pace of new sales growth and the cancellation rate have the most significant impact on projected enrollment. The Medium enrollment estimate assumes that the pace of new enrollment growth accelerates from 2014 to 2016 and then moderates somewhat thereafter. It assumes a slightly better renewal rate than occurred with 2014 policies and that the 2014 cancellation rate holds steady going forward. Compared with the Medium estimate, the High estimate assumes that new sales growth is 5 percent stronger in each year, that the cancellation rate moderates to the small-group market norm of 2 percent, and the renewal rate improves somewhat through 2017. Alternately, the Low estimate assumes weaker new enrollment growth, a higher cancellation rate and a renewal rate that does not improve from 2014.

**Figure 2
Covered California for Small Business, Market Enrollment
and Revenue Scenarios**



Key Assumptions

- **New sales growth** — The Medium enrollment estimate assumes that new sales in each month of 2015 increase 30 percent over the same months in 2014, which results in 21,000 new policies in 2015, compared with 17,000 new policies written in 2014. The rate increases to 40 percent in 2016, 35 percent in 2017 and 30 percent in 2018.
- **New sales increase factor** — To account for the requirement that small-group employers move to Affordable Care Act-compliant plans, and for the expansion to include larger employers, a sales increase factor is added to the pace of sales during the final months of 2015 and the first month of 2016.
- **Cancellation rate** — From February 2014 through January 2015, an average of 2.6 percent of the policies in effect during the prior month were canceled.
- **Renewal/nonrenewal rate** — Of the 3,766 policies effective in January 2014 and still in effect at the end of December, 344, or 9.1 percent, were not renewed. The forecast assumes an 8 percent nonrenewal rate for 2015 and beyond.

**Table 3
Projected Gains and Losses**

<u>Medium Alternative Year-to-Year Enrollment Gains and Losses</u>			
	FY 2015-16	FY 2016-17	FY 2017-18
Beginning	21,399	37,859	58,830
New Sales	26,460	37,363	49,251
Cancellation	(8,624)	(14,275)	(21,258)
Nonrenewal	(1,376)	(2,117)	(2,989)
Year End	37,859	58,830	83,834

Sensitivity Analysis

The High enrollment alternative estimates \$200,000 more annual revenue over the Medium alternative for FY 2015-16. Alternately, the Low alternative estimates \$400,000 less revenue. For the purpose of this analysis, revenues are calculated on a budgetary basis, in contrast to the cash basis revenue calculation used in the multi-year financial forecast displayed later in this document.

Table 4

Covered California for Small Business Market						
Comparison of Low, Mid & High Enrollment and Revenue Projections						
Alternative	Fiscal Year End Effectuated Enrollment			PMPM Revenue (\$millions)*		
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2015-16	FY 2016-17	FY 2017-18
High	40,634	67,085	101,312	\$6.4	\$11.3	\$17.9
Medium	37,859	58,830	83,834	\$6.2	\$10.2	\$15.2
Low	33,942	47,910	62,586	\$5.8	\$8.8	\$11.8

Forecast Uncertainties

A number of potential developments could lead to more or less revenue or enrollment than anticipated by these forecasts. Most directly, the forecast assumes that few people will lose Medi-Cal coverage in the near future and enroll in Covered California. An early return to the standard Medi-Cal redetermination process could result in additional enrollment, which would result in enrollment levels comparable to the High enrollment outlook.

While the national and state economic outlooks remain positive, the current recovery is nearly six years old. Since the most recent recoveries have lasted almost five years on average, it's possible that another economic slowdown could occur in the next few years. A modest economic slowdown could lead to a noticeable, albeit temporary, increase in enrollment, and a very severe economic slowdown could lead to a temporary dip in enrollment. The severity of the slowdown would determine whether the number of enrollees who become qualified for Medi-Cal coverage is counterbalanced by new enrollment of people who lose employer-supplied insurance.

The biggest uncertainty is the pace at which Covered California enrolls subsidy-eligible Californians. Given the importance of the subsidy to promoting enrollment, policy changes that would increase or decrease the size of the subsidy and who is eligible for it would have the biggest impact on enrollment.

VI. Multi-Year Forecast

The budget planning process involves consideration of several key variables over a multi-year period, including revenue, expenditures and reserves. To assure it can meet its mission in a fiscally sound manner, Covered California is transitioning from Federal Establishment Grant funding to plan assessment-funded operations. Its reserve will be maintained at a level that is sufficient to assure an adequate balance in the movement to financial alignment and to allow for timing lags needed to adjust revenue and expenditures. Adjustments in the plan assessment (the per member per month rate), for example, takes nine to 18 months to have an impact on plan assessment revenue. For these reasons, it is necessary to develop the budget within the framework of a multi-year plan. The current multi-year forecast is displayed in **Table 5** below. Revenues in the table below, which include both the individual and Covered California for Small Business markets, are calculated on a cash basis that reflects the actual timing of the collection of revenue, in contrast to the budgetary basis revenue calculation used in the enrollment and revenue forecast displayed earlier in this document.

Table 5
Multi-Year Forecast
Dollars in millions

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Effectuated Enrollment <i>(Individual at fiscal year end)</i>	1,299,521	1,476,342	1,666,617	1,809,095	1,977,792
Beginning Balance of Unrestricted Funds	\$ 5.9	\$ 192.0	\$ 193.4	\$ 152.6	\$ 156.2
Balance of Federal Establishment Funds	\$ 479.3	\$ 100.0	\$ -	\$ -	\$ -
Total Opening Balance	\$ 485.2	\$ 292.0	\$ 193.4	\$ 152.6	\$ 156.2
Plan Assessments - Cash Basis	\$ 197.4	\$ 234.4	\$ 269.2	\$ 303.6	\$ 329.2
Expenditures	\$ 390.6	\$ 332.9	\$ 310.0	\$ 300.0	\$ 300.0
Funds Available at Year-End	\$ 292.0	\$ 193.4	\$ 152.6	\$ 156.2	\$ 185.3
<i>Minimum number of months expenditures covered by reserve</i>	9.0	7.0	5.5	5.2	6.0

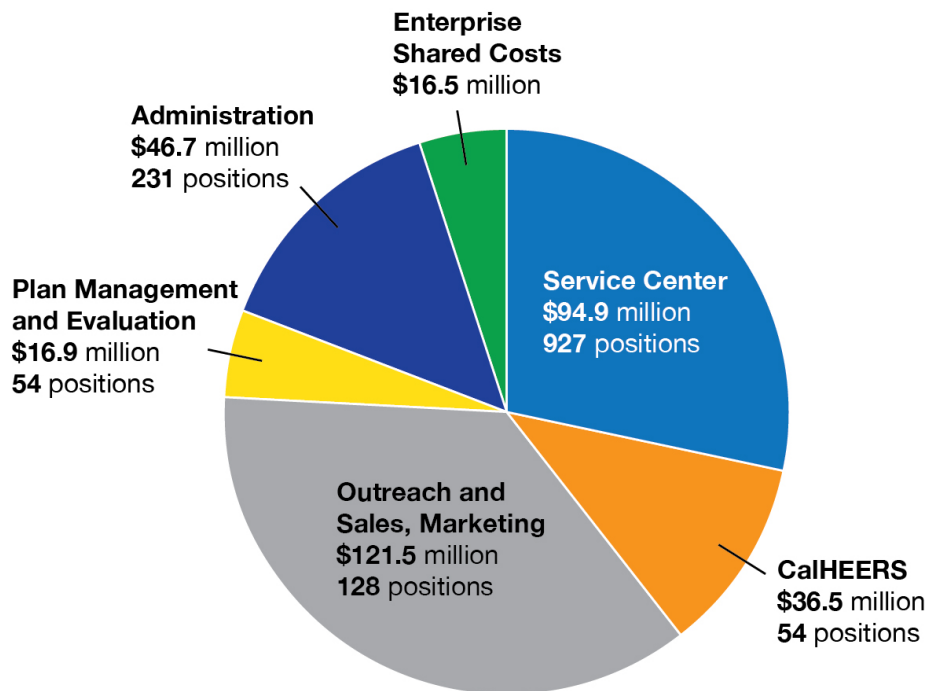
The budget forecast reflects a \$332.9 million budget in FY 2015-16 and assumes budgets of \$310 million in FY 2016-17 and a \$300 million budget ongoing beginning in FY 2017-18. The current multi-year plan is designed to fund FY 2015-16 with federal establishment funds and plan assessments and to balance revenues and expenditures by FY 2017-18. The plan will provide a six month operating reserve throughout FY 2015-16 with a fiscal year-end position of approximately \$194 million. It reflects that a series of strategic reductions to operating expenses are made for FY 2015-16 and in the next two fiscal years, while still allowing programs to meet necessary service levels to maintain and expand membership.

The forecast utilizes the medium enrollment scenario and the plan assessment is budgeted to remain at the same level for both the Individual (\$13.95) and Covered California for Small Business (\$18.60) markets for the duration of the forecast. The budget does not reflect revenue from family dental coverage for which Covered California collects \$0.83 per enrollment per month. To the extent enrollment varies from the Medium forecast, Covered California would be able to adjust its revenue by increasing or decreasing the plan assessment, or by adjusting its budgeted expenditures.

VII. Proposed Fiscal Year 2015-2016 Budget

The proposed FY 2015-16 Covered California budget, presented in **Figure 3** below, incorporates the resources to transition from federal establishment funds to operating funds generated from plan assessments as envisioned by the Affordable Care Act. Covered California anticipates having approximately \$100 million in remaining federal funding to spend from July 1, 2015 to December 31, 2015, to continue educating consumers and establishing the exchange. The budget framework is informed by Covered California’s Financial Guiding Principles and Strategic Pillars; the FY 2014-15 Projected Expenditures; the 2015 Enrollment and Revenue forecasts; and the Multi-Year Forecast. The proposed budget provides 1,394 positions and \$332.9 million to fund program operations, which is \$58 million (15 percent) below projected expenditures for FY 2014-15.

Figure 3
Proposed FY 2015-16 Budget \$332.9 million



From a program operations perspective, the proposed budget includes resources to fund the following goals:

- \$121.5 million for Outreach and Sales, Marketing efforts, including \$50 million for marketing and a \$10 million Navigator program to inform California citizens about our programs and encourage retention of those who have enrolled.
- \$95 million for Service Center resources to provide funding that is comparable to 2014-15.
- \$36 million for the proposed FY 2015-16 program requirements of the CalHEERS 24 month road map.

This budget seeks to strike 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, while maintaining robust reserves to accommodate enrollment variations from forecasts.

Highlights and Initiatives

Outreach and Sales, Marketing

Committed to driving membership growth and membership retention – The budget proposes \$121.5 million for marketing efforts, including \$50 million for paid media marketing and consumer research. Covered California’s marketing program’s goal is to achieve membership acquisition, retention and renewal through strategic, cost-effective use of marketing in collaboration with Sales, Outreach, Public Relations and Operations programs. The Marketing program’s strategies focus on the following key activities:

- Increasing new customer acquisition by integrating efforts across marketing/advertising campaigns, sales channels, and outreach programs
- Increasing brand awareness and consumer engagement for Covered California by developing and executing multi-cultural, multi-channel marketing and advertising campaigns
- Optimizing customer retention and renewal by using a proactive customer relationship marketing approach
- Utilizing social media platforms to provide timely customer service assistance in collaboration with Service Center staff
- Maximizing marketing return on investment by leveraging insights from consumer research and marketing campaign analytics

Successfully achieving and maintaining a “healthy California” by helping eligible Consumers enroll and re-enroll in a Covered California health insurance plan – The outreach, sales and marketing functions are focused on successfully achieving and maintaining a “healthy California” by helping all certified enrollment representatives assist eligible consumers to enroll and re-enroll in a Covered California health insurance plan. Certified enrollment representative activities include:

- Informing Covered California subsidy- and non-subsidy eligible consumers of the availability and benefits of obtaining health care coverage
- Promoting the value of purchasing health care coverage
- Helping consumers to shop for coverage and compare plans
- Facilitating enrollment into Covered California health insurance plans
- Assisting consumers with the Covered California renewal process
- Providing post-enrollment outreach and support to Covered California consumers

The Outreach, Sales and Marketing strategies will focus on the following:

- Supporting all certified enrollment representatives (Certified Insurance Agents, Navigators, Certified Enrollment counselors, and Plan-Based Enrollers) by:
 - Providing timely and effective training and communication
 - Maintaining a high-performing Service Center to support certified enrollment representatives
 - Providing access to enrollment supplies
 - Providing more enrollment support in the field
- Making it easier for consumers to find in-person enrollment assistance by improving Covered California’s “Find Local Help” web portal. “Find Local Help” is where consumers find certified storefront locations, enrollment events or a Covered California enrollment representative in their community.
- Funding the Navigator Program. The Navigator Program is a federally mandated program that enhances Covered California’s ability to partner with organizations across the state that have experience in reaching and assisting California’s diverse populations and have proven success enrolling consumers in health insurance plans. Navigator partners are established in the communities they support. They have the trust of and history with the local consumers, which gives them expertise and a unique ability to reach consumers across the state helping Covered California close the enrollment gaps.

Covered California for Small Business

Covered California for Small Business (CCSB) is California’s Small Business Health Options Exchange which is available to small businesses with 1-50 employees. The program makes it easy for small businesses to offer their employees a wide choice of affordable and popular health insurance plans. Small businesses that buy health insurance through Covered California may qualify for federal tax credits to offset part of their costs.

This year is a pivotal one for the program because a large percentage of small businesses will transition to health insurance programs that comply with the Affordable

Care Act, and because the small business market expands from 1-50 employees to 1-100 on Jan. 1, 2016. Covered California for Small Business is focused on the following strategies:

- Operational and administrative improvements to reduce distribution costs, improve processing times and improve the compensation process for Certified Insurance Agents, general agents and health plans.
- Outreach and enrollment efforts that include Certified Insurance Agents, storefronts, Navigators, and small business and community groups.
- Marketing strategy that includes a print and premium digital advertising campaign to California small businesses and an agent-focused program called SHOPworks that provides agents with tools to identify small business owners that are interested in enrolling.

Program Integrity

Improving enrollment data integrity and federal reporting requirements — The proposed budget provides eight positions and \$900,000 to improve reconciliation efforts by establishing the Reconciliation of Enrollment and Membership (REM) Unit to help improve enrollment data integrity, as well as federal reporting related to Covered California membership. Under this new unit, a dedicated team will work with our plan partners, the CalHEERS project team and federal partners to improve our transaction process with all of the key players. The unit will develop a standard monthly reconciliation process to help ensure enrollment data is consistent between systems and correct Advanced Premium Tax Credit (APTC) payments are made to our plan partners.

The REM Unit will closely manage and monitor the key activities noted below:

- Reconciling enrollment transactions (e.g., 834s) with our plan partners
- Reconciling data for federal reporting that results in APTC payments to our plan partners
- Reconciling data with the statewide Medi-Cal Eligibility Data System (MEDS) which is overseen by Department of Health Care Services (DHCS)
- Monitoring 834 transaction change requests and defects
- Leading and reconciling data for the 1095 process
- Monitoring overall data integrity and accuracy
- Coordinating the reconciliation and data integrity processes with the Plan Management and Financial Management divisions

Service Center

Ensuring consumers receive the right care at the right time at an affordable price, and that they retain Covered California coverage because they are satisfied with our products and services – The proposed budget provides \$95 million with expectations that the consumer experience continues to improve. The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling them in qualified health plans and promptly resolving challenges preventing them from receiving covered health and dental benefits.

The Service Center delivers their services through a variety of innovative strategic initiatives including the following:

- Ensuring that Service Center Representatives (SCR), support staff and leadership consistently provide consumers with accurate and timely information.
- Re-designing the Quality Assurance Program Partner with Covered California University to establish ongoing SCR/support staff and refresher training for Service Center leadership.
- Furthermore, the budget consolidates staff administering appeals currently split between the Eligibility and Enrollment division and the Service Center to one unit to improve the process.

Plan Management and Evaluation

Plan Management

Transition from start-up to ongoing operations — The proposed budget is \$2.1 million lower than FY 2014-15 due to a reduced need for external consultants. The initial formation of Plan Management relied on temporary contractors for key leadership, process design, analytic and policy roles which are being transitioned to permanent state employees. As this transition takes place, Plan Management is restructuring to better align staff and system resources with ongoing and future program needs, and to recruit and retain permanent staff in positions that require a higher level of professional skill and experience than was provided for in the FY 2014-2015 budget.

Analytics and Research

Providing reliable, insightful and actionable research and analytics — The budget augments staffing for research and analytic positions and provides \$4.5 million to support development of analytics and research infrastructure, as well as tools and research activities. The resources and funding will support analytics within each of Covered California's five strategic pillars, including:

- Identifying opportunities to improve affordability and take-up of coverage for Covered California's target population.

- Identifying opportunities to improve consumer access to quality care through clinical, enrollment and qualitative surveys data.
- Modelling target population and identifying opportunities for strategic outreach.
- Identifying improvements in enrollment to ensure that consumers experience seamless program transitions as they move in and out of coverage with Covered California.
- Facilitating new ways to evaluate operations and outcomes, test hypotheses and implement performance measurement for Covered California’s philosophy of being a “learning organization” that is continuously improving.

CalHEERS

Development and Management of an Insurance Affordability Program 24-Month CalHEERS Road Map – The proposed budget maintains \$36 million to implement the FY 2015-16 portion of the 24-month CalHEERS Road Map. CalHEERS worked closely with its program sponsors, Covered California and DHCS, to develop a comprehensive plan detailing major CalHEERS system initiatives and related partners’ systems critical events and dependencies. A CalHEERS vision statement was drafted to set direction: “CalHEERS will provide a consumer-friendly experience and support the right benefit design and choices, with correct eligibility, and create efficient work processes for the workforce.”

Five business goals were identified to support prioritization of CalHEERS changes:

- Ensuring Consumers receive accurate and timely eligibility determinations and correct plan enrollment, initially and during any change or renewal event
- Ensuring business partners are able to receive, exchange and reconcile appropriate consumer information on a timely basis
- Appropriately equipping Authorized End Users with tools necessary to serve consumers effectively and to handle exception situations
- Providing consumers and End Users with an improved consumer experience
- Ensure the technical infrastructure is properly maintained, current, secure and supports capacity demands and completion of business goals

The initial plan, which was put into use beginning with calendar year 2015, addressed calendar years 2015 and 2016.

VIII. Fiscal Year 2014-2015 Budget Comparison to Fiscal Year 2015-2016

As noted in **Table 6** below, the Proposed FY 2015-16 Covered California budget provides \$332.9 million to fund program operations. This funding is approximately 19 percent less than the \$411 million FY 2014-15 budget adopted by the board and 15 percent less than FY 2014-15 projected expenditures of \$390.6 million. The most significant reductions are as a result of the expiration of the community grants and in-person assistance programs and a reduced budget for the Navigator program to be comparable with FY 2014-15, in Outreach and Sales, Marketing; and a reduction in CalHEERS as a result of the change to the cost allocation plan recently approved by our federal partners. These are discussed in more detail below.

Table 6
FY 2014 compared to Proposed FY 2015-16

	2014-15 Projected	2015-16 Proposed	Difference	% Change
Service Center	\$ 99,158,255	\$ 94,919,232	\$ (4,239,023)	-4%
CalHEERS	\$ 82,113,445	\$ 42,542,356	\$ (39,571,089)	-48%
Outreach & Sales, Marketing	\$ 180,062,748	\$ 121,463,472	\$ (58,599,276)	-33%
Plan Management & Evaluation	\$ 13,585,029	\$ 16,925,582	\$ 3,340,553	25%
Administration	\$ 36,487,453	\$ 46,656,803	\$ 10,169,350	28%
Enterprise Shared Costs	\$ 1,543,057	\$ 16,493,138	\$ 14,950,081	NM
Total Expenses	\$ 412,949,987	\$ 339,000,582	\$ (73,949,405)	-18%
CalHEERS Cost Sharing	\$ (1,937,629)	\$ (6,055,000)	\$ (4,117,371)	212%
Reimbursements	\$ (20,402,000)	\$ -	\$ 20,402,000	-100%
Total Operating Costs	\$ 390,610,358	\$ 332,945,582	\$ (57,664,776)	-15%

A brief overview of the funding changes for each organizational unit, from FY 2014-15 to the proposed FY 2015-16 budget follows:

Service Center – Expenditures are anticipated to be \$4 million lower than FY 2014-15 primarily due to a \$16 million reduction in expenditures for vendors assisting during open enrollment and other Service Center contractual support. These are offset by an increase of \$12 million for personal services and operating expenses and equipment associated with fully staffing the centers to address workload requirements.

CalHEERS – Proposed FY 2015-16 expenditures are anticipated to be \$44 million lower than in FY 2014-15 as adjustments in the cost allocation plan reduce Covered California’s share of the project.

Outreach and Sales, Marketing – Expenditures are anticipated to be \$59 million lower than in FY 2014-15 primarily due to the expiration of program activities including a \$16.9 million reduction for community grants, a \$4 million reduction for in-person assistance, a \$5 million reduction to the Navigator Program to align with FY 2014-15 projected expenditures and a \$15 million savings in Covered California for Small Business and administration costs. The overall cost reductions also reflect the end of the support of DHCS Medi-Cal enrollments which had a cost of \$20 million in FY 2014-15, and for which Covered California was subsequently reimbursed. These reductions are partially offset by the consolidation of postage costs within the Marketing budget.

Plan Management and Evaluation – Expenditures are anticipated to be \$3 million higher than in FY 2014-15 primarily from the transition of positions to consolidate policy activities and the addition of positions to address the analytics workload.

Administration – Expenditures are anticipated to be \$10 million higher in the proposed FY 2015-16 budget due to an increase in personal services to fund workload staffing increases in the Information Technology and Human Resources programs, expenditures to support IT infrastructure and security, and funding for the establishment of Covered California University for purposes of expanding training and knowledge management throughout Covered California. Administration, which includes salaries, benefits, contractual and operating/equipment expenditures for the Executive, Legal, IT, Financial Management, External Affairs, Business Services, Human Resources and training divisions, represent approximately 14 percent of the overall operating expense budget.

Enterprise Shared Costs - Expenditures are anticipated to be \$15 million higher in the proposed FY 2015-16 budget due to increased costs to state mandated SWCAP/Pro-rata cost distribution requirements and continuation of the provision of reserves for strategic initiatives.

Figure 4 below compares the funding provided to support core components of the proposed FY 2015-16 budget to FY 2014-15 funding:

Figure 4
Core Areas: FY2014-15 compared to Proposed 2015-16
(Dollars in Millions)

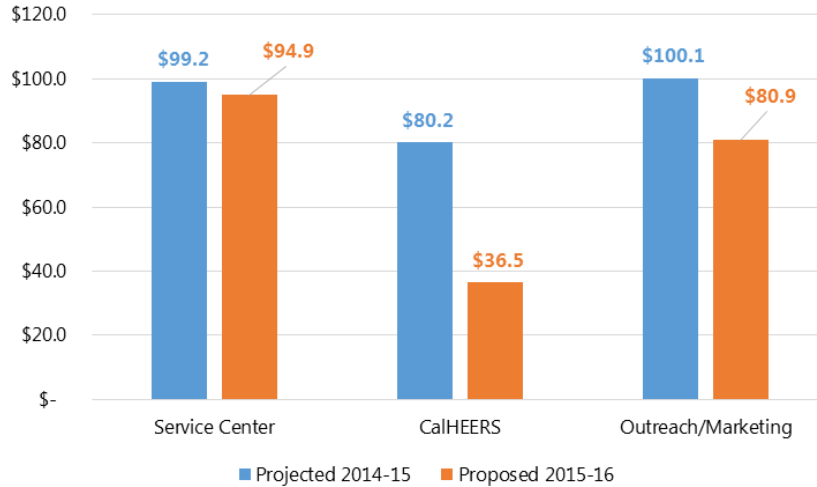
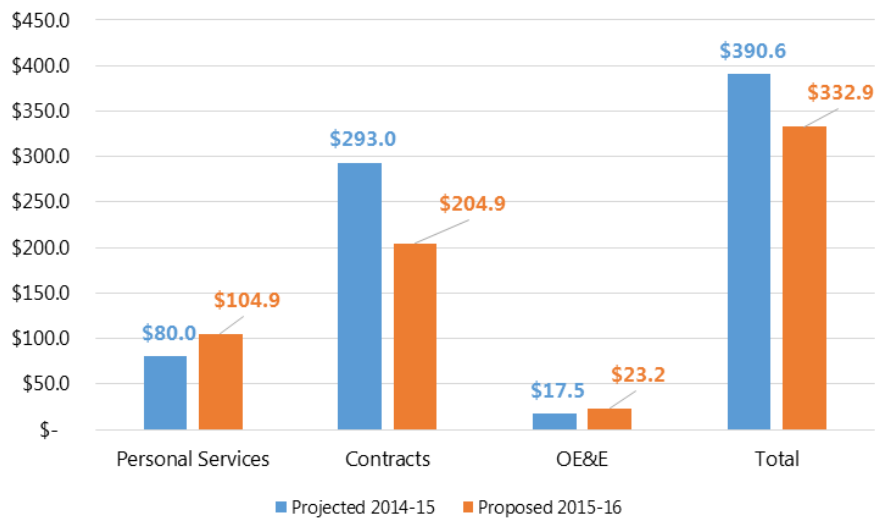


Figure 5 below, compares FY 2014-15 to proposed 2015-16 by expense category, illustrating the decrease in contractual obligations as the organization exits its establishment phase, somewhat offset by increases in personal services and operating expenses and equipment to accommodate increased workload and the assumption by state staff of tasks previously performed by contractors.

Figure 5
Expense Category: FY 2014-15 compared to Proposed 2015-16
(Dollars in Millions)



IX. Fiscal Year 2016-2017 through Fiscal Year 2017-2018

Based upon the multi-year forecast, approximately \$35 million in expenditure reductions will be implemented to close the budget gap between the proposed 2015-16 and 2017-18 budgets. The multi-year forecast assumes reductions of approximately \$25 million for 2016-17 and an additional \$10 million in 2017-18. These reductions will be broadly applied across programs, including targeted reductions in areas such as Marketing and the Service Center, as Covered California reaches more ongoing enrollment and service levels. Additionally, adjustments to plan assessment could also be considered, with increases or decreases depending on revenue, expenditure requirements, and reserve balances.

It is important to note that each year a new multi-year forecast will be completed based on the most current information, so the estimates presented here could change.

X. Covered California Program Details

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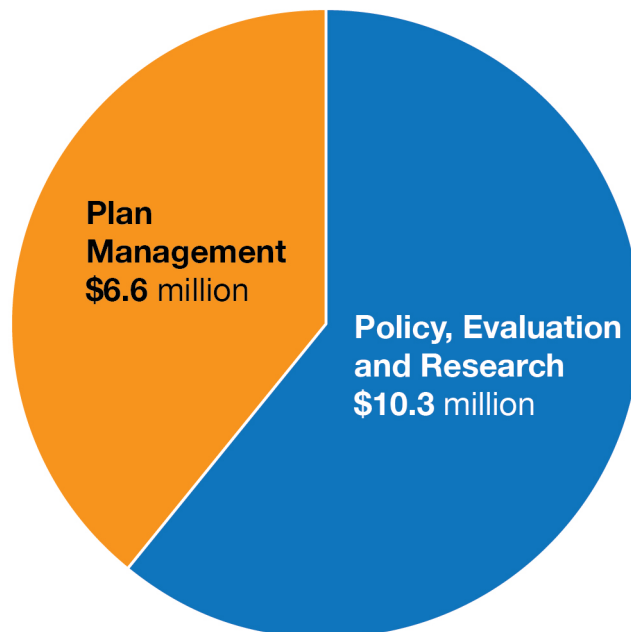
Plan Management and Evaluation

Plan Management and Evaluation includes the Policy, Evaluation and Research Division and the Health Plan Management Division. The total proposed budget for FY 2015-16 for Plan Management and Evaluation is \$16.9 million.

Plan Management and Evaluation Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	39	39	54
Personal Services	\$ 2,857,083	\$ 1,937,255	\$ 4,129,980
Benefits	\$ 1,342,815	\$ 794,227	\$ 1,941,091
Contracts	\$ 12,817,680	\$ 10,793,172	\$ 10,422,511
OEE	\$ 317,000	\$ 60,375	\$ 432,000
Total Expenses	\$ 17,334,578	\$ 13,585,029	\$ 16,925,582

Plan Management and Evaluation FY 2015-2016 Proposed Budget



Plan Management

The Plan Management Division ensures that Covered California provides competitive health benefit programs that provide consumers with the best value in health plans.

The Plan Management team delivers value to Covered California consumers by selecting and managing the relationship with our contracted health plans. Through our deep understanding of plan benefit designs, plan product and network options, and plan clinical and quality programs, we select health plans that provide the best quality, network access and value.

Key Activities

- Annual plan recertification and certification
- Contract compliance, data management and regulator partnerships
- Quality network management and delivery system reform

Plan Management Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	25	25	26
Personal Services	\$ 1,874,742	\$ 1,284,068	\$ 2,216,888
Benefits	\$ 881,114	\$ 528,920	\$ 1,041,937
Contracts	\$ 5,753,379	\$ 3,912,787	\$ 3,122,511
OEE	\$ 200,000	\$ 45,996	\$ 208,000
Total Expenses	\$ 8,709,235	\$ 5,771,771	\$ 6,589,336

Contract Detail			
Project Management	\$ 3,363,040	\$ 2,327,328	\$ 1,318,040
Actuarial Services	\$ 472,284	\$ 514,907	\$ 627,284
Medical Advisor & Support	\$ 810,954	\$ 529,552	\$ 149,594
DMHC	\$ 677,333	\$ 394,000	\$ 677,333
Other	\$ 429,768	\$ 147,000	\$ 350,260
Total	\$ 5,753,379	\$ 3,912,787	\$ 3,122,511

Key Accomplishments

- Recertified ten health plans and negotiated an average rate increase of only 4.2 percent for 2015, which continues to allow individuals to purchase quality health coverage at affordable rates
- Engaged stakeholders, regulators and plans in a comprehensive review of Covered California's standard benefit designs, which resulted in changes for the 2016 plan year that will increase consumer transparency and promote preventative care. This includes significant changes in specialty drugs that will likely influence changes in the design of specialty drug benefits of other large purchasers both within California and in other states

- Finalized an organizational redesign of the Plan Management Division that will result in transitioning from the use of outside contractors to permanent state staff and will contribute to the overall long-term financial sustainability of Covered California
- Developed a process and reporting mechanism to ensure all qualified health plans have a minimum threshold of contracted Essential Community Providers and have identified contracting opportunities where there is a high concentration of low-income uninsured populations

Budget Highlights

- Reorganization of the Plan Management Division, which includes the hiring of a Chief Medical Officer, the reclassification of existing state staff, and a reduction in contract funding
- A \$2 million reduction from FY 2014-15 in outside consulting contracts as Plan Management transitions from contract staff to permanent staff

Activities Supporting Covered California's Mission and Strategy

- Hire and fill positions to transition to the new Plan Management Division infrastructure
- Through the 2016 recertification and certification effort, demonstrate rate moderation and allow for new plan choices
- Development of a support model for the contracted health plan reconciliation process
- Development of an effective internal and external plan management communication model

Policy, Evaluation and Research

The Policy, Evaluation and Research Division provides policy analysis, program evaluation, research, and data analytics for Covered California that are reliable, insightful and actionable, so that Covered California's policy and operational choices are based on the best available evidence and lead to continuously improving outcomes for our consumers.

Key Activities

- Policy development and direction
- Data analysis and modeling
- Research, evaluation and survey design
- Federal and state exchange policy and regulation coordination
- Public data reporting

Policy, Evaluation and Research Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	14	14	28
Personal Services	\$ 982,341	\$ 653,187	\$ 1,913,093
Benefits	\$ 461,701	\$ 265,307	\$ 899,154
Contracts	\$ 7,064,301	\$ 6,880,385	\$ 7,300,000
OEE	\$ 117,000	\$ 14,379	\$ 224,000
Total Expenses	\$ 8,625,343	\$ 7,813,258	\$ 10,336,246

Contract Detail	FY 2014-15	FY 2014-15	FY 2015-16
Analytics	\$ 5,465,830	\$ 4,163,830	\$ 4,500,000
Indep. Consumer Assistance	\$ 1,000,000	\$ 1,950,000	\$ 1,000,000
Tribal Consultation	\$ 98,471	\$ 98,471	\$ 50,000
Voter Registration	\$ 500,000	\$ 668,084	\$ -
Readability and Translation	\$ -	\$ -	\$ 1,750,000
Total	\$ 7,064,301	\$ 6,880,385	\$ 7,300,000

Key Accomplishments

- Initiated development of an Eligibility and Enrollment Policies and Procedures Manual that will support headquarters staff, Service Center Representatives and carriers
- Establishment of an analytics unit, including development of public data and research tab on www.hbex.ca.gov
- Coordination of federal CCIIO Site Visit and Open Enrollment Review

- Successfully conducted a competitive selection process for Covered California's Health Care Enterprise Analytics

Budget Highlights

- The proposed budget includes eight positions and \$2.7 million in funding that was transferred from the former Eligibility and Enrollment Division in order to consolidate policy functions
- An increase of \$698,000 for six additional positions to administer analytics on a department-wide basis

Activities Supporting Covered California's Mission and Strategy

- Policy, Evaluation and Research will complete numerous analyses throughout FY 2015-16 that will support strategic planning including the implementation of the Health Care Enterprise Analytics
- Analyzing consumer access to care through clinical, enrollment and qualitative survey data and identifying opportunities for improvements
- Analyzing consumer choices and identifying opportunities to improve affordability and take-up of coverage for Covered California's target populations
- Modeling our target populations and identifying opportunities for strategic outreach
- Identifying potential improvements in enrollment to ensure that consumers experience seamless program transitions as they move in and out of coverage with Covered California

Key projects include, but are not limited to the following:

- Consumer preference analyses to support rate negotiations: In partnership with Plan Management and the Chief Actuary, provide data and model to describe consumer response to the prior year's products and price
- Effectuation and retention analysis: Analyze effectuation data to identify strategies for improving retention of consumers who select plans
- Consumer feedback on access to care: Using surveys and other data, assess Covered California's own consumers' perceptions of their coverage and care
- Enrollment modeling: Oversee CalSIM partnership, track Covered California's individual market penetration, maintain expertise about latest forecasts of Affordable Care Act implementation and work with Financial Management to identify Covered California projections
- CalHEERS Data Warehouse: Evaluation and Research leads implementation of the CalHEERS Application/Enrollment Data Warehouse so that by open enrollment 2016 teams throughout Covered California can access reliable eligibility and enrollment information in a consistent manner to inform their operations and planning

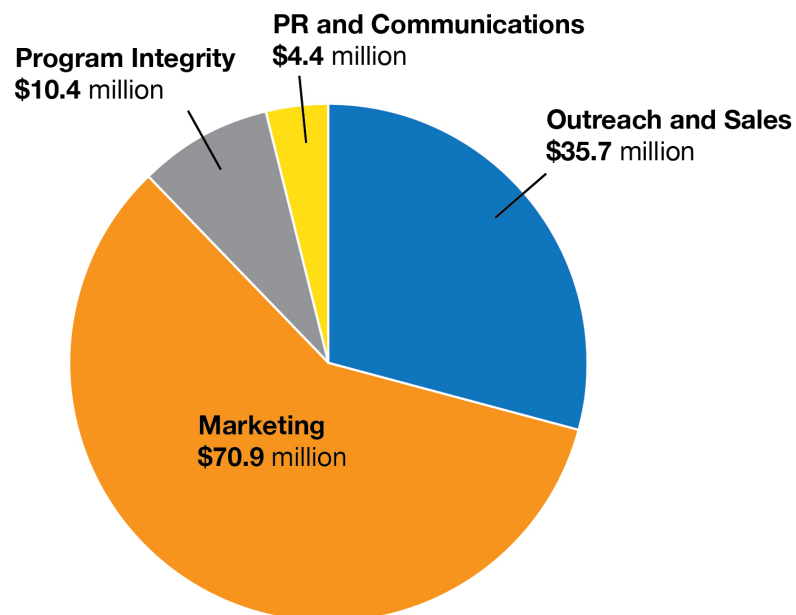
Outreach and Sales, Marketing

Outreach and Sales, Marketing includes the following program areas: Outreach and Sales, Marketing, Program Integrity, and Communications and Public Relations. The total proposed budget for FY 2015-16 for Outreach, Sales, and Marketing is \$121.5 million.

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	113	114	128
Personal Services	\$ 8,223,227	\$ 6,171,410	\$ 8,952,189
Benefits	\$ 3,864,913	\$ 2,710,802	\$ 4,167,267
Contracts	\$ 176,741,319	\$ 170,665,748	\$ 107,320,015
OEE	\$ 1,002,000	\$ 514,787	\$ 1,024,000
Total Expenses	\$ 189,831,459	\$ 180,062,748	\$ 121,463,472
Reimbursements	\$ (27,598,000)	\$ (20,000,000)	\$ -
Total Operating Costs	\$ 162,233,459	\$ 160,062,748	\$ 121,463,472

Outreach and Sales, Marketing

FY 2015-2016 Proposed Budget



Outreach and Sales

The Outreach and Sales Division provides support, education and compensation to Covered California's partners, including Certified Insurance Agents, community groups and many others, so that they can maximize enrollment in Covered California.

For the Covered California for Small Business program (formerly SHOP), the organization has contracted with an outside vendor to administer the program, including sales, operations, agent communications and agent compensation.

Key Activities

- Set the sales strategy for both the individual exchange and Covered California for Small Business
- Build and manage productive relationships to promote community-level outreach and enrollment with sales channel partners
- Sales channel training, communication and support
- Manage the following programs: Navigator Grant Program, Certified Application Counselor (CAC) Program, Plan-Based Enroller (PBE) Program, Medi-Cal Managed Care Plan (MCMC) Program and Community Outreach Network and Small Business Exchange
- Administer payments to Certified Enrollment Entities (CEEs) and Certified Insurance Agents
- Administer fingerprint and background check process for all sales channel partners

Outreach and Sales Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	28	43	54
Personal Services	\$ 1,972,318	\$ 2,146,787	\$ 3,729,451
Benefits	\$ 926,987	\$ 900,791	\$ 1,715,595
Contracts	\$ 96,931,319	\$ 93,284,914	\$ 29,844,300
OEE	\$ 224,000	\$ 273,465	\$ 432,000
Total Expenses	\$ 100,054,624	\$ 96,605,957	\$ 35,721,346
Reimbursement	\$ (27,598,000)	\$ (20,000,000)	\$ -
Total Operating Costs	\$ 72,456,624	\$ 76,605,957	\$ 35,721,346

Contract Detail			
Shop Admin & Agent Support	\$ 18,142,319	\$ 24,760,000	\$ 13,642,000
Consulting Services	\$ 877,000	\$ 376,200	\$ -
Navigator/Community Grants/IPA	\$ 35,900,000	\$ 31,000,000	\$ 10,000,000
Community Grants Administration	\$ 10,000,000	\$ 10,600,000	\$ 2,300,000
SHOP Marketing	\$ 3,900,000	\$ 3,508,229	\$ 2,000,000
DHCS & Other	\$ 28,112,000	\$ 23,040,485	\$ 1,902,300
Total	\$ 96,931,319	\$ 93,284,914	\$ 29,844,300

Key Accomplishments

- Established a new Sales Division to include a community partner program, insurance agent sales and Covered California for Small Business
- Established effective e-News program for sales channel partners
- Implemented a bi-weekly webinar with all service channels
- Established a Storefront Program supported by new web search functionality
- Established the Navigator Grant Program and Medi-Cal Managed Care Plan Program
- Established a regional ground campaign to provide local support for outreach and enrollment activities across California
- Expanded agent support

Budget Highlights

- The proposed budget provides \$34.4 million for ongoing support, education and compensation to our sales channel partners for purposes of maximizing enrollment in Covered California
- The budget includes a \$10 million Navigator program with substantially lower administrative overhead
- For FY 2015-16, the proposed budget no longer includes approximately \$28 million in contract funding and reimbursements for DHCS Medi-Cal enrollments because Covered California's support for that program has ended

Activities Supporting Covered California's Mission and Strategy

- Continued development of the sales division technology capabilities to manage and support channel partners
- Continued regional ground campaign with increased field support

Marketing

Covered California's outreach, marketing, and education efforts factor in key demographic, educational, economic, social/cultural attributes and lifestyle drivers to define key target audiences, allowing us to tailor relevant communications to motivate consumers to enroll in and keep health insurance coverage through Covered California.

Key Activities

- Perform market/consumer research to understand the customer mindset
- Set the marketing strategy to meet the organization's objectives
- Develop and execute plans to deliver on said strategy, including media planning and buying, creative development and production and social media
- Develop retention/renewal program and Customer Relationship Management program to nurture and convert leads obtained from marketing, outreach and education efforts
- Analyze results from a return on investment standpoint and recommend improvements

Marketing Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	23	24	24
Personal Services	\$ 1,851,651	\$ 1,090,688	\$ 1,857,587
Benefits	\$ 870,276	\$ 477,356	\$ 873,066
Contracts	\$ 70,805,000	\$ 66,842,200	\$ 68,021,715
OEE	\$ 184,000	\$ 55,314	\$ 192,000
Total Expenses	\$ 73,710,927	\$ 68,465,558	\$ 70,944,367

Contract Detail	FY 2014-15		FY 2015-16
Marketing Contract	\$ 62,911,000	\$ 59,837,000	\$ 50,000,000
Research Contract	\$ 2,088,000	\$ 2,088,000	\$ 2,088,000
Collateral/Printing/Mailing	\$ 5,806,000	\$ 4,917,200	\$ 15,933,715
Total	\$ 70,805,000	\$ 66,842,200	\$ 68,021,715

Key Accomplishments

- Implemented a successful marketing campaign that increased health care enrollment through highly visible targeting of the general market as well as Latino, African American, and Asian communities
- The Retention and Renewal program effectively targeted existing members to achieve a 92 percent retention rate with approximately 944 million members renewing their membership in 2014
- The social media campaign established a highly visible presence on Facebook, Twitter and YouTube to engage directly with Californians and functioned successfully as a customer service platform
- Successfully revamped the Spanish section of CoveredCA.com and developed more user-friendly Asian landing pages in Chinese, Vietnamese, Korean and Tagalog

Budget Highlights

- The proposed budget includes \$50 million in funding for marketing and media purchasing, a reduction of 20 percent from the 2014-15 budget

Activities Supporting Covered California's Mission and Strategy

- Optimizing customer retention and renewal by using a proactive customer relationship marketing approach
- Continue to focus the marketing campaign on motivating Californians to enroll during open enrollment and special enrollment
- Continuing the efficient and effective use of social media to expand customer outreach, improve brand engagement and improve customer services
- Maximizing marketing return on investment by leveraging insights from consumer research and marketing campaign analytics

Program Integrity

The newly created Program Integrity Division within Covered California partners and collaborates with all program areas to improve system and operational efficiencies when consumers apply and enroll into Covered California. In addition, it ensures program compliance with Federal and State regulations and mandates.

In the past, some of the key activities noted below were performed by the former Eligibility and Enrollment Division. However, Covered California recognized that a division needs to have a dedicated team who focuses on the following key activities:

Key Activities

- Managing, monitoring and reconciling program data to improve accuracy of enrollment information and transactions sent to health plans and federal partners
- Coordinating and improving the User Acceptance Testing (UAT) process by testing key functionalities prior to system implementation
- Improving operational efficiencies and compliance with federal and state regulations

Program Integrity Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	40	28	31
Personal Services	\$ 2,629,045	\$ 1,649,845	\$ 1,943,851
Benefits	\$ 1,235,651	\$ 808,140	\$ 913,610
Contracts	\$ 5,818,000	\$ 7,526,634	\$ 7,300,000
OEE	\$ 320,000	\$ 44,272	\$ 248,000
Total Expenses	\$ 10,002,696	\$ 10,028,891	\$ 10,405,461

Contract Detail			
Appeals	\$ 3,675,000	\$ 5,643,226	\$ 7,000,000
Readability and Translation	\$ 1,700,000	\$ 1,703,978	\$ -
Consulting Services	\$ 435,000	\$ 60,000	\$ 300,000
Other	\$ 8,000	\$ 119,430	\$ -
Total	\$ 5,818,000	\$ 7,526,634	\$ 7,300,000

Key Accomplishments

- Reconciliation of Enrollment and Membership (REM): During the fourth quarter of 2014, a reverse reconciliation process began with Covered California's plan partners. Staff from the Eligibility and Enrollment Division and the Financial Management Division supported this initiative to identify discrepancies with Covered California's enrollment dates and status information with our plan partners. During this initiative, data reconciliation occurred and the REM team identified areas in Covered California's enrollment transactions that require refinements, which have been identified in the CalHEERS 24-Month Road Map
- The 1095-A process, by which consumers who received Advanced Premium Tax Credits were notified of the amount of their credit, was implemented and was heavily assisted by the reconciliation process to help improve data accuracy and integrity. The first 1095-A notice was finalized, which was readability- and consumer-tested. The notice was available in English, Spanish, Chinese, Vietnamese and Korean
- Improvements to Eligibility Notice (NODO1): Consumer advocates participated in a workgroup facilitated and led by the Eligibility and Enrollment Division. In collaboration with consumer advocates, refinements to the notice language were made to better improve communications to consumers in a clear, concise, and consumer-friendly manner. The refinements and revisions are in the process of being implemented by CalHEERS
- Covered California implemented its very first renewal process which included approval of the state regulations to auto-renew consumers. A renewal notice was finalized, which was readability- and consumer-tested. In addition, many task guides were developed and coordinated with the CalHEERS project team and disseminated to all of the service channels
- Additional modifications to the CalHEERS online application were implemented. Enhancements included displaying more user-friendly language on website pages and developing additional questions to help provide more accurate eligibility determinations

Budget Highlights

- The total proposed budget is \$10.4 million, including an additional \$3.3 million increase in funding for interagency agreement with the California Department of Social Services (CDSS), Covered California's designated appeals agency

Activities Supporting Covered California's Mission and Strategy

- Formerly known as the Eligibility and Enrollment Division, the Program Integrity Division's organizational infrastructure and capacity is being established to improve system and operational efficiencies when consumers apply and enroll into Covered California

- Establishment of a new unit to coordinate and improve the User Acceptance Testing process with programs to actively test key functionalities prior to system implementation, in order to help reduce the number of critical defects
- Establish the Reconciliation of Enrollment and Membership Unit to help improve enrollment data integrity and conduct federal reporting related to Covered California membership and consumers' Advance Premium Tax Credit (APTC)

Communications and Public Relations

The Communications and Public Relations division is responsible for the ongoing public information and public relations functions of Covered California.

Key Activities

- Develops, coordinates and executes an extensive proactive program of media relations and public communications including press releases, press conferences, presentations, speechwriting, Speakers' Bureau coordination, messaging and responses to complex and sensitive media inquiries
- Provides spokesperson services in English, Spanish and other languages before non-English press outlets
- Provides regional communications support with enrollment, education, and awareness activities
- Spearheads design, provides and updates all content for CoveredCA.com, and maintains coherence of content through the English and Spanish mirrored websites
- Provides quality graphic design services for divisions throughout the organization
- Develops and maintains communications writing style guidelines
- Serves as first point of contact with the public for the Speakers' Bureau and assigns speakers to fulfill requests

Communications and Public Relations Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	22	19	19
Personal Services	\$ 1,770,213	\$ 1,284,090	\$ 1,421,301
Benefits	\$ 831,999	\$ 524,515	\$ 664,997
Contracts	\$ 3,187,000	\$ 3,012,000	\$ 2,154,000
OEE	\$ 274,000	\$ 141,736	\$ 152,000
Total Expenses	\$ 6,063,212	\$ 4,962,342	\$ 4,392,297
Contract Detail			
PR Services	\$ 2,962,000	\$ 2,962,000	\$ 2,000,000
Other	\$ 225,000	\$ 50,000	\$ 154,000
Total	\$ 3,187,000	\$ 3,012,000	\$ 2,154,000

Key Accomplishments

- Conducted a successful kickoff bus tour and countdown media tour during open enrollment visiting 38 California cities over 23 days, attracting coverage by more than 125 media outlets, with more than 60 million earned media impressions
- Planned and coordinated more than a dozen press conferences and teleconference calls with state and national media, issued 42 news releases and developed more than a dozen fact sheets for the website and answered 442 media calls through our media line
- Re-designed and reorganized the Covered California dot-com website, which included editing and translating hundreds of pages of content in English and Spanish. Site has 1.5 million page views since first open enrollment period
- Created a Partner's Social Media Toolkit of content (logos, visual assets, photos, links, text for posts etc.) and distributed to more than 25 nonprofit groups who agreed to "syndicate" our content and repost on their social media networks
- Produced seven "Real People" videos for social media that tell compelling stories of individuals whose lives were dramatically improved because of Covered California benefits and posted to the Covered California website. Generated 860,000 impressions on the Covered California social media networks

Budget Highlights

- A request for proposal for communications services is under review for FY 2015-16 and costs are estimated to be lower than current year levels thereby resulting in a \$1 million cost savings

Activities Supporting Covered California's Mission and Strategy

- Develop a state-of-the-art presentation tool kit incorporating video content
- Identify and develop a value proposition and recommendations for how best to communicate that value to Covered California members
- Continue to strengthen the division by building the skills and capacity of state employees, continuing to bring extensive amounts of work being conducted by contractors in house and providing more training

Service Center

The Service Center provides comprehensive pre and post enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling them in Qualified Health Plans and promptly resolving challenges preventing them from receiving covered health and dental benefits. Our efforts seek to ensure our consumers receive the right care at the right time at an affordable price, and that they retain Covered California coverage because they are satisfied with our products and services.

Key Activities

- Process consumer inquiries
- Assist in getting consumers enrolled
- Provide referrals to counties for individuals that are eligible for other programs
- Provide support for enrolled assisters, agents, and health plans
- Provide support for incoming and outgoing mail operations

Service Center Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	1,140	954	927
Personal Services	\$ 45,953,139	\$ 34,919,561	\$ 39,656,545
Benefits	\$ 22,421,615	\$ 13,104,992	\$ 15,279,182
Contracts	\$ 20,127,528	\$ 48,348,339	\$ 32,867,505
OEE	\$ 8,519,942	\$ 2,785,363	\$ 7,116,000
Total Expenses	\$ 97,022,224	\$ 99,158,255	\$ 94,919,232

Contract Detail			
Facilities	\$ 3,178,213	\$ 2,890,513	\$ 3,243,511
Personal Services Contractors	\$ 783,411	\$ 906,098	\$ 626,121
Call Center Support	\$ 15,107,404	\$ 44,546,728	\$ 28,707,373
Other	\$ 1,058,500	\$ 5,000	\$ 290,500
Total	\$ 20,127,528	\$ 48,348,339	\$ 32,867,505

Key Accomplishments

- Processed over 2.1 million consumer assistance calls from July 2014 through March 2015
- Service Center Representatives enrolled 13 percent of new enrollees for the second open enrollment
- Successfully implemented an outbound call campaign that connected with approximately 18,000 consumers and successfully enrolled 5,574 individuals

- Improved the Interactive Voice Recording (IVR) which provided consumers with easier ways to access application status information

Budget Highlights

- Supports staff of 927 state employees, of which 827 are permanent full-time
- Transitions 153 formally permanent intermittent staff to permanent full-time
- The budget includes \$12.2 million for a call center surge vendor

Activities Supporting Covered California's Mission and Strategy

- Controlling operational costs in order to deliver products and services that offer high value to our consumers
- Adding new technology and service center tools to effectuate operational efficiencies to better serve consumers
- Investing in staff training and development to maximize workforce performance

California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) project is the system jointly sponsored between the California Health Benefit Exchange and the Department of Health Care Services, with the assistance of the Office of Systems Integration for project management services. The project is governed by an Executive Steering Committee that represents each of the participating agencies and has guided the project since its inception.

Key Activities

- Development, implementation and operations of the CalHEERS solution to support eligibility determination and enrollment in Covered California and Medi-Cal
- Liaison between sponsors, partner agencies and Systems Integrator for operational coordination and efficiency
- Federal and State reporting, management and interface responsibilities
- Project management services

CalHEERS Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	26	26	54
Personal Services	\$ 2,161,289	\$ 1,854,808	\$ 4,540,748
Benefits	\$ 1,015,807	\$ 806,323	\$ 2,027,252
Contracts	\$ 84,792,520	\$ 79,244,314	\$ 35,542,355
OEE	\$ 208,000	\$ 208,000	\$ 432,000
Total Expenses	\$ 88,177,616	\$ 82,113,445	\$ 42,542,356
Cost Sharing	\$ (3,058,183)	\$ (1,937,629)	\$ (6,055,000)
Total Operating Costs	\$ 85,119,433	\$ 80,175,816	\$ 36,487,356

Contract Detail			
Program Partners	\$ 84,792,520	\$ 79,224,314	\$ 35,542,355
Total	\$ 84,792,520	\$ 79,224,314	\$ 35,542,355

Key Accomplishments

- During the 2014-15 open enrollment periods, CalHEERS successfully expanded information technology infrastructure capacity to support significant increases in the volume of incoming enrollments
- The successful phase in of a new cost allocation plan to more appropriately reflect costs across Medi-Cal and Covered California

- Developed the CalHEERS 24 Month Road Map plan delineating major CalHEERS system initiatives and related partners' system critical events for use beginning with calendar year 2015

Budget Highlights

- The proposed budget includes \$43 million for the FY 2015-16 program requirements of the CalHEERS 24 Month Road Map
- Reflects an approved change in the Cost-Allocation-Plan (CAP) between Covered California and the Department of Health Care Services (DHCS) to 14 percent/86 percent
- Staffing increased from 26 to 54 authorized positions to assume workload from project management/technical support service contractors as projects shift from the development and implementation phase to ongoing operations and maintenance mode

Activities Supporting Covered California's Mission and Strategy

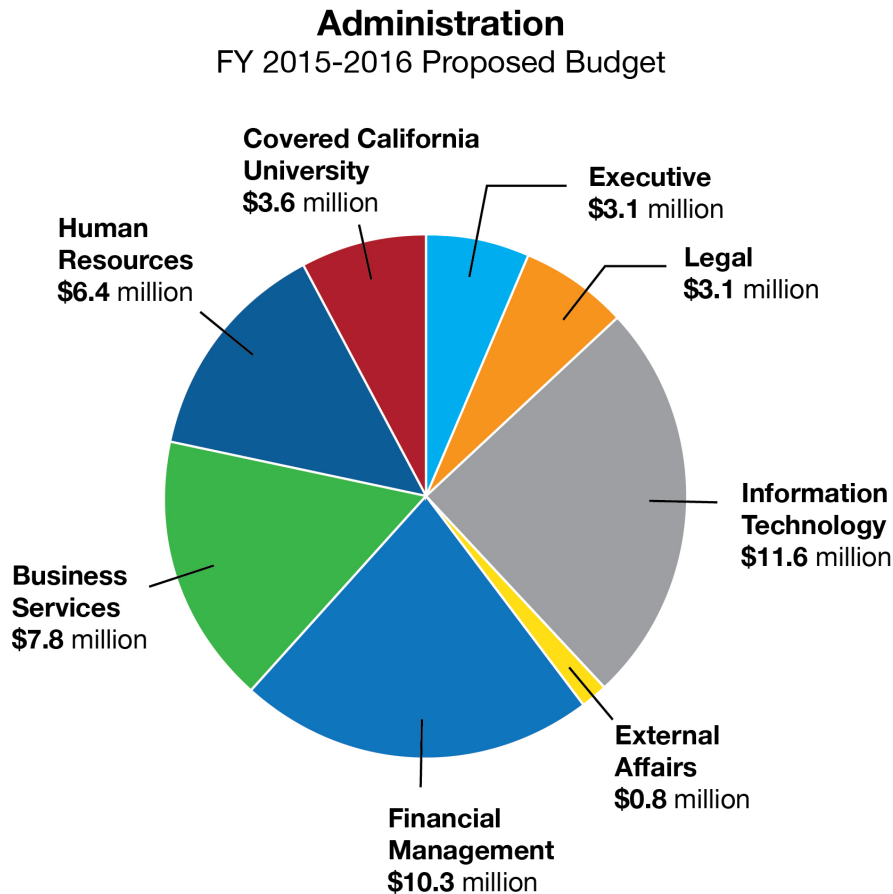
- Continue to implement operational improvements from the CalHEERS 24 Month Road Map to ensure the organization's technical infrastructure is properly maintained, secured, supports capacity demands and achieves business goals
- Appropriately equip authorized end users with tools necessary to serve consumers effectively and to handle exception situations
- Upgrade consumer decision support tools for plan selection to provide better consumer support and expand product offerings within CalHEERS
- Ensure business partners are able to receive, exchange and reconcile appropriate consumer information on a timely basis

Administration

Administration includes the following program areas: Financial Management, Information Technology, Business Services, Human Resources, Covered CA University, Legal Affairs, the Executive Office, and External Affairs. The total proposed budget for FY 2015-16 for Administration is \$46.7 million.

Administration Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	187	211	231
Personal Services	\$ 13,832,151	\$ 12,520,229	16,465,017
Benefits	\$ 6,517,577	\$ 5,229,883	7,738,863
Contracts	\$ 14,041,658	\$ 14,869,469	15,198,923
OEE	\$ 3,405,000	\$ 3,867,872	7,254,000
Total Expenses	\$ 37,796,386	\$ 36,487,453	\$ 46,656,803
Reimbursements	\$ (402,000)	\$ (402,000)	-
Total Operating Costs	\$ 37,394,386	\$ 36,085,453	\$ 46,656,803



Financial Management

The Financial Management Division (FMD) provides fiscal oversight for the organization and develops the processes to support financial transactions with our stakeholders. The unit is responsible for planning, implementing, directing, and controlling all financial-related activities of the Exchange including finance, accounting, forecasting, budgeting, governmental compliance, and auditing needs.

Key Activities

- Financial Planning and Analysis
- General Ledger and Payables
- Account Receivables and Reconciliation
- Economic Analysis and Sustainability
- Auditing

Financial Management Proposed Budget

	FY 2014-15		FY 2015-16	
	June Adopted	Projected Expenditures	Proposed	
Positions	59	59		59
Personal Services	\$ 4,352,636	\$ 3,613,316	\$	4,315,118
Benefits	\$ 2,045,730	\$ 1,521,797	\$	2,028,105
Contracts	\$ 4,028,705	\$ 2,844,784	\$	3,440,000
OEE	\$ 472,000	\$ 220,327	\$	472,000
Total Expenses	\$ 10,899,071	\$ 8,200,224	\$	10,255,223
Reimbursements	\$ (402,000)	\$ (402,000)	\$	-
Total Operating Costs	\$ 10,497,071	\$ 7,798,224	\$	10,255,223

Contract Detail				
Audit Services	\$ 970,000	\$ 305,825	\$	585,000
Accounting Services	\$ 2,389,705	\$ 2,201,427	\$	2,288,000
Consulting Services	\$ 216,000	\$ 206,417	\$	206,000
Mailing / Courier	\$ 30,000	\$ 15,000	\$	20,000
Administrative OH	\$ 423,000	\$ 116,115	\$	341,000
Total	\$ 4,028,705	\$ 2,844,784	\$	3,440,000

Key Accomplishments

- Monthly Qualified Health Plan (QHP) Assessments: The FMD staff worked to bring billing and collection of plan assessments from being approximately 10 months behind to current. Continuing efforts to develop policies and procedures for reconciliation of membership are anticipated to continue into 2015-16
- Developed new enrollment and plan assessment revenue forecasts to support operational planning and decision-making and facilitated budget development, enabling the Board to set fee levels for 2016

- Reconciliation, Enrollment, and Membership: Provided extensive and timely assistance to the CalHEERS project to verify critical enrollment data as well as to test the implementation of numerous enrollment system modifications. This assistance was critical to achieving a variety of mission-critical objectives including ensuring successful 2015 health plan renewal, minimizing erroneous APTC information reported on form 1095s and supplying accurate financial information to CMS and the IRS
- Continued to manage federal grant budgets by closely monitoring and tracking grant-funded expenditures and generating all standard and ad hoc reports required by CCIIO/CMS
- Provided critical support to the General Counsel's Office and program units to promulgate Covered California regulations in accordance with the Administrative Procedures Act by developing regulatory economic and fiscal impact analyses
- Continued our strong dedication to customer service by providing our program partners with sound fiscal analyses and recommendations, improved budgeting documents and templates, and creative and realistic solutions to their budget needs.
- Processed approximately \$5.7 million in payments for agents for Covered California for Small Business and Medi-Cal enrollment

Budget Highlights

- The proposed budget includes \$2.3 million to assist with manual billing and payment processes for the Covered California for Small Business program and Individual plans that also assist with Medi-Cal agent commissions that are expected to end June 30, 2015, although payments are likely to continue through December 2015

Activities Supporting Covered California's Mission and Strategy

- Supporting a culture of continual improvement for budget, forecasting and accounting practices, policies, procedures and systems to better support program operations
- Pursuing department-wide efforts to evaluate, streamline and prioritize program functions to identify efficiencies and improve customer service to maximize enrollment and retention
- Continuing to support department-wide efforts to develop policies, procedures, strategies and systems to enhance these critical efforts

Information Technology

The mission of the Exchange Information Technology (IT) Division is to deliver quality services, support and technical solutions to achieve the business objectives of Covered California. It aims to provide services and tools to all divisions within Covered California, and consumers, to support effective, secure, and efficient operations and enrollment services in a manner that is financially sustainable. Information technology support for Covered California operations includes gathering requests for services, analyzing business needs, coordinating and prioritizing, evaluating possible solutions, developing and/or procuring professional services and implementing solutions, and providing ongoing support.

Key Activities

- Enterprise Architecture/IT Governance
- Operations and maintenance of Covered California “premise-based” solutions
- Oversight and contract management of “cloud” or “hosted” technology
- Data and technical infrastructure security
- Business productivity solution identification, development, and implementation

Information Technology Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	30	33	38
Personal Services	\$ 2,414,918	\$ 1,997,868	\$ 2,854,652
Benefits	\$ 1,135,012	\$ 751,712	\$ 1,341,687
Contracts	\$ 2,230,000	\$ 2,012,075	\$ 2,110,000
OEE	\$ 2,149,000	\$ 2,606,456	\$ 5,304,000
Total Expenses	\$ 7,928,930	\$ 7,368,111	\$ 11,610,339

Contract Detail	FY 2014-15		FY 2015-16
Project Management	\$ 1,600,000	\$ 1,425,000	\$ 1,200,000
Security Costs	\$ -	\$ 10,250	\$ 365,000
Other	\$ 630,000	\$ 576,825	\$ 545,000
Total	\$ 2,230,000	\$ 2,012,075	\$ 2,110,000

Key Accomplishments

- Established the Covered California network and information security infrastructure for new headquarters facilities
- Established the Covered California Information Technology (IT) service catalog for improved service delivery
- Provided IT support services to 1,200 Covered California staff and 1,000 external temporary help employees (i.e., “surge vendors”), including the establishment of essential surge vendor technical infrastructure
- Improved operational support and efficiency by automating manual activities including the developed and implemented automated workflows for External Coordination, External Affairs, Appeals, Office of Consumer Protection, Sales, and Service Center staff
- Redesigned CoveredCA.com to reflect content and design standards to provide improve consumer experience

Budget Highlights

- The proposed budget includes \$5 million for IT infrastructure upgrades and projects necessary for organizational IT operations, security and efficiencies

Activities Supporting Covered California’s Mission and Strategy

- Develop and Implement an IT Strategic Plan to include:
 - Service Catalog
 - 5 year IT Refresh Plan
 - Network Capability Plan
 - SharePoint Data Storage Capability Plan
- Continue to support Covered California programs from an IT perspective on program-specific initiatives

Business Services

Business Services is responsible for providing guidance and consultation on contract and purchasing services, health, safety and wellness services and managing our physical resources through facilities operations. The division provides an array of central support services to provide Covered California's Board, staff and customers with the most effective and efficient level of administrative services to achieve Covered California program and operational objectives.

Key Activities

- Consultation on contracting
- Purchasing services
- Facilities management
- Health, safety and wellness program

Business Services Proposed Budget

	FY 2014-15		FY 2015-16	
	June Adopted	Projected Expenditures	Proposed	
Positions	32	32		32
Personal Services	\$ 1,693,739	\$ 1,378,410	\$	1,813,200
Benefits	\$ 812,535	\$ 862,445	\$	852,204
Contracts	\$ 4,409,113	\$ 6,341,733	\$	4,793,061
OEE	\$ 326,000	\$ 662,084	\$	381,000
Total Expenses	\$ 7,241,387	\$ 9,244,672	\$	7,839,466

Contract Detail	FY 2014-15		FY 2015-16	
Maintenance (Operational)	\$ 67,874	\$ 47,123	\$	190,000
Lease	\$ 3,326,489	\$ 5,635,866	\$	3,610,811
Mailing and Security	\$ 367,500	\$ 259,136	\$	337,500
Students and Consulting	\$ 565,000	\$ 370,352	\$	485,000
Wellness / Other	\$ 82,250	\$ 29,256	\$	169,750
Total	\$ 4,409,113	\$ 6,341,733	\$	4,793,061

Key Accomplishments

- Continued the development of the Covered California Administrative Manual (CCAM)
- Contracting services provided for more than 17,000 Certified Insurance Agents, Certified Enrollment Entities, Navigators, Qualified Health Plan/Qualified Dental Plan/Third Party Administrators, personal services, operational services, and non-monetary agreements
- Purchasing services provided for more than 800 requests which were processed within a ten business day timeline

- Continued the development of the Health and Safety Unit, conducting Injury and Illness Prevention Program and Annual Safety Inspections at all Covered California locations

Budget Highlights

- The proposed budget includes \$3.6 million in contracts for building leases in Sacramento and Oakland

Activities Supporting Covered California's Mission and Strategy

- Continuing to improve processing times and quality of services for all business services requests
- Automating and streamlining business services related functions to improve operational efficiency and effectiveness
- Continuing to successfully achieve all business services activities and implementing all legislatively mandated policies and procedures

Human Resources

Human Resources (HR) is responsible for all personnel functions related to hiring, payroll and benefits, performance management, examinations, disability management, and labor relations.

Key Activities

- Classification and pay
- Employee benefits
- Examinations
- Workers' compensation
- Performance management
- Labor relations

Human Resources Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	35	35	44
Personal Services	\$ 2,143,401	\$ 2,179,941	\$ 2,789,087
Benefits	\$ 1,007,398	\$ 974,751	\$ 1,310,871
Contracts	\$ 1,588,250	\$ 1,498,507	\$ 1,907,962
OEE	\$ 210,000	\$ 178,126	\$ 367,000
Total Expenses	\$ 4,949,049	\$ 4,831,325	\$ 6,374,920

Contract Detail	FY 2014-15		FY 2015-16
Examination Lists/Hiring	\$ 135,000	\$ 40,000	\$ 115,000
Workers Compensation	\$ 1,104,000	\$ 1,104,000	\$ 1,106,712
Audit & Hearing Services	\$ 20,000	\$ -	\$ 20,000
Position Control	\$ -	\$ -	\$ 72,000
Background check	\$ 110,000	\$ 10,000	\$ 110,000
Ergonomic	\$ 50,000	\$ 56,075	\$ -
Consulting Services	\$ 145,000	\$ 76,490	\$ 350,000
Other	\$ 24,250	\$ 211,942	\$ 134,250
Total	\$ 1,588,250	\$ 1,498,507	\$ 1,907,962

Key Accomplishments

- Successful completion of all operationally essential staff hiring for the Service Centers to address critical workload requirements
- Provided essential consultation and performance management training to departmental supervisors and managers
- Conducted new employee orientation for Service Center staff
- Utilized various recruitment strategies to successfully implement and maintain focused efforts in the hiring and retaining of bilingual employees

Budget Highlights

- The proposed budget includes the addition of four positions and \$411,000 in funding to establish an Administrative Support Unit to assist program areas with HR responsibilities, including assisting programs with contract procurement and all aspects of the hiring process

Activities Supporting Covered California's Mission and Strategy

- Automating and streamlining human resources services provided to internal and external customers
- Partnering with each program area to implement continuous improvement of organizational culture and maintaining a workplace that fosters a healthy, positive and respectful work environment

Covered California University

Covered California University is the enterprise training and knowledge management branch. Covered California University develops and delivers training to all internal staff and external service channel partners. Working with various programs, Covered California University manages and distributes information to assist Covered California and its external service channel partners who assist consumers with their health care needs. Covered California University manages technology that supports information and training including RightNow! Knowledgebase and Absorb Learning Management System (LMS).

Covered California University Proposed Budget

	FY 2014-15		FY 2015-16	
	June Adopted	Projected Expenditures	Proposed	
Positions		20		27
Personal Services	\$ -	\$ 306,823	\$ 1,564,125	
Benefits	\$ -	\$ 26,813	\$ 735,139	
Contracts	\$ -	\$ -	\$ 850,000	
OEE	\$ -	\$ 19,978	\$ 416,000	
Total Expenses	\$ -	\$ 353,614	\$ 3,565,263	

Contract Detail	FY 2014-15		FY 2015-16	
IT Enhancements	\$ -	\$ -	\$ 20,000	
Consulting Services	\$ -	\$ -	\$ 730,000	
Licenses	\$ -	\$ -	\$ 100,000	
Total	\$ -	\$ -	\$ 850,000	

Key Accomplishments

- Established Covered California University
- Migrated existing Learning Management System Meridian-Global to absorb LMS (stable, enhanced features)
- Implemented re-Design of RightNow! knowledgebase
- Established SharePoint as single source of truth
- Established Service Center Training Workgroup and re-engineered Service Center training courses

Budget Highlights

- The proposed budget includes \$850,000 in contract costs to fund essential training services
- A proposed increase of seven positions to address workload requirements of expanding training and knowledge management throughout Covered California

Activities Supporting Covered California's Mission and Strategy

- Developing and apply content standardization and best practices to all courses and knowledge materials across the organization
- Leveraging existing and new technologies and blended training delivery systems to enhance all Covered California programs and partners by providing opportunities for professional learning and growth

Legal

The Office of Legal Affairs (OLA) provides legal services to all Covered California staff by providing preventive legal advice and consultation to ensure compliance with the laws and to mitigate legal liability. It provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts, operations, and interfacing with the regulatory agencies. The OLA ensures that all legal agreements are fulfilled and Covered California operates within its legal authority and provides guidance on any statutes or regulations pertaining to Covered California.

Key Activities

- Advice and consultation
- Contracts
- Regulations
- Criminal background check
- Privacy
- Personnel
- Litigation support
- Conflict of interest
- Public Records Act requests
- Open meeting issues

Legal Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Positions	15	16	17
Personal Services	\$ 1,544,419	\$ 1,286,047	\$ 1,552,929
Benefits	\$ 725,877	\$ 474,454	\$ 730,182
Contracts	\$ 657,590	\$ 784,265	\$ 613,400
OEE	\$ 120,000	\$ 82,220	\$ 177,000
Total Expenses	\$ 3,047,886	\$ 2,626,986	\$ 3,073,511

Contract Detail	FY 2014-15		FY 2015-16
Consulting Services	\$ 160,000	\$ 105,000	\$ 100,000
Other	\$ 497,590	\$ 679,265	\$ 513,400
Total	\$ 657,590	\$ 784,265	\$ 613,400

Key Accomplishments

- Established an important background check program and appeals process for Covered California
- Provided oversight and legal support for the creation and implementation of the voter registration compliance program
- Established a Privacy Officer and implemented a department-wide, fully operational and legally compliant privacy program
- Developed essential Public Records Act response protocols and executive tracking system

Budget Highlights

- The proposed budget includes \$3.1 million for continued legal support services for all Covered California operations

Activities Supporting Covered California's Mission and Strategy

- Conducting preventive legal workshops designed to minimize litigation and legal liability by educating Covered California staff about the law (and changes in the law) and the legal implications of proposed activities
- Developing systems to monitor the volume and timeliness of legal services in the following areas: Human Resources; privacy; Public Records Act requests; and background checks
- Conducting a client satisfaction survey that will be distributed to all executive staff and management
- Creating a webpage to provide clear, concise, user-friendly access to legal policies, relevant statutes and administrative regulations, legal review procedures, answers to frequently asked legal questions, information on relevant legal topics and changes in the law, and other documents designed to guide Covered California staff in making informed decisions

Executive

The Executive office provides cross-organizational strategy and leadership direction in concert with the Covered California Board. Executive staff are responsible for Covered California's day-to-day operations and are tasked to facilitate and support our staff and the broad community of individuals and groups we partner with to provide our customers (including staff, the board, key stakeholders, and the public) with the direction, information, tools and support they need. The Executive office does this by providing leadership, mentoring, listening, learning, and adjusting our efforts to meet our goals and serve our consumers.

Key Activities

- Developing and implementing high-level strategies
- Making major management decisions
- Managing the overall operations and resources of the department
- Acting as the main point of communication between the board and Covered California's operations

Executive Division Proposed Budget

	FY 2014-15		FY 2015-16	
	June Adopted	Projected Expenditures	Proposed	
Positions	8	9		7
Personal Services	\$ 1,070,558	\$ 1,256,040	\$	1,066,232
Benefits	\$ 503,161	\$ 422,488	\$	501,129
Contracts	\$ 1,128,000	\$ 1,344,905	\$	1,444,500
OEE	\$ 64,000	\$ 57,979	\$	81,000
Total Expenses	\$ 2,765,719	\$ 3,081,412	\$	3,092,860

Contract Detail	FY 2014-15		FY 2015-16	
Consulting Services	\$ 1,011,000	\$ 1,321,905	\$	1,250,000
Equal Employment Office	\$ -	\$ -	\$	144,500
Other	\$ 117,000	\$ 23,000	\$	50,000
Total	\$ 1,128,000	\$ 1,344,905	\$	1,444,500

Budget Highlights

- The proposed budget includes funding for an Equal Employment Officer and \$144,500 in contract funding to address workload requirements

External Affairs

External Affairs provides strategic analysis and builds partnerships for Covered California by fostering relationships with federal, state, and local elected officials, building strong stakeholder relationships, leveraging public partnerships, and providing technical assistance with legislation and policy development so that the organization leverages external partners and resources to support Covered California's mission.

Key Activities

- Government relations
- Constituent correspondence
- Legislation tracking
- Constituent engagement
- Event support
- Technical assistance
- External stakeholder engagement
- External policy issues
- Public partnerships

External Affairs Proposed Budget

	FY 2014-15		FY 2015-16	
	June Adopted	Projected Expenditures	Proposed	
Positions	8	7		7
Personal Services	\$ 612,480	\$ 501,784	\$	509,674
Benefits	\$ 287,864	\$ 195,423	\$	239,547
Contracts	\$ -	\$ 43,200	\$	40,000
OEE	\$ 64,000	\$ 40,702	\$	56,000
Total Expenses	\$ 964,344	\$ 781,109	\$	845,220

Contract Detail	FY 2014-15		FY 2015-16	
Students	\$ -	\$ 43,200	\$	40,000
Total	\$ -	\$ 43,200	\$	40,000

Key Accomplishments

- Monitored and responded to more than 2,600 constituent inquiries
- Continuous monitoring and assessment of legislation impacting Covered California issues, policies and related activities during the 2014-2015 legislative session
- Provided policy feedback and stakeholder engagement on a variety of complex and sensitive policy issues

Budget Highlights

- The proposed budget includes an additional \$40,000 in contract funding for temporary help, including student interns to address workload needs to better serve the organization and its stakeholders

Activities Supporting Covered California's Mission and Strategy

- Maintaining open communication and coordination with all Covered California stakeholders
- Developing strategic public and private partnership plan
- Monitoring and analyzing legislation impacting Covered California's stakeholders, policies and procedures

Shared Enterprise Costs

Shared enterprise costs include expenditures that are not specific to an specific organizational function and that are shared across Covered California. In the FY 2015-16 budget these include Statewide Cost Allocation Plan and Statewide distributed administrative costs (SWCAP/Pro Rata), and the provision of a reserve funding pool for strategic initiatives.

Shared Enterprise Proposed Budget

	FY 2014-15		FY 2015-16
	June Adopted	Projected Expenditures	Proposed
Authorized Positions			
Personal Services	\$ -	\$ -	\$ -
Benefits	\$ -	\$ -	\$ -
Contracts	\$ 12,589,363	\$ 1,543,057	\$ 16,493,138
OEE	\$ -	\$ -	\$ -
Total Expenses	\$ 12,589,363	\$ 1,543,057	\$ 16,493,138
Contract Detail			
SWCAP/ Pro Rata	\$ 2,589,363	\$ 1,543,057	\$ 6,493,138
Strategic Initiatives	\$ 10,000,000	\$ -	\$ 10,000,000
Total	\$ 12,589,363	\$ 1,543,057	\$ 16,493,138

Budget Highlights

- The proposed FY 2015-16 budget includes \$6.5 million for state mandated SWCAP/Pro-rata cost distribution requirements
- \$10 million in reserves is provided for strategic initiatives.

XI. Budget and Planning Process

Preface

The annual Covered California budget and planning process is a comprehensive and analytic based process used to determine the most cost effective and efficient level of resources that the organization needs to carry out its legislatively mandated mission and goals. The organization's budget and planning process is based on established budget principles, processes and procedures set forth in California's annual budget development processes providing the highest levels of fiscal integrity, accountability, transparency and accuracy.

The budget process is facilitated by the Financial Management Division, working closely with the executive leadership and all program areas, in strict accordance with the following financial guidelines set forth under Government Code section 100503 The Exchange Board to:

- Assess a charge on Qualified Health Plans that is reasonable and necessary to support the development, operations, and prudent cash management of the Exchange
- Authorize expenditures, as necessary, from the California Health Trust Fund to pay program expenses to administer the Exchange
- Keep an accurate accounting of all activities, receipts, and expenditures, and annually report that accounting to the Health and Human Services' Secretary
- Commencing January 1, 2016, conduct an annual audit
- Prepare an annual report for the Legislature and the Governor on its implementation and performance during the preceding fiscal year. The report must include the manner in which funds were expended and the progress towards meeting the requirements of the Affordable Care Act
- Maintain enrollment and expenditures to ensure that expenditures do not exceed the amount of revenue in the fund and if sufficient revenue is not available to pay estimated expenditures, institute appropriate measures to ensure fiscal solvency

Government Code section 100520 sets out the requirements for the establishment and utilization of the Health Trust Fund:

- The board must establish and maintain a prudent reserve in the fund
- Effective January 1, 2016, if at the end of any fiscal year, the fund has unencumbered funds in an amount that equals or is more than the board-approved operating budget of Covered California for the next fiscal year, the board is required

to reduce the per-member per-month during the following fiscal year in an amount that will reduce any surplus funds of the Exchange to an amount that is equal to the agency's operating budget for the next fiscal year

Additionally, pursuant to Section 100521 Government Code, the board must:

- Ensure that the establishment, operation and administrative functions of Covered California do not exceed the combination of available federal funds, private donations, and other non-General Fund moneys. No state General Fund money may be used for these purposes without a subsequent appropriation
- Determine that sufficient financial resources exist or will exist in the fund. Such determination must be based on: (1) financial projections which show that sufficient resources exist or will exist in the fund to implement Covered California; (2) a comparison of projected resources and projected costs; and (3) financial projections that demonstrate the sufficiency of resources for at least the first two years of operation
- Provide notice to the Joint Legislative Budget Committee and the Director of Finance that sufficient financial resources exist in the fund to implement Covered California activities
- If the Board determines that the level of resources in the fund cannot support the operations of the Exchange, provide a report to the Department of Finance and the Joint Legislative Budget Committee detailing the changes to the functions, contracts, or staffing necessary to address the fiscal deficiency along with any contingency plan should it be impossible to operate Covered California without the use of General Fund moneys

Financial Guiding Principles and Process

The Covered California proposed 2015-16 budget plan was developed in accordance with our guiding financial principles, which include the following measures: Controlling costs in order to deliver products and services that offer high value to our consumers; providing a reliable and predictable level of resources to support ongoing cost effective operations; maintaining flexibility to accommodate both changing business priorities; providing careful stewardship of public resources and transparency into the management of its finances; and maintaining a reserve that is sufficient to cover financial obligations and allow for time to adjust revenue and expenditures in the event of an unanticipated fiscal event.

Budget Development Process

As previously noted, the Covered California budget development process is a comprehensive and analytic-based process that engages all program areas to determine the most cost-effective and efficient level of resources that the organization needs to carry out its legislatively mandated mission and goals. To meet this important operational responsibility, the Financial Management Division is responsible for providing financial and budget oversight for Covered California.

The Covered California budget process is conducted over a six to seven month period to ensure each phase of the process is conducted in accordance with established accounting and budgeting principles. For example, more than fifty meetings were held during this year's FY 2015-16 budget process to conduct analytic review meetings and discussions in order to ensure that all proposed resource requests were, in fact, based on empirical workload standards, sound financial assumptions and truly represented the most cost-efficient and effective use of state resources.

Continuous Budget Process Improvements

While the current Covered California budget process provides an excellent financial mechanism that meets all current statutorily required mandated requirements, the organization's Chief Financial Officer and senior executive management staff are continuing to review and implement further budget process improvements in accordance with all statutory mandated financial requirements.