



**COVERED CALIFORNIA POLICY AND ACTION ITEMS**  
May 12, 2016

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

Jim Lombard, Director of Financial Management Division

# TOPICS

- “ FY 2016-17 Highlights
- “ FY 2015-16 Financial Update
- “ Enrollment Forecast
- “ FY 2016-17 Proposed Budget
- “ Assessment Rate
- “ Multi-year Forecast

# FY 2016-17 HIGHLIGHTS

- “ The coming fiscal year is the first year for Covered California to operate with no federal funds.
- “ The FY 2016-17 budget is \$308 million, a reduction of over \$100 million from the FY 2014-15 budget.
- “ The Covered California FY 2016-17 proposed budget and multi-year forecast is balanced with prudent reserves.
- “ The budget provides resources for:
  - the Service Center that that are comparable to current service levels.
  - Outreach, Sales, and Marketing to fund statewide efforts to meet enrollment and retention goals.
- “ Enrollment forecast presumes modest growth over the next few years, largely as a result of the enacted increase to the minimum wage.
- “ Includes assessment rate at 4 percent of premium for plan year 2017 for individual market.

# COVERED CALIFORNIA: FINANCIAL GUIDING PRINCIPLES FOR FY 2016-17

- “ Develop a budget that directly supports growth and retention of membership
- “ Establish organizational priorities that enables Covered California to serve as an effective example of how marketplaces can improve the cost and quality of health care
- “ Ensure the assessment fee reflects the lowest possible burden on consumers’ premium, has a path for decreasing over time and reflects savings to health plans compared to prior acquisition costs
- “ Continue to build infrastructure that can reduce future costs, support talent, succession plans, business continuity and legal compliance
- “ Continue to review programs to identify opportunities for efficiencies
- “ 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

# FY 2015-16 EXPENDITURES AND BUDGET ADJUSTMENT RECOMMENDATION

Jim Lombard, Director of Financial Management Division

# COVERED CALIFORNIA: FY 2015-16 UPDATE

- “ Prior year (FY 2014-15) adjustment adds about \$10 million over originally projected reserves from a combination of lower expenditures and higher revenue
- “ Current expectation is for FY 2015-16 expenditures to be \$299 million, approximately \$36 million below the \$335 million approved budget
- “ Revised forecast projects that revenue is expected to be \$22 million below original estimates, largely due to enrollment occurring slightly below the ‘Medium’ projection
- “ The result of the combination of these adjustments means the reserve at the close of FY 2015-16 will be \$222 million, approximately \$24 million more than projected a year ago

# FY 2015-16 PROJECTED EXPENDITURES

	FY 2015-16		
	Budget	Projected	Difference
Service Center	\$ 100,103,078	\$ 88,531,725	\$ (11,571,353)
Technology	\$ 48,770,035	\$ 48,137,593	\$ (632,442)
Outreach & Sales, Marketing	\$ 121,512,473	\$ 107,488,209	\$ (14,024,264)
Plan Management & Evaluation	\$ 17,300,582	\$ 14,754,443	\$ (2,546,139)
Administration	\$ 33,858,888	\$ 31,614,675	\$ (2,244,213)
Enterprise Shared Costs	\$ 13,493,138	\$ 8,383,681	\$ (5,109,457)
<b>Total Expenses</b>	<b>\$ 335,038,194</b>	<b>\$ 298,910,326</b>	<b>\$ (36,127,868)</b>

- “ Current projections for FY 2015-16 are well within expenditures authorized by the Board.
- “ Key differences from the FY 2015-16 approved budget are as follows:
  - Service Center ± Lower contract expenses and savings related to staffing and associated costs
  - Outreach & Sales, Marketing ± Lower expenditures on the paid media contract, postage and printing
  - Enterprise Shared Costs ± Lower statewide administrative costs



# ENROLLMENT FORECAST

Jim Lombard, Director of Financial Management Division

# INDIVIDUAL ENROLLMENT FORECAST

- Covered California completed its second renewal period and third open enrollment with total enrollment estimated at 1.4 million which is within the range of forecasts used for the FY 2015-16 budget.
- To perform the current forecast, the enrollment model was revised to incorporate our three years of experience and better understanding of enrollment activities.
- In addition, the forecast utilizes an analysis prepared by PwC on the impact of the recently enacted \$15 minimum wage, which will potentially result in modest increases in Exchange enrollment, totaling over 200,000 individuals by 2020.
- Low, Medium and High scenarios were modeled with the following results:

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

- The **Low** scenario assumes no growth from minimum wage increases is realized and that open enrollment gains moderate from current levels.
- The **Medium** scenario, recommended for revenue forecasting, assumes that a rising minimum wage boosts enrollment by approximately one-third of the full estimated potential impact<sup>2</sup> adding a maximum of 68,000 by 2020.
- The **High** scenario assumes that the higher minimum wage boosts enrollment by the full estimated potential impact<sup>2</sup> over 200,000 by 2020.
- Covered California uses the Medium projected enrollment for budget and planning purposes.

# COVERED CALIFORNIA FOR SMALL BUSINESS ENROLLMENT FORECAST

- .. At the beginning of 2016, Covered California for Small Business enrollment achieved the projection used for the FY 2015-16 budget.
- .. Start up challenges in 2014 hampered initial sales and retention, but service improvements achieved since then are improving enrollment trends.
- .. Further growth is expected based on:
  - o Improved broker engagement due to operational improvements including better enrollment system functionality and improved agent support
  - o Continuing migration of the small business market to ACA compliant plans
  - o Further growth in the 50-100 employee market in reaction to the expansion of the definition of the small business market
- .. High, Medium and Low scenarios were modeled based on the pace of offering of new products and the addition of new carriers with the following results:

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

- o The Low scenario assumes weaker and delayed responses.
- o The Medium scenario, recommended for revenue forecasting, assumes a modestly positive response in terms of product offerings and participation.
- o The High scenario assumes stronger and earlier responses.
- .. Covered California uses the Medium projected enrollment for budget and planning purposes.

# PROPOSED FISCAL YEAR 2016-17 BUDGET

Jim Lombard, Director of Financial Management Division

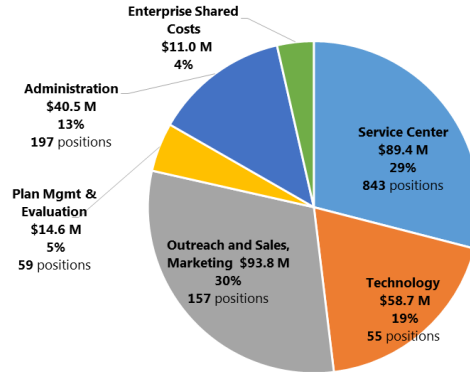
# FY 2016-17 PROPOSED BUDGET – COMPARED TO FY 2015-16 APPROVED BUDGET

	<b>2015-16 Budget</b>	<b>2016-17 Proposed</b>	<b>Difference</b>
Service Center	\$ 100,103,078	\$ 89,359,728	\$ (10,743,350)
Technology	\$ 48,770,035	\$ 58,699,859	\$ 9,929,824
Outreach & Sales, Marketing	\$ 121,512,473	\$ 93,805,719	\$ (27,706,754)
Plan Management & Evaluation	\$ 17,300,582	\$ 14,648,362	\$ (2,652,220)
Administration	\$ 33,858,888	\$ 40,465,421	\$ 6,606,533
Enterprise Shared Costs	\$ 13,493,138	\$ 11,000,000	\$ (2,493,138)
<b>Total Expenses</b>	<b>\$ 335,038,194</b>	<b>\$ 307,979,089</b>	<b>\$ (27,059,105)</b>

- “ 2016-17 budget provides \$308 million and 1,311 positions to fund program operations, 8 percent below 2015-16
- “ Over \$100 million below the 2014-15 authorized budget and \$27 million below the 2015-16 budget
- “ Includes funding increases for benefits and statewide administrative costs and anticipated increases for employee compensations.

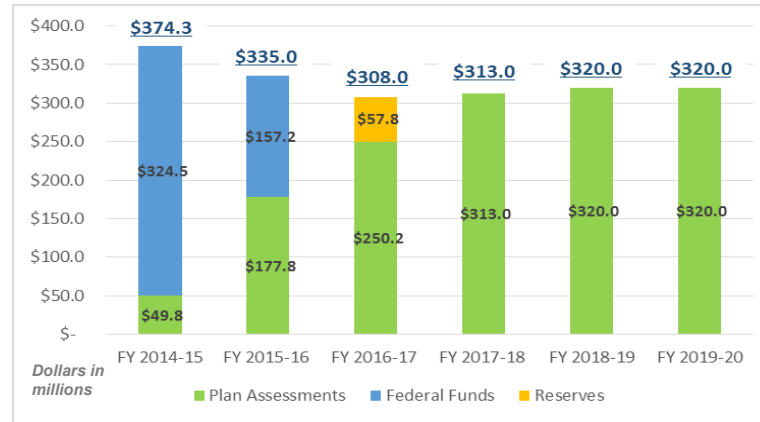
# FY 2015-16 & FY 2016-17 BUDGET COMPARISON

## FY 2016-17 Proposal \$308.0M



- .. Provides funding so the Service Center can provide service levels comparable to FY 2015-16;
- .. A significant investment in IT infrastructure to drive efficiencies throughout the organization and provide better customer service;
- .. Sufficient funding to support statewide outreach and marketing efforts including a \$5 million Navigator program and \$36.0 million for paid media.
- .. Includes \$2 million to establish the Office of the Ombudsman to increase the transparency and accountability of Covered California by serving as an independent, impartial support for consumers

# COVERED CALIFORNIA BUDGET AND SOURCES OF FUNDING



- .. Demonstrates migration from federal funds to plan assessments
- .. Significant portion of budget funded from Federal Funds in 2014-15 and 2015-16
- .. Shows expenditures of reserves in 2016-17
- .. Revenue exceeds expenditures in 2017-18 and beyond

# FINANCIAL OUTLOOK AND 2017 ASSESSMENT RECOMMENDATION

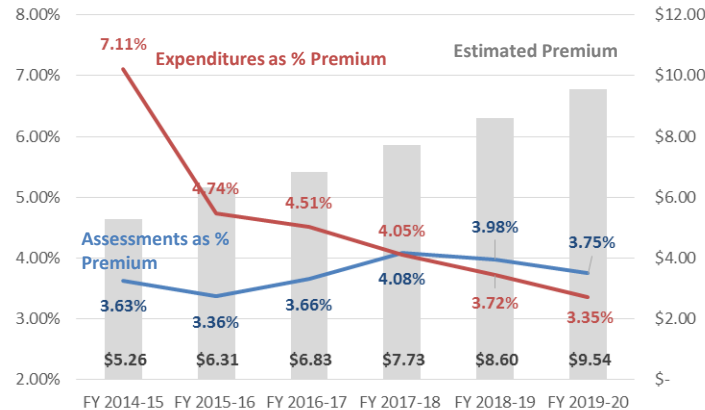
Jim Lombard, Director of Financial Management Division



# ASSESSMENT RATE RECOMMENDATION

- Based upon Covered California's longstanding multiyear fiscal strategy of breaking even in FY 2017-18 and maintaining prudent levels of reserves, staff recommend that the assessment rate for the individual market be set at 4.0% of premiums and the rate for CCSB policies be set at 5.2% of premiums for the 2017 plan year.
- Analyses performed to evaluate the feasibility of lower assessment rates indicated that breakeven timeframes and prudent reserve levels could not be achieved.
- While this rate is effectively higher than the current \$13.95 flat rate charged, it puts Covered California in a position where revenues will exceed expenditures by FY 2017-18 and sets Covered California on the path to reducing the assessment in coming years.

**Plan Assessments & Expenditures as a Percentage of Premium**



# MULTI-YEAR FINANCIAL OUTLOOK–BASED UPON MEDIUM SCENARIO

## Revenue assessment at 4 percent of Premium in 2017 & 2018 and potentially lower in out years

<sup>4</sup>	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Effectuated Enrollment ( <i>Individual Market at fiscal year end</i> )	1,320,581	1,344,087	1,409,724	1,472,852	1,522,081
Opening Balance	\$ 308.4	\$ 221.8	\$ 163.3	\$ 165.4	\$ 187.6
Plan Assessments - Cash Basis	\$ 212.3	\$ 249.6	\$ 315.1	\$ 342.2	\$ 357.8
Expenditures <i>2015-16 Projected</i>	\$ 298.9	\$ 308.0	\$ 313.0	\$ 320.0	\$ 320.0
Year-End Operating Reserve	\$ 221.8	\$ 163.3	\$ 165.4	\$ 187.6	\$ 225.4
<i>Minimum number of months expenditures covered by reserve</i>	<b>9</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>7</b>
<i>Months of expenditures covered by reserve at fiscal year end</i>	<b>9</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>8</b>

Revenue, Expenditure & Reserve dollars in millions

- “ Maintains reserves at a prudent level that ranges between approximately 5-9 months over the term of the outlook
- “ The outlook assumes growth rates in medical premiums of 8 percent in 2017 and 5 percent per year, thereafter
- “ Assessments are at the recommended rates for of 4 percent for the individual market and 5.2 percent for the small business market in 2017 and 2018, with possible reductions in the out years for the individual market
- “ Revenues from plan assessments exceed expenditures in FY 2017-18

# IN CONCLUSION

- “ The budget is balanced and includes sufficient reserves throughout the multi-year view
- “ Service Center performance will be comparable to current year and statewide outreach and marketing efforts will be sustained
- “ Forecast assumes assessment rate at 4 percent for individual market with the plan to decrease in future years
- “ At the June 16 meeting the Board will be asked to:
  - Approve assessments for individual and dental markets at 4 percent of premium and 5.2 percent of premium for CCSB 2017 plan year
  - Approve the Covered California FY 2016-17 Budget at approximately \$308 million pending any changes

# NAVIGATOR GRANT PROGRAM PROPOSED CHANGES FOR 2016/17

Drew Kyler, Interim Deputy Director, Outreach and Sales Division

# NAVIGATOR GRANT PROGRAM

- “ Navigator Grantees provide outreach, education, enrollment assistance, renewal assistance and post-enrollment support
- “ Current contract term, August 1, 2015 ± June 30, 2016
- “ Contracts allow for a two-one year extension
- “ Current Contract Strategy
  - **Amendment #1:** A no-cost extension from July 1, 2016 through August 31, 2016 to the current contract term to ensure entities and their counselors remain active in CalHEERS to assist consumers with enrollment and renewals
  - **Amendment #2:** One year extension from September 1, 2016 through August 31, 2017 for existing entities who have demonstrated the ability to enroll and renew consumers in a Covered California Health Plan.

# NAVIGATOR GRANT PROGRAM

- “ During Open Enrollment 3, the Navigator Program enrolled, renewed and retained approximately 77,154 consumers into a Covered California Health Plan.
  - Enrolled and Renewed: 36,890
  - Retention: 40,265
- “ Funding recommendation targets a \$200 cost per acquisition including outreach, education, enrollment, renewal, and post enrollment assistance
- “ Funding credits all consumers, including the over 40,000 who maintained their coverage but did not "actively" renew
- “ Block grant model with payments made approximately every two months
- “ Contract requires bi-monthly reporting of events and touches

# NAVIGATOR GRANT PROGRAM

- “ Recommended 2016-17 Funding
- “ \$5 million
- “ Includes 46 Grantees and 78 subcontractors
- “ 2015-16 average cost for enrollment, renewal and retention for these 46 grantees is \$166.00
- “ 22 grantees will be referred to the Certified Application Counselor Program (CAC) and no longer funded as part of the Navigator Program. For these granted, the average cost for enrollment, renewal, and retention ± including credit for non-active renewals ± was over \$575 per member

# NAVIGATOR GRANT PROGRAM OPTIONS CONSIDERED

Estimated number of Grantees and Subcontractors:

Funded Amount	Lead Grantees	Subcontractors	Total	Reduction
\$3M	30	54	84	<45%
\$5M	46	78	124	<19%
\$7.25M	46	78	124	<19%
CY \$10.55M	69	85	154	



# NAVIGATOR GRANT PROGRAM

## Estimated # of Certified Enrollment Counselors

Funded Amount	Counselors	Difference Fiscal Year 2015-16	Reduction %
\$3M	1,516	733	<33%
\$5M	1,916	333	<15%
\$7.25M	1,916	333	<15%
CY \$10.55M	2,249		

# NAVIGATOR GRANT PROGRAM

“ Estimated # of individuals to be enrolled and renewed:

Funded Amount	Estimated # of individuals to be Enrolled and Renewed
\$3M	12,000
\$5M	27,900
\$7.25M	36,100

# COVERED CALIFORNIA FOR SMALL BUSINESS MODEL CONTRACT

Anne Price, Director of Plan Management Division

# 2017-2019 CCSB CONTRACT UPDATE

- “ Changes have been made to the model contract as a result of additional Covered California review and comments from QHP Issuers:
  - 2.1.2 d) - Updated with CCSB specific enrollment reconciliation language and removed references to Open Enrollment and Special Enrollment Periods.
  - 2.3 - Updated to specify marketing materials requested of CCSB QHP Issuers and submission dates; removed references to Open Enrollment and Special Enrollment Periods.
  - 2.4 ± Removed reference to carrier issued premium invoices, requirement to distribute Open Enrollment publications developed and printed by the Exchange, and references to the Individual market; clarified specific marketing materials requested of CCSB QHP Issuers.
  - 3.2.5 ± Removed reference to Segregation of Funds.
  - 3.6.4 and 3.6.5 ± Updated with information specific to the CCSB Customer Service Call Center and Customer Service Transfers.
  - 3.6.7 d) Removed reference to Customer Service Renewal Notice language.
- “ No changes were made to Attachments.

# SPECIAL ENROLLMENT PERIOD POLICIES

Anne Price, Director of Plan Management

# SPECIAL ENROLLMENT BACKGROUND

- “ Consumers may enroll for coverage through Covered California outside of the open enrollment period if they qualify for coverage due to a ‘triggering’ event.
  - Covered California currently requires consumers, upon application during the special enrollment period, to attest that they qualify for coverage indicating the triggering event for qualification. If they are not able to choose a triggering event, or select ‘other’ while enrolling, they will be contacted by a customer service representative to confirm eligibility.
  - Consumers who enroll off-exchange (e.g. directly through a carrier) are subject to the carrier’s rules for verifying eligibility which usually includes providing documentation
- “ Concerns have been raised that because consumers can enroll through the exchange through attestation only, without providing documentation, consumers may be selectively enrolling when they need medical care rather than enrolling through open enrollment or through a qualifying event in the special enrollment period.
- “ Increased enrollment that is selective, only when medical care is necessary and not through open enrollment or a qualifying event, increases cost significantly and will impact long term affordability that could threaten sustainability of the program.
- “ It is imperative to address concerns of selective enrollment to preserve the good risk mix of the individual market to minimize premium increases that will ultimately impact all consumers.
- “ We will continue to have a verification process for on-exchange enrollment in 2016 that will be updated in 2017 as we collect more data and information to have clear direction on how the verification process could be modified to address potential selective enrollment that may be occurring.
- “ Covered California staff will continue to engage carriers and various stakeholders to discuss options and process improvement for enhancing special enrollment verification.

# SPECIAL ENROLLMENT POLICY GUIDING PRINCIPLES

- “ Covered California will implement a special enrollment policy that assures only eligible individuals are enrolled, preserving the integrity of the risk mix in the Individual market and supporting long-term affordability for all consumers.
- “ The Special Enrollment policy will not be overly burdensome to members.
  - Use of electronic verification should be maximized
  - Use of new or alternative forms of documentation or attestation will be required
- “ Documentation should be verified prior to effectuation of coverage so consumers have peace of mind that they will not be financially responsible for medical care they have received beyond their intended cost sharing, so verification of eligibility cannot take an unreasonable length of time that could result in access to care concerns.
- “ The process must consider technology capabilities and resource limitations.

# COVERED CALIFORNIA 2016-17 SPECIAL ENROLLMENT POLICY

- .. Covered California will continue to verify eligibility in 2016 with attestation, but we are requesting modification to regulations that will allow for a statistically valid random sampling process for verification of the SEP attestation that will assess if consumers who enroll during special enrollment in 2016 have appropriate documentation.
- .. Covered California will enhance language on the application at the point of attestation that requires consumers' acknowledgement of their potential financial liability if they are determined to have enrolled attesting that they meet qualifying criteria when they do not.
- .. If an agent abuses the SEP policy, we will exercise our option under the Agent Agreement to terminate the agent for cause.
- .. Notifications will also be updated to reflect Covered California's intent to perform a statistically valid random sampling process for verification where documentation may be requested to support the consumer's qualifying event.
- .. In 2017 Covered California will phase in electronic verification of eligibility and have an alternative method for verifying eligibility of non-electronic documents or where documentation may not exist.
- .. We will continue to work with Qualified Health Plans to identify alternative documentation that could be used to verify special enrollment eligibility and request carriers to pilot these methods on their off-exchange enrollment to understand potential opportunities for implementation for on-exchange enrollment.
- .. Results of the random sampling process for verification, further analysis of enrollment and claims data, and experience of alternatives used for off-exchange documentation will inform additional changes to our special enrollment verification policy.
- .. **These changes do not yet incorporate the new federal interim final rule issued on May 6, 2016 that effective July 11, 2016, imposes new eligibility requirements for special enrollment periods related to permanent move and consumers that are newly eligible for tax credits. Such language will be added to the regulations and will be brought before the Board for discussion at the next Board meeting.**



# INDIVIDUAL ELIGIBILITY AND ENROLLMENT REGULATIONS EMERGENCY READOPTION

Bahara Hosseini, Legal

# INDIVIDUAL ELIGIBILITY AND ENROLLMENT REGULATION CHANGES

- Covered California removed some terms from the definition section that were no longer applicable to the regulations and added a couple of terms that apply to Covered California for Small Business.
- Covered California updated the definition of Qualified Health Plan (QHP) to include Qualified Dental Plan (QDP), revised the definition of QDP.
- The regulations were also amended to include the eligibility requirements for enrollment in a QDP.
- Covered California amended language regarding binder payments that will allow carriers to apply premium thresholds to initial payments as well as the subsequent premium payments.
- Covered California amended language regarding verbal unconditional withdrawal of an appeal request to make the regulations consistent with the current process.
- Covered California added/amended language throughout the regulations to comply with the recent federal regulations that went into effect May 9, 2016 (e.g., adding the random sampling verification process for employer-sponsored coverage).

# INDIVIDUAL ELIGIBILITY AND ENROLLMENT REGULATION CHANGES

- “ Covered California added language to specify the statistically valid random sampling verification process for qualifying life events (QLEs) that trigger a Special Enrollment Period (SEP).
- “ Covered California will accept the qualified individual’s or the enrollee’s attestation that he/she meets a QLE triggering an SEP subject to the following statistically valid random sampling verification process:
  1. Covered California may select a statistically valid random sample of the qualified individuals or enrollees who attested to a QLE and request, in writing, that they provide documentation as proof of the QLE they qualify for.
  2. The qualified individual or the enrollee must provide the requested document(s) to Covered California for verification within 30 days from the date of the Covered California’s written request.
  3. Covered California may extend this period if it determines on a case-by-case basis that the qualified individual or the enrollee has demonstrated that he or she has made a good-faith effort but was unable to obtain the requested documentation during the 30-day time period.

# INDIVIDUAL ELIGIBILITY AND ENROLLMENT REGULATION CHANGES

4. Except as specified in paragraph 5 below, if the qualified individual or the enrollee fails to submit the requested document(s) by the end of the 30-day deadline or Covered California is unable to verify the provided document(s), Covered California will:
  - (A) Determine the qualified individual or the enrollee ineligible for any SEP;
  - (B) Notify the qualified individual or the enrollee regarding the determination and his or her appeals rights; and
  - (C) Implement such eligibility determination in accordance with the applicable effective dates specified in the regulations (§ 6496(j)-(k)).
5. Covered California will provide an exception, on a case-by-case basis, to accept a qualified individual's or an enrollee's attestation as to his or her triggering event which cannot otherwise be verified and his or her explanation of circumstances as to why he or she does not have documentation if:
  - (A) The qualified individual or the enrollee does not have the requested documentation with which to prove a triggering event because such documentation does not exist or is not reasonably available;
  - (B) Covered California is unable to otherwise verify the triggering event for the qualified individual or the enrollee; and
  - (C) The qualified individual or the enrollee provides Covered California with a signed written statement of his or her attestation under penalty of perjury as to the triggering event and the explanation of circumstances as to why he or she does not have the documentation.
6. This sampling process must not be based on the qualified individual's or the enrollee's claims costs, diagnosis code, or demographic information. For purposes of this paragraph, demographic information does not include geographic factors.

# CERTIFIED APPLICATION COUNSELOR PROGRAM REGULATIONS (ACTION)

Drew Kyler, Interim Deputy Director, Outreach and Sales Division

# CERTIFIED APPLICATION COUNSELOR PROGRAM

- “ In April 2016, the Covered California Board approved the posting of a proposed amendment to the Emergency Rulemaking for public comment. The proposed amendment requires the Exchange to cover the fingerprinting costs for new Certified Application Counselor Applicants.
  - There were no comments to the proposal
  - Request Board approval to adopt the amendment

# CERTIFIED APPLICATION COUNSELOR PROGRAM

- “ The Proposed Amendment to the CAC Regulations:
- “ §6858 (e) Costs.
  - Background check costs for individuals seeking certification under this Article shall be paid by the Exchange. prior to and including June 30, 2016.
  - ~~○ After June 30, 2016, background check costs for individuals seeking certification under this Article shall be paid by the applicant.~~