

Covered California

DRAFT

Budget Summary Plan

for

January 1, 2013 through December 31, 2014

Prepared for:
Federal Establishment Grant Level 2.0 Application

November 14, 2012



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Executive Summary

Affordable Care Act

On March 23, 2010, the Patient Protection and Affordable Care Act (Affordable Care Act) was signed into law by President Barack Obama. Among the goals of the Affordable Care Act decreasing the number of uninsured Americans and reducing the overall costs of health care. The Affordable Care Act contains a number of mechanisms to increase the coverage rate including subsidies and tax credits to make coverage more affordable for employers and individuals, and penalties for large employers and individuals who can afford to purchase coverage, but do not. Key provisions of the Affordable Care Act include improving healthcare outcomes, streamlining the delivery of healthcare, requiring insurance companies to cover all applicants and offer the same rates regardless of pre-existing conditions, and policies such as reinsurance and risk adjustment to reward health plans that do a better job at supporting care delivery instead of selecting healthier insured individuals.

In 2010, California enacted several pieces of legislation to implement key provisions of the Affordable Care Act affecting health insurance markets, including AB 1602 (Perez) and SB 900 (Alquist/Steinberg) which created the California Health Benefits Exchange (Exchange) with a five-member governing board. The Exchange is subject to a range of accountability processes, including providing reports to the California legislature and it must meet all relevant Office of Management and Budget accounting requirements, cooperate with any investigations initiated by the Office of the Inspector General and is subject to annual audits by the Health and Human Services Secretary; additionally, the General Accounting Office holds oversight for long-term study and evaluation of the Exchange.

In October 2012, the Exchange decided to use “Covered California” for its consumer-facing name.

Overview

Since it was established by the State of California in 2010, Covered California has been laying the groundwork for a dramatic expansion of healthcare coverage that will benefit millions of Californians starting in 2014. That work includes a wide array of committed partners across the State who have partnered with Covered California to achieve our vision and mission:

Vision

Improve the health of all Californians by assuring their access to affordable, high quality care.

Mission

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

Covered California Budget Plan

Grant History

Covered California has successfully executed many of the activities planned for and supported by its original Planning Grant and subsequent Establishment Grants. Covered California is currently operating in its Level 1.2 Establishment Grant period, which began on August 15, 2012 and will end on June 30, 2013 (the prior Establishment Grant covered September 30, 2010-August 14, 2012). The focus of the Level 1.2 included the development and execution of work plans including tasks, timelines, and resources in order to ensure infrastructure was in place to effectively launch Covered California.

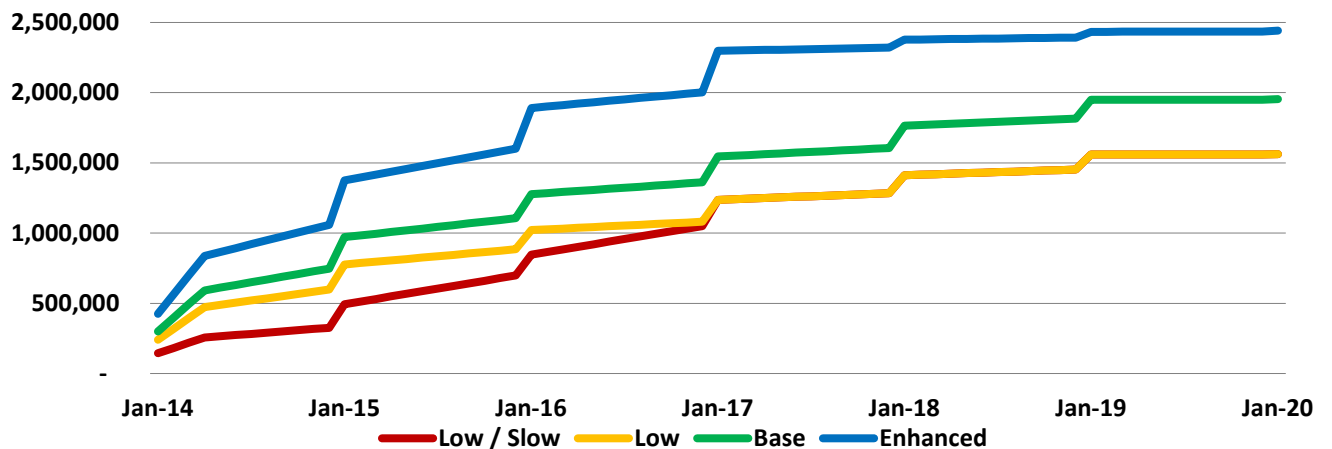
This Budget Summary Plan reflects Covered California’s application for an Establishment Grant Level 2.0. The request, for approximately \$706 million, will cover the period from January 1, 2013 through December 31, 2014, with funding complementing resources already committed under previously awarded Establishment Grants.

Use of Establishment Funds

Federal guidance limits the use of establishment grant funds to supporting Exchange-specific start-up costs, outreach activities and testing processes. Those costs must be integral to operations and meet Exchange requirements.

Therefore, all of Covered California’s start-up activities are targeted toward building the capacity and systems for Covered California to launch in 2014, do initial outreach to eligible individuals and develop the ability to be self-sustaining. Covered California is seeking to enroll millions of Californians eligible for premium tax credits and many who are not eligible for subsidies. Covered California is preparing to handle the workload to meet this enrollment while also planning for the contingency of lower than expected enrollment and the corresponding decrease in incoming revenue.

Exchange Subsidized and Unsubsidized Enrollment Projection Profile and Growth



	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20
Low / Slow	150,000	490,000	850,000	1,240,000	1,410,000	1,560,000	1,560,000
Low	240,000	780,000	1,020,000	1,240,000	1,410,000	1,560,000	1,560,000
Base	300,000	970,000	1,280,000	1,550,000	1,770,000	1,950,000	1,950,000
Enhanced	430,000	1,380,000	1,890,000	2,300,000	2,380,000	2,430,000	2,440,000

Establishment Grant Level 2.0 (January 1, 2013 - December 31, 2014)

The Level 2.0 funding will enable Covered California to implement the plans to build out the required start-up infrastructure started under the Level 1 funding and enable the transition to operating on a self-sustaining basis after 2014.

During this period, Covered California will turn its focus to activities that support outreach, marketing and then enrollment of millions of Californians into affordable and high quality health care, as well as the management of billions of dollars of premiums and tax credits.

Major activities during this period include:

- Convene regular public board meetings, quarterly stakeholder, advisory group meetings, and implement the tribal consultation plan
- Complete the Qualified Health Plan solicitation and selection and contracting process, assuring every part of California has a diverse range of health plan options available
- Launch the Small Business Health Options Program (SHOP), including completing selection of the vendor to administer the SHOP and the targeted outreach for small businesses, promoting the availability of tax credits and the opportunity of small businesses to offer choice of plans to their employees
- Design and develop Eligibility and Enrollment processes and work flows, ensuring readiness for open enrollment in October 2013
- Develop and staff multiple service center sites, including hiring and training staff
- Complete and launch the outreach communication, education and marketing plan
- Finalize the Assistants Program, including training, certification, materials and compensation plan, including a wide mix of paid media and community outreach
- Put in place information technology operations in place to support the Exchange, including enterprise architecture and security
- Launch a consumer enrollment system, including 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
- Continue partnering with state partners, including putting in place or building on interagency agreements, such as the Department of Health Care Services, Department of Managed Health Care, the Managed Risk Medical Insurance Board, the California Department of Insurance, and with state partners such as the Center for Consumer Information and Insurance Oversight and the Internal Revenue Service

**Covered California
Budget Plan**

**Covered California's Budget and Staffing Plan - January 1, 2013 -
December 31, 2014**

The budget and staffing plan has been developed based on internal staff planning to meet estimated needs and discussion with external sources. Proposed levels represent what is estimated to be minimum staffing required to meet annual enrollment goals in 2013 and 2014.

The following exhibit summarizes the overall budget and staffing plan associated with the Level 2.0 grant funding request.

Expenditure Category	2013	2014	Total Grant Request Jan 2013- Dec 2014
Positions	807	1,161	
Personnel Expenses	43,518,337	96,631,314	140,149,651
Travel	447,058	489,540	936,598
Sub-Total	43,965,395	97,120,854	141,086,249
Contractual			
<i>Outside vendor services</i>	201,369,961	289,864,583	491,234,544
<i>Operational & IAA</i>	59,388,618	42,576,314	101,964,932
Sub-Total	260,758,579	332,440,897	593,199,476
Total prior to Medicaid/SCHIP Cost Allocation	304,723,974	429,561,751	734,285,725
CalHEERS 18% Medicaid/SCHIP Cost Allocation	-11,108,908	-16,712,908	-27,821,815
GRAND TOTAL	\$293,615,066	\$412,848,843	\$706,463,910

Building Covered California Program Areas

Covered California has been working since it was established, in 2010, to build a platform for an unprecedented expansion of coverage that will benefit millions of Californians beginning in 2014. Covered California will plan, design, implement, manage and oversee the eligibility and enrollment functions and operational processes required to enroll millions of Californians into the new affordability programs offered through the Affordable Care Act.

Governor Edmund G. Brown Jr. and the California Legislature have demonstrated their support of the Affordable Care Act by noting their commitment to implementing a state-based Exchange to serve the needs of Californians.

Federal support for California, in the form of grant funding, has allowed California to create the infrastructure and staffing necessary to establish Covered California. Given the funding provided under the Affordable Care Act and the direction provided by the California legislation founding the Exchange, Covered California must become completely financially self-sustaining by 2015. Therefore, Covered California is committed to the following in managing its operations:

- Seek the highest value for the lowest cost
- Distinguish one-time development efforts and costs from ongoing costs
- Plan for variances
- Embrace inter-dependence and partnerships
- Use evidence-based planning: Test – Verify – Adjust

Should California be awarded with Level 2.0 grant funding, Covered California will continue to put into place programs and activities that will bring Covered California into a fiscally self-sustaining department, while at the same time providing all of its customers with ongoing exemplary service.

The Budget Summary Plan that follows, provides an overview of the entire budget and then detail for major programmatic areas along with a high-level functional description and then budget details describing current funding and needed resources for 2013 and 2014 for the Level 2.0 funding in Covered California's major programmatic areas:

- Customer Service Center
- California Healthcare Eligibility, Enrollment and Retention System
- In-Person Assistance Program
- Outreach, Education and Community Grants

Major Program Activities

Program Operations

Program Operations encompasses the infrastructure and operational needs of Covered California. Standard functional areas included in the request for this budget allocation, required to support the start-up and operations of California's state-based Exchange include:

- Administration:
 - Business Services
 - Human Resources
 - Contract Management
- Program Policy and Oversight
- Legal Affairs
- Government Relations
- Public Relations and Communications
- Information Technology and Support
- Financial Management
- Eligibility and Enrollment
- Qualified Health Plans (QHP)
- Small Business Health Options Program (SHOP)

The following summarizes the overall budget for staffing and department operations associated with the Level 2.0 grant funding request, with subsequent detail describing major programmatic activities in more detail.

Program Operations Budget

Expenditure Category	2013	2014	Total Grant Request Jan 2013- Dec 2014
Positions	277	301	
Personnel Expenses	18,175,874	35,929,754	54,105,628
Travel	447,058	489,540	936,598
Contractual			
<i>Outside vendor services</i>	21,793,230	26,474,223	48,267,453
<i>Operational & IAA</i>	10,992,270	13,807,092	24,799,362
Sub-Total	32,785,500	40,281,315	73,066,815
GRAND TOTAL	\$51,408,432	\$76,700,609	\$128,109,041

Major Program Activities

Customer Service Center (Service Center)

Covered California will implement, direct, and maintain a Service Center to support multiple channels of interaction with consumers. Consumers will use the Service Center to apply for healthcare and enroll in healthcare plans, and manage plan and eligibility changes.

The Service Center will be the first point of contact for many consumers and will provide them with ongoing customer assistance and support regarding Covered California programs. The Service Center will respond to general inquiries, provide assistance with enrollment, support retention and assist enrollees with any ongoing issues they may encounter.

During this Level 2.0 grant period, Covered California will:

- Conduct assessment, eligibility review and enrollment in a seamless manner for consumers
- Transfer potentially eligible MAGI Medi-Cal and non-MAGI Medi-Cal eligible to their respective county/consortium as quickly as possible
- Maximize accuracy of responding to incoming consumer queries in order to minimize Covered California eligible consumers referred to counties and/or Medi-Cal customers served by the Service Center
- Implement ongoing continuous improvement protocols

A significant number of staff will be hired (many classified as “permanent intermittent”) to accommodate expected fluctuations in demand between open enrollment periods and other times of the year. Because of the significance of the staffing to the Service Center, the budget below provides detail of required staffing and personnel expenses.

Covered California is planning to stand up three Service Centers strategically located throughout California:

1. Sacramento – Main Facility
2. Southern/Central California
3. County-Based (site to be determined)

Customer Service Center Budget

Expenditure Category	2013	2014	Total Grant Request Jan 2013- Dec 2014
Positions	530	860	
Personnel Expenses	25,342,463	60,701,560	86,044,023
Contractual			
<i>Outside vendor services</i>	47,260,174	29,923,345	77,183,519
<i>Operational & IAA</i>	15,060,000	11,476,000	26,536,000
GRAND TOTAL	\$87,662,637	\$102,100,905	\$189,763,542

Major Program Activities

California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)

Covered California will have many customers: consumers, employers, health plans, assisters, navigators, agents, regulators and other state departments with whom customers will interface. A “24/7” information system must be put into place that is easy to access, user friendly, comprehensive, efficient and personalized in order for customers to achieve a satisfactory experience.

Covered California has been conducting rigorous analysis to develop a system-design that has the capacity and capability to be intuitive and user friendly in order that the consumer can do their eligibility and enrollment process in as easy a manner as possible.

During this Level 2.0 grant period, Covered California, with the Department of Health Care Services, will complete the development of CalHEERS on-line tools to include:

- Online portal, CalHEERS, that is available to all Californians 24/7
- Personalized calculators
- Premium and tax credit information
- Eligibility determinations for Covered California, Medi-Cal and Healthy Families programs
- Enrollment process
- Application and notices
- Individual responsibility determinations
- Adjudication of appeals of coverage
- Notification and appeals of employer liability
- Information reporting to Internal Revenue Service and enrollees
- Interface between partner agencies

CalHEERS System Development and Support Budget

Expenditure Category	2013	2014	Total Grant Request Jan 2013- Dec 2014
Contractual			
<i>Outside vendor services</i>	25,572,378	70,694,639	96,267,017
<i>Operational & IAA</i>	35,736,348	14,893,222	50,629,570
Sub-Total	61,308,726	85,587,861	146,896,587
CalHEERS 18% Medicaid/SCHIP Cost Allocation	-11,108,908	-16,712,908	-27,821,815
GRAND TOTAL	50,199,818	68,874,953	119,074,772

Major Program Activities

In-Person Assistance Program (Assisters)

Covered California will offer consumers a variety of informational support options, including in-person assistance via “assisters” for those consumers needing additional guidance to resolve more complicated issues. Assisters will be available to consumers at any point in the eligibility and enrollment process.

The need for enrollment assistance will be greatest in the initial years of the program. Additionally, many of the program’s enrollees may be culturally and linguistically diverse, limited English proficient, unfamiliar with web-based applications, and/or low literacy, and will need intensive assistance to overcome barriers to a seamless enrollment experience.

As described in the next section, in addition to the Assisters Program, Covered California will be developing and testing a Navigators program that will be administered along with the Community Grants Program.

The guiding principles of the Assisters program are:

- Provide a one-stop location for healthcare options and health insurance information
- Leverage with partners to maximize resources and enrollment options
- Obtain healthcare coverage
- Develop a network of Assisters capable of meeting the needs of diverse population sectors
- Train Assisters to be knowledgeable in subsidized and non-subsidized healthcare options
- Have a cadre of Assisters capable of helping customers with internal/external grievances and appeal processes
- Geographically dispersed Assisters to outreach to local groups
- Develop training materials for local partner and/or community-based organizations
- Collect and report data on consumer issues and outreach events

In-Person Assistance Program Budget

Expenditure Category	2013	2014	Total Grant Request Jan 2013- Dec 2014
IPA Program Administration, Monitoring & Oversight	12,982,219	13,576,920	26,559,139
IPA Initial Application Compensation	4,540,312	18,161,250	22,701,562
GRAND TOTAL	\$17,522,531	\$31,738,170	\$49,260,701

Major Program Activities

Outreach, Education and Community Grants

California's demographics are unique in the enormity of its population, ethnic diversity and rural/suburban/urban geography, and therefore faces many outreach and education challenges for message delivery. Covered California will strive to deliver a positive message (in 13 languages) to all Californians in a variety of population sectors by utilizing a variety of grassroots organizations, complimented by Assisters and Navigators. The Assisters and Navigators will facilitate the actual enrollment of consumers into Covered California programs.

The magnitude of the task has determined that an aggressive and extensive outreach and public awareness and assisters program (based on the utilization of a wide variety of tools) is required. During the Level 2.0 grant period, California Covered will implement a 7-phase approach:



Outreach, Education and Community Grants Budget

	2013	2014	Jan 2013- Dec 2014
Research	2,900,719	2,165,181	5,065,900
Creative	8,327,474	16,063,145	24,390,619
Paid Media	33,309,897	64,252,579	97,562,476
Social Media	952,500	1,063,000	2,015,500
Community Mobilization	35,514,489	39,331,425	74,845,914
Collateral	8,216,569	8,158,877	16,375,446
GRAND TOTAL	\$89,221,648	\$131,034,207	\$220,255,855

Summary

In 2010, Covered California began to build an organization that would meet the needs of millions of Californians and be a model for expanding coverage while promoting more affordable care. Covered California started that process by hiring senior managers and staff with specialized industry knowledge that were also skilled in fiscal management and operating in a state environment. With significant input from many stakeholders, the Board developed Covered California's vision, mission and core values and has continued to provide the leadership that frames the goals and operational principles – principles that centered on exemplary customer service and building an efficient and financially self-sufficient resource that will help improve coverage, care and affordability for all Californians.

Covered California remains committed to the core values articulated by the Board:

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

Covered California's outreach efforts should reach nearly every Californian – almost 38 million residents – with a positive message on new insurance options and the benefits of a proactive approach to their personal health insurance options. Covered California's annual enrollment goals are:

- **By 2015:** Enrollment through Covered California of 1.4 million Californians who are subsidy eligible or eligible to purchase in the individual market without subsidies
- **By 2016:** Enrollment through Covered California of 1.9 million Californians who are subsidy eligible or eligible to purchase in the individual market without subsidies
- **By 2017:** Enrollment through Covered California of 2.3 million Californians who are subsidy eligible or eligible to purchase in the individual market without subsidies

These enrollment goals are large, but they are an important part of delivering on the promise of the Affordable Care Act for the millions of Californians desperately in need of quality healthcare.