



California Health Benefit Exchange
Business Plan & Budget
August 15, 2012 through June 30, 2012

Michael McCluer, Chief Financial Officer

Federal Establishment Grant Level 1.2 Request

California Health Benefit Exchange Board Meeting

June 12, 2012

Federal Support for Launching the California Health Benefit Exchange

Grant History and Plan Overview

- **Planning Grant**
 - September 30, 2010 to September 29, 2011
 - \$1.0 awarded, \$.5 expended (millions)
- **Establishment Grant Level 1.1**
 - August 15, 2011 to August 14, 2012
 - \$39.7 awarded, \$33.4 expended (\$6.3 applied to Level 1.2)
- **Establishment Grant Level 1.2**
 - August 15, 2012 to June 30, 2013
 - Builds on Exchange efforts to date
 - Plans and budgets developed by ten “core areas”
 - Provides foundation for continuing elaboration of plans and budgets through 2015 and beyond
- **Establishment Grant Level 1.3**
 - Subsequent periods and scope to be determined

Establishment Grant Level 1.2 Request

- **Overview**

- Timeframe: August 15, 2012 through June 30, 2013
- Funding request: \$188.2 million
- Application submittal: June 2012

- **Core Principles**

- Highest value for lowest cost
- One-time vs. ongoing
- Fluid planning
- Interdependence and partnerships
- Evidence-based planning

Core Areas

1. Consumer Outreach, Marketing and Assistance
2. Qualified Health Plan Management
3. Small Employer Health Options Program (SHOP)
4. Eligibility and Enrollment
5. Information Technology
6. Stakeholder Consultation
7. Program Integration
8. Governance
9. Operations and Financial Management
10. Background Research & Evaluation

Key Exchange Activities: August 2012 – June 2013

- Major activities during the Level 1.2 grant period include:
 - Solicit and evaluate Qualified Health Plan bids; finalize selections
 - Design and develop Eligibility and Enrollment processes and work flow, ensuring readiness for open enrollment in October 2013
 - Complete the Consumer Outreach communication, education and marketing plan
 - Finalize the Navigators/Assisters Program, including training and a compensation plan
 - Launch the design, development and initial implementation of an integrated technology platform, CalHEERS, to provide the appropriate infrastructure for the Exchange
 - Design and develop the appropriate operational, accounting and finance support and controls for the Exchange
- Business plan and budget areas requiring further development include:
 - Small Employer Health Options Program (SHOP)
 - Service Center
 - State partner support, including discussions with DHCS, MRMIB, DMHC, CDI, OSHPD, and others

Exchange Budget & Staffing Plan

Expenditure Category	8/15–12/31/12	1/1–3/31/13	4/1–6/30/13	Total as of 6/30/13
Positions	175	196	203	203
Salaries	4,333,784	4,046,373	4,255,997	12,636,154
Benefits	2,057,700	1,572,912	1,658,858	5,289,470
Sub-Total	6,391,484	5,619,285	5,914,855	17,925,624
Operating Expenses & Equipment (OE&E)	1,685,833	1,388,625	1,388,625	4,463,083
Out of State Travel	130,350	59,370	59,370	249,090
Contractual				0
<i>Outside vendor services</i>	76,906,570	45,984,073	32,859,606	155,750,249
<i>Operations</i>	13,394,627	15,430,340	14,787,450	43,612,417
Sub-Total	90,301,197	61,414,413	47,647,056	199,362,666
<i>Total Prior to Medicaid/SCHIP Cost Allocation</i>	98,508,864	68,481,693	55,009,906	222,000,463
<i>CalHEERS 18% Medicaid/SCHIP Cost Allocation *</i>	-13,703,364	-8,068,969	-5,696,542	-27,468,875
Grand Total	\$84,805,499	\$60,412,722	\$49,313,364	\$194,531,581

* Figures reflect the approved cost allocation per the Implementation Advance Planning Document approved by the federal government on April 23, 2012, reflecting total non-Exchange funded IT development expenses. The 18 percent consists of a 17 percent allocation to the Medi-Cal program and a one percent allocation to the Healthy Families program. The Medi-Cal allocation will be funded based on a 90/10 federal match and the California funded portions of these amounts are reflected in budget requests submitted by DHCS.

Exchange Establishment -- One-Time Costs

One-Time Development vs. Ongoing Costs

Estimated one-time development costs	\$ 137,531,581
Estimated ongoing annual costs	<u>\$ 57,000,000</u>
Total Exchange expenses	\$ 194,531,581

One-Time Development Costs

Accenture IT contract	\$ 108,412,572 (net of Medicaid Cost Allocation)
Consumer Outreach/Assisters Program	\$ 14,000,000
Other IT	<u>\$ 15,119,009</u>
Total development costs	\$ 137,531,581

Note: The Accenture IT figures represent estimates of the potential contract. At this point, the Exchange has only issued an Intent to Award a contract and the final terms are subject to federal approval.

Revenue Projections

- The Exchange Board will be considering fee structures for Qualified Health Plans in the Individual and Small Employer Health Options Programs at future meetings.
- The following revenue projection model provides context for understanding how budgeted ongoing expenses relate to potential revenues in the **Individual** program at different levels of enrollment and modeling a range of revenue approaches

Individual Program – 2015 Revenue Projections	Low	Base	Enhanced
Exchange enrollment projections (<i>Individual only</i>)	1,282,000	1,603,000	2,035,000
Health care premium projections	\$6,554,000,000	\$8,192,000,000	\$10,403,000,000
Exchange revenue **			
2% of premium	\$131,000,000	\$164,000,000	\$208,000,000
3% of premium	\$197,000,000	\$246,000,000	\$312,000,000
4% of premium	\$262,000,000	\$328,000,000	\$416,000,000
5% of premium	\$327,000,000	\$410,000,000	\$520,000,000

**** Other Exchanges:**

- *Massachusetts Connector actual revenue structure was 5% in Year 1, 4.5% in Year 2, and 3% in Year 3*
- *Washington Level 2 Request is 3% - 6% Exchange Revenue. Request has been approved*

Next Steps

1. Comments are invited:
 - Written comments by Friday, June 15, 2012
 - Submit comments to info@hbex.ca.gov
2. Staff will make revisions and prepare final recommendations for the Exchange Board
3. Decisions concerning the Establishment Grant Level 1.2 request will be addressed at June 19th Board meeting

Questions/Comments?