



COVERED
CALIFORNIA

May 15, 2017



May 15, 2017

Dear Members of the Covered California Board,

On behalf of the staff and leadership team, I am pleased to present Covered California's "Proposed Budget for Fiscal Year 2017–18," to the Board of Directors for consideration at its May 18, 2017, meeting. This budget was developed in accordance with statutory requirements and in consultation with Covered California's executive and programmatic staff. Based on board feedback, stakeholder input and continued staff review, a final proposed budget will be submitted to the board for action at its June 2017 meeting.

While there is much uncertainty surrounding the future of health care in America, Covered California is fiscally sound, working toward another successful year and looking to build on the successes that have helped us drop California's uninsured rate to historically low levels.

Given the uncertainty, the proposed budget is being submitted for consideration by the board with the understanding that in the event that there are major changes in the health care landscape that could affect Covered California's finances, we would return to the board with proposed budget modifications.

This budget includes a multi-year financial summary of all revenues, expenditures and staffing used by each of Covered California's divisions in the delivery of essential services to improve the health of all Californians by ensuring their access to affordable, high-quality care.

For fiscal year (FY) 2017–18, Covered California proposes a \$313.9 million budget and 1,368 positions to ensure that our organization has the right tools, processes and resources to deliver on its mission. In particular, the budget proposes:

- An operating budget of \$313.9 million for fiscal year 2017–18, which will allow Covered California to maintain a stable market and work on behalf of an estimated 1.4 million actively enrolled consumers and an additional 1.1 million Californians "off exchange" who benefit from our negotiating.
- Continued significant investment in marketing, outreach and sales with more than \$105 million for marketing and outreach as well as \$85.9 million for our Service Center.
- Covered California is funded entirely on an assessment on health plan premiums and this budget proposes keeping those assessments rates at 4 percent of premium for those enrolled in plans through the exchange, which equals 2.6 percent of premium when you consider those enrolled in Covered California and also those enrolled in mirrored products off the exchange.

- Covered California plans to continue addressing underlying health care costs and this budget proposes \$3.3 million to continue the Health Care Evidence Initiative that provides data analytics and modeling to better understand the dynamics surrounding the population served and utilization of services.

The FY 2017–18 budget is balanced and relies solely on the funds collected from our qualified health plans, and does not include any federal or state funds

This budget meets the guidance provided by the board and the legislative intent behind the establishment of Covered California. It reflects the agency’s multi-year financial strategy of providing continuous fiscal integrity, transparency and accountability.

Like so much of what Covered California does, this budget is the product of teamwork across and beyond our organization. I extend my sincere appreciation to senior executive management and their staff for their outstanding work during the budget development process.

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; Art Torres '**

SENIOR EXECUTIVE MANAGEMENT

Peter V. Lee
Executive Director

Karen Johnson
Chief Deputy Executive
Director, Operations

LaVonne Coen
Administrative Services
Division Director and
Deputy Chief Operations
Officer

Jim Lombard
Financial Management
Division Director and
Chief Financial Officer

Amy Palmer
Communications
and Public Relations
Division Director

Karen Ruiz
Information Technology
Division Director and
Chief Technology Officer

Kathleen Keeshen
Chief Deputy Executive
Director, General Counsel

Kelly Green
External Affairs
Division Director

Thien Lam
Program Integrity
Division Director

Darryl Lewis
Office of the Ombudsman
Division Director

Brandon Ross
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Doug McKeever
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Director, Program

James DeBenedetti
Plan Management
Division Director

Mavilla Safi
Service Center
Division Director

Colleen Stevens
Marketing
Division Director

Kirk Whelan
Individual and
Small Business
Outreach and Sales
Division Director

Katie Ravel
Program Policy,
Evaluation and
Research
Division Director

Adrian Recio
Equal Employment
Opportunity Officer

II. Executive Summary

Covered California has become a vital part of the fabric of California's health care system, one that ensures virtually all Californians have access to some of the best quality care in the world at a more affordable price.

As Covered California prepares to enter FY 2017–18, it has successfully transitioned to relying solely on the fees it collects from health plans. Covered California is moving into a future with some uncertainty, having created a stable and competitive marketplace. As an organization, Covered California is wholly self-sufficient and in strong financial shape. The exchange stands on its own without any federal or state funding.

Covered California's enrollment remains robust with approximately 1.4 million actively enrolled consumers as of March 2017, representing a modest net growth over last year. Covered California had a strong fourth open-enrollment period when 412,000 new consumers chose a health plan. Taken together with California's Medi-Cal program, we have helped reduce the state's uninsured rate to a historic low of 7.1 percent.¹

The FY 2017–18 budget shows how Covered California will continue to 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.

Covered California anticipates ending FY 2017–18 with more than \$289 million in unrestricted reserves, the equivalent of about 11 months of operating reserves. These reserves give Covered California significant capacity to adapt to new program requirements should the federal government enact significant program or policy changes.

Highlights of the Proposed FY 2017–18 Budget include:

- Covered California operating in fiscal year 2017–18 with a budget of \$313.9 million. With this budget, we anticipate maintaining a stable market with a good risk mix — which we estimate will be maintained at about 1.4 million actively enrolled consumers in Covered California and an additional 1.1 million in the individual market that are part of the common risk pool. Maintaining this market, which means lower costs to those who do not receive subsidies and lower costs to the federal government by reducing the cost of subsidies, requires ongoing investments in marketing, outreach and customer service.
- Promoting enrollment and retention of consumers is a critical ingredient to assuring the good risk mix, which helps keep premiums low for all consumers. Each year there is substantial turnover in Covered California and the individual market generally, with most of those leaving Covered California moving

¹ <http://news.coveredca.com/2017/02/happy-valentines-day-news-for.html>

on to other coverage, including through employment. This means that to maintain 1.4 million covered lives, Covered California needs to newly enroll about 700,000 Californians and renew the vast majority of those eligible. This requires major investments, which are reflected in our proposed budget, including more than \$105 million for marketing and outreach, as well as \$85.9 million for our Service Center.

- Covered California has developed this budget informed by updated enrollment projections and in-depth scenario assessments conducted by PricewaterhouseCoopers in partnership with the University of California. While there is substantial uncertainty, the budget considers the possibility of there being policy changes. We enter the fiscal year with over \$289 million in reserves and a plan to maintain adequate reserves under any scenario — giving Covered California the ability to react to any changes in health care laws or policies.
- Covered California continues to operate on a business model that is anchored in delivering value by lowering the costs to consumers and the federal government. In FY 2017–18, we project that our revenue will exceed our expenditures and Covered California will continue to be funded entirely by an assessment on health plans premiums. For FY 2017–18, we propose to continue to assess 4 percent of premium for those enrolled in plans through Covered California, or about 2.6 percent when you consider those enrolled in Covered California and also those enrolled in mirrored products off the exchange. This premium cost reflects far lower costs to health plans than they previously spent to enroll individuals, and promotes a lower premium by contributing to a healthier risk mix.
- Covered California plans to continue efforts on many fronts to address underlying health care costs and ensure consumers are getting the right care at the right time. Initiatives in this area include:
 - \$ Building on the lessons learned from all consumers in California receiving patient-centered benefits that mean most never have a deductible between them and their needed care.
 - \$ Having requirements on our contracted health plans to change their payments to providers to promote value and make primary care more \$ readily available. \$
 - \$ Funding a major Health Care Evidence Initiative that provides data analytics to better understand the dynamics surrounding the population served and utilization of services that can be used to inform public and private policy makers about issues related to disparities of care, value-based benefit design and care delivery.

III. Covered California: An Overview

***uncertainty:** Situation where the current state of knowledge is such that (1) the order or nature of things is unknown, (2) the consequences, extent, or magnitude of circumstances, conditions, or events is unpredictable, and (3) credible probabilities to possible outcomes cannot be assigned. (www.businessdictionary.com)*

With the change in the federal administration, there have been discussions around repealing, replacing or repairing the Affordable Care Act. These discussions have also been marked by federal policies that could change, creating a great deal of uncertainty. Although the U.S. House of Representatives has passed legislation that could change many elements of the Affordable Care Act, the Senate has yet to take action and it is uncertain whether the current changes will be supported in the Senate. Regardless of potential Senate action, even the proposed legislation that passed the House of Representatives proposed that 2018 and 2019 operate largely with the existing Affordable Care Act tax-subsidy structures.

With this budget, Covered California plans to operate under current law and policies until changes are actually enacted. Covered California will closely monitor proposed program changes, remain nimble and be ready to respond to changes as they occur.

The fourth open enrollment, for plan year 2017, remained strong despite discussions regarding program changes. Covered California ended its fourth open-enrollment period with approximately 1.4 million members, which is comparable to plan year 2016. This enrollment was very consistent with the base enrollment estimate presented to the Covered California board in May 2016. Revenue projections remain strong and allow Covered California to propose substantial continued spending to retain and foster the good risk mix that is crucial to keeping premiums as low as possible. At the same time, the California Health Trust Fund reserves allow Covered California to transition to new program requirements should the federal government enact significant program or policy changes.

Consistent with Covered California's guiding principles and multi-year financial planning, the FY 2017–18 plan anticipates revenues to exceed expenditures. Despite proposed expenditures being lower than the board-approved \$320.9 million budget of FY 2016–17, the FY 2017–18 budget of \$313.9 million provides resources to meet or exceed FY 2016–17 service levels and is about \$40 million more than the FY 2016–17 actual expenditure estimates. Covered California continues to invest in a robust Marketing, Outreach and Sales program with a proposed budget of more than \$104 million. This includes \$41 million for paid media, consistent with spending for FY 2016–17. Covered California continues to invest in new technology that will improve customer service,

automate manual processes and continue building basic technology infrastructure. The budget includes funding for general salary increases for all Covered California employees to reflect recently negotiated union agreements.

The FY 2017–18 budget provides \$313.9 million for program operations, prudent reserves, and forecast assumptions that project revenue will exceed expenditures. Covered California remains nimble and is prepared to make the necessary adjustments. It will report back to the board should laws or policies change and significantly modify program requirements or membership and warrant budget or revenue adjustments.

IV. 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 mission. The planning and budget processes of the organization are based on established budget principles and procedures, providing the highest levels of fiscal integrity, accountability, transparency and accuracy.

The FY 2017–18 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, effective Jan. 1, 2015, Covered California has operated fully self-sufficiently based on the combination of revenue raised by levying a premium assessment on health insurance companies, reserves and federal grant funds used to establish the exchange.

Covered California’s Vision and Mission: The FY 2017–18 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 pillars were designed by Covered California’s management and reviewed by the board to guide the organization while 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. Annual goals and department objectives were mapped in accordance with 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 understanding of how their coverage is a good value for them.
- **Getting Needed Care:** Care is about more than coverage. 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 our mission.

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

- Develop a budget that directly supports growth and retention of membership.
- Ensure the assessment fee places the smallest possible burden on consumers' premiums, has a path for decreasing over time and reflects savings to health plans compared to prior acquisition costs.
- Continue to build infrastructure that can support talent, succession plans, business continuity and legal compliance, and reduce future costs.
- Continue to review programs to identify opportunities for efficiencies.
- The budget should enable Covered California to serve as an effective example of how marketplaces can improve the cost and quality of health care.
- Maintain a reserve that is sufficient to cover financial obligations and allows time to adjust revenue and expenditures in the event of an unanticipated fiscal event.
- Remain financially nimble to assure the ability to transition should significant changes occur.

V. ' FY 2016–17 Budget Goals, Highlights and Projected Expenditures

The FY 2016–17 Covered California board-approved budget totaled \$320.9 million and 1,323 positions to enroll Californians in coverage, provide a better consumer experience to applicants and enrollees, retain current enrollees and provide the tools to deliver on our mission. FY 2016–17 is the first fiscal year that Covered California operated with no federal establishment funds.

The budget featured the following activities:

- Substantial investments in outreach, marketing and enrollment, including large investments in supporting more than 10,000 independent insurance agents and a Navigator program to inform hard-to-reach Californians about Covered California's programs and encourage retention of those who are enrolled.
- Service Center funding to provide resources comparable to FY 2015–16 and accommodate the transfer of workload associated with increased handling of consumer inquiries and appeals.
- Funding for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) — the information technology platform shared with the Department of Health Care Services — to support the FY 2016–17 program requirements of the CalHEERS 24-month road map, including the phase-in of a new cost-allocation plan to more appropriately reflect costs across Medi-Cal and Covered California.

Covered California completed its third renewal and fourth open enrollment with approximately 1.4 million actively enrolled consumers, representing a modest net growth over last year. This trend towards modest enrollment growth is reflected in the new forecast developed to support the FY 2017–18 expenditure proposal.

The projected expenditures for FY 2016–17, as of May 30, 2017, are \$273.8 million, \$47.1 million lower than the board-approved budget. This is primarily the result of lower-than-budgeted expenditures for salaries and contracts, in particular in Technology, Administration, Service Center, and Enterprise Shared Costs. (Table 1 shows the Projected FY 2016–17 Expenditures compared to actual.)

TABLE 1
FY 2016–17 Projected Expenditures Versus FY 2016–17 Budget

	Budget	Projected	Difference
Service Center	\$ 92,188,796	\$ 83,117,638	\$ (9,071,158)
Technology	\$ 66,882,843	\$ 48,073,704	\$ (18,809,139)
Outreach & Sales, Marketing	\$ 104,109,966	\$ 96,761,435	\$ (7,348,532)
Plan Management & Evaluation	\$ 15,893,290	\$ 12,801,238	\$ (3,092,052)
Administration	\$ 41,850,098	\$ 33,083,674	\$ (8,766,423)
Total	\$ 320,924,993	\$ 273,837,689	\$ (47,087,304)

SUMMARY OF MAJOR AREAS:

Outreach and Sales, Marketing: Projected expenditures of \$96.8 million for these programs in FY 2016–17 are anticipated to be \$7.3 million lower than budgeted, largely due to salary savings and lower-than-expected contract expenditures.

Service Center: Projected expenditures of \$83.1 million for FY 2016–17 are expected to be \$9.1 million lower than budgeted, primarily due to \$6.7 million in salary savings from vacant positions, in conjunction with general expense and contract expenditures that are \$2.4 million lower than expected.

Technology: FY 2016–17 expenditures of \$48.1 million are expected to be \$18.8 million lower than budgeted. Expenditures for CalHEERS, including the Statewide Automated Welfare System (SAWS) interface, are projected to be \$9.6 million lower than budgeted, and expenditures for the Information Technology (IT) Division are projected to be \$9.2 million lower due to salary savings and the timing of IT initiatives.

Plan Management and Evaluation: FY 2016–17 expenditures of \$12.8 million are projected to be \$3.1 million lower than budgeted, due to salary savings and lower-than-anticipated contract expenditures. \$

Administration: Projected expenditures of \$33.0 million are \$8.8 million lower than the FY 2016–17 budget largely due to salary savings and lower-than-expected contract expenditures across all Administration divisions.

VI. Covered California Enrollment and Revenue Forecast

The enrollment and revenue forecast used for the FY 2017–18 budget was developed informed by modeling done by PricewaterhouseCoopers in partnership with the University of California and relies on the experience gained from 37 months of active enrollment through the fourth open enrollment that ended on Jan. 31, 2017. The enrollment activity achieved during this open enrollment was consistent with the FY 2016–17 forecast, which projected that Covered California had entered a phase of stable enrollment. Open enrollment for the 2017 benefit year resulted in enrollment in line with the Base Estimate of approximately million enrollees. The Base Estimate used in the FY 2016–17 forecast continues to project a stable enrollment outlook going forward, but Covered California has modeled alternate enrollment to reflect the uncertainty of the political environment.

The Base Estimate takes into consideration two factors that affect the overall enrollment trend. Covered California has adopted a policy of pre-verification of qualifying life events that allows individuals to enroll during special enrollment. Based on survey evidence, this policy could notably dampen the pace of enrollment outside of open enrollment. Conversely, based on a market analysis completed by PricewaterhouseCoopers (PwC) in 2016, the scheduled increase in California’s minimum wage anticipates additional enrollment by boosting income for those near the subsidy-eligibility range that could shift people from Medi-Cal to Covered California.

Effective January 2017, Covered California’s assessment fee switched from a flat per-member, per-month fee to a percentage assessment on total premiums paid. Currently at 4 percent, this fee is being assessed on Covered California’s 1.4 million enrollees. In addition, there are approximately 800,000 people in the individual market who benefit from the rates negotiated by Covered California, even though they are not directly enrolled through the exchange. The Affordable Care Act requires the rates for these on- and off-exchange plans be the same. Since the specific health plan products offered by Covered California represent approximately 62 percent of the total enrollment in individual coverage, the Affordable Care Act assessment essentially requires the health plans to spread the assessment fee across the entire individual market. To the extent that carriers have members who do not purchase through Covered California, but who pay the same rate, the actual assessment is spread across the entire individual market for those health plans offered by Covered California. With this budget, Covered California proposes to maintain the 4 percent on-exchange assessment, which converts to an estimate that the actual average effective assessment rate is approximately 2.5 percent across the entire individual market.

Forecasting Potential Enrollment

The 2016 enrollment forecast, used for the FY 2016–17 budget, was based on the experience and lessons learned in 2015 as well as insights from the market analysis completed by PwC and the University of California. Adding to these insights, the 2017 forecast reflected the experience of an additional year of enrollment history. Based on the 2016 benefit year and 2017 open-enrollment experience, Covered California's Base Estimate is that it will see stable enrollment going forward with the exception of the impact of more stringent pre-verification of qualifying life events beginning with 2018 special enrollment. This "stable enrollment" is based on Covered California's maintaining its significant marketing, outreach and customer service investments — all of which contribute to both our retention of existing insured and the ability to enroll about 700,000 new enrollees needed to maintain the same overall enrollment figure.

Table 2 summarizes the Base Estimate's revenue projections derived from the individual market and Covered California for Small Business forecasts. Due to the assumed impact of pre-verification beginning with 2018 special enrollment, projected enrollment during FY 2017–18 is approximately 60,000 lives, or 4 percent, below the 2016 forecast for this period.

TABLE 2
Covered California Revenue and Outlook Enrollment Summary
(Base Estimate)

Market 0	PMPM Revenue (\$millions), Cash Basis				
	2016-17	2017-18	2018-19	2019-20	2020-21
Individual Market - Medical	\$229.1	\$302.5	\$311.6	\$313.4	\$311.2
Individual Market - Dental	\$.9	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.2
Covered California for Small Business	\$7.6	\$10.8	\$13.0	\$16.6	\$19.5
Total Revenue (in July, in millions)	\$237.6	\$314.4	\$325.8	\$331.0	\$331.9)
Effectuated Enrollment (year-end)	1.38	1.32	1.31	1.31	1.33)

Key Assumptions of the Individual Market Base Estimate

This projection begins after the fourth open-enrollment period and takes into account the following factors, each of which is then described in more detail:

- The number of new consumers who chose health plans during open enrollment.
- The pace that new enrollees acquired coverage through Covered California during 2016 special enrollment and the likely impact of pre-verification.
- 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 his or her premium.
- The impact of rising minimum wage on the subsidy-eligible population.
- Potential medical cost trends reflected in premiums.

Health Plan Selections During Open Enrollment

During the 2017 open enrollment, approximately 412,000 new consumers signed up for coverage. The forecast projects that a comparable level of new consumers will select plans during future open-enrollment periods.

Monthly Enrollment Rate During Special Enrollment

During the entire 2016 special-enrollment period (April through December), plan selections averaged 33,700 per month. This pace is expected to slow noticeably beginning in 2018. Covered California plans to implement pre-enrollment verification of consumers' eligibility for special enrollment in 2018. Based on a random sampling of special-enrollment enrollees to verify their qualifying life event that they had self-certified prior to enrollment, 28 percent of the sampled enrollees either (a) responded and were determined ineligible, (b) did not respond and were then unenrolled, or (c) had already unenrolled. A special-enrollment verification on the federal exchange indicated a non-verification rate of 20 percent. While non-verification of eligibility does not mean consumers are not in fact eligible, for this forecast, the special enrollment assumption was reduced 25 percent from historic trends. Combining this adjustment with the increase in the minimum wage resulted in a net reduction in the assumed average special-enrollment pace to 24,800 as the base monthly enrollment assumption for 2018 and beyond.

Effectuation Rate

Based on the experience of 2016 and the fourth open enrollment, 80 percent of new enrollees during open enrollment will pay at least their first month's premium. Likewise, during special enrollment, on average, 69 percent of enrollees will make their first payment. These rates are comparable to those used in previous forecasts.

Disenrollment Rate

Based on the experience of 2016, the forecast projects that, on average, 3 percent of enrollees will leave Covered California each month and 17.2 percent of those enrolled at the end of the year will not renew coverage.

Subsidized and Unsubsidized Enrollments

In line with the previous forecast, this outlook projects 90 percent of enrollees are qualified for financial assistance on average.

Impact of Rising Minimum Wage

The base forecast projects that the scheduled escalation of California's minimum wage will result in additional enrollment of individuals as they become eligible for subsidies and transition from Medi-Cal. The assumed enrollment impacts were derived from estimates produced by PwC as part of its 2016 market analysis. Given the stability of enrollment through the latest open enrollment, the projected impact going forward is approximately one-fourth of the potentially newly eligible. The previous forecast assumed one-third of the newly eligible would enroll.

Revenue and Change in Health Insurance Premiums

The revenue forecast reflects the shift to a percent of premium assessment in 2017, with a rate of 4 percent of gross health insurance premiums through 2018, which equates to 2.6 percent across the entire individual market for plans controlled by Covered California. The base forecast currently projects its assessment rate to gradually decrease to 3.25 percent by 2021, which equates to 2.1 percent across the entire individual market for the plans contracted by Covered California.

The projected premium growth for the Base Estimate assumes an underlying 7 percent-per-year medical trend driven by annual cost increases in hospital services, professional medical services and pharmaceuticals. In 2018, the renewal of the health insurance provider fee will boost that growth rate to 9 percent for that year only. The assumed cost, and thus premium, growth trend in the forecast is 7 percent per year thereafter.

According to the base enrollment outlook, annual individual plan assessments are projected to decrease as a percentage of premiums, as total premiums increase, in upcoming years. On a cash basis, Covered California projects \$229.1 million in individual market revenues will be generated in FY 2016–17, \$302.5 million in 2017–18, \$311.6 million in 2018–19, \$313.4 million in 2019–20 and \$311.2 million in 2020–21.

Forecast Uncertainties

The greatest uncertainties facing Covered California's enrollment and revenue outlook stem from the potential for major federal legislative or regulatory actions to change key provisions of the Affordable Care Act. The new administration has been working with Congress to pass legislation that could substantially alter the nature of the tax credit subsidies, abolish the individual mandate, change the regulatory basis for premium setting, and/or change a variety of other provisions of the Affordable Care Act. It is possible that some changes could be made by executive order without legislation. At this point, none of the changes being considered has been enacted, but legislation — the American Health Care Act (AHCA) — was passed by the U.S. House of Representatives and will now be considered by the Senate.

To prepare for a range of outcomes that could result from these efforts, Covered California engaged PwC to supplement their work on the 2016 Market Analysis, which evaluated some of the potential policy changes now being considered. The supplemental analysis focused on several key changes that were included in the AHCA.

Of the policy changes analyzed, the elimination of the individual mandate would have the most negative short-term impact on enrollment with Covered California. Based on the PwC analysis, if the enforcement of the individual mandate ended, open enrollment and special-enrollment plan selections would drop significantly, leading to a decline in enrollment potentially in excess of 400,000 by the end of 2018. Additionally, the losses would be weighted to individuals with better health status, which would lead to a deterioration in the risk mix and an increase in premiums.

This enrollment decline would be dramatic, representing nearly one-third of Covered California's enrollees. While this would have huge negative impacts on hundreds of thousands of Californians who would either choose to or be forced to go without coverage, from Covered California's financial perspective, this loss could be manageable. Covered California plans to maintain reserves adequate to cover between nine and 12 months of operating costs. The FY 2017–18 multi-year spending plan projects ending the year with 11 months of reserves.

Supplemental Adult Dental Forecast

In 2016, Covered California added dental coverage for adults as a supplemental benefit. Pediatric dental coverage is defined by law as an “essential health benefit” and has always been part of our offerings. As a supplemental benefit, purchase by consumers is voluntary and there are no federal subsidies to reduce the cost of those premiums. The forecast of dental coverage in the individual market extends to 2021. For the first three months of 2016, about 12 percent of those who enrolled or renewed signed up for dental coverage. The dental forecast projects the same 12 percent rate of enrollment through 2021. In 2017, the revenue assessment shifts to a percentage of premium similar to that of the individual market program for health plans. Premium growth for dental insurance assumes the same rate of growth as the medical program (see the “Revenue and Change in Health Insurance Premiums” section). The revenue projected in the dental forecast reflects premium growth and an assessment rate, 4 percent of gross premiums, equal to the individual medical forecast. The base dental forecast projects that \$1.1 million in dental assessment revenues will be generated annually from FY 2017–18 through FY 2020–21.

Covered California for Small Business Forecast

The enrollment outlook of Covered California for Small Business (CCSB) builds on the operational improvements (e.g., group onboarding at, or better than, industry standard; timely commission payments; quickly resolving account maintenance issues), and better support from our agents and brokers. The CCSB program anticipates that enrollment will continue to grow in 2018. The sales and operations teams are continuing to improve and maintain better relationships with brokers. The focus continues to be on expanding activities such as implementation of agency-level agreements and strategic technology implementations. They continue to focus on group retention by improving communication outreach.

Key Assumptions of the Covered California for Small Business Market Forecast

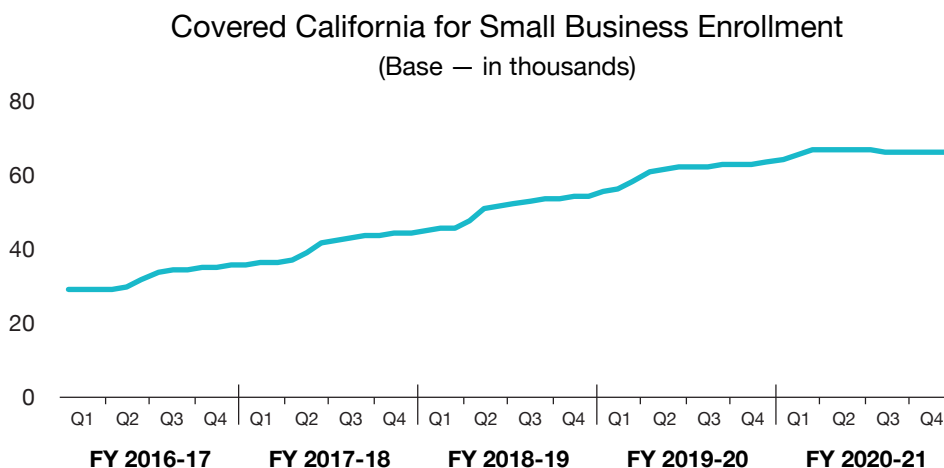
Because of these anticipated improvements and the trends seen over the past year, overall CCSB enrollment is expected to rise modestly through FY 2020–21. Similar to the individual-market enrollment projections, a Base Estimate enrollment forecast has been developed. (See Figure 1.) The updated forecast is built on the experience of the past three years and takes into account the overall size and anticipated growth of the small-business exchange market in California. CCSB currently represents about 8 percent of the exchange market. The base forecast assumes that anticipated program

improvements are expected to grow CCSB market share to 9 percent in 2019. Thereafter, CCSB enrollment growth will keep pace with the anticipated growth of the small-business exchange market.

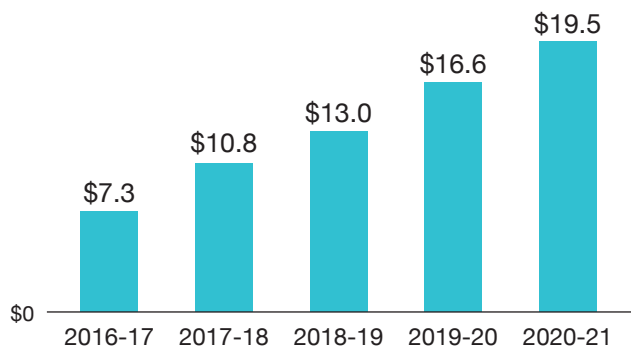
Beginning in 2017, the Covered California assessment rate was based on a percentage of gross health plan premium at 5.2 percent. For plan year 2018, this rate is proposed to be continued at 5.2 percent.

FIGURE 1

Covered California for Small Business ' Base Estimate Enrollment and Revenue Scenarios '



Covered California for Small Business Revenue (Base forecast — in \$millions)



Covered California for Small Business Sensitivity Analysis

The base enrollment forecast assumes a moderately improved market share for CCSB. The low alternative assumes that CCSB does not keep pace with the overall small-business exchange market and its share drops from its current 8 percent to approximately 6 percent. The high alternative assumes that the share increases to 20 percent by 2020 and then keeps pace with overall market growth.

TABLE 3
Covered California for Small Business
Base Enrollment Forecast

Fiscal Year	Fiscal Year End Enrollment					Revenue (\$millions)				
	2016-17	2017-18	2018-19	2019-20	2020-21	2016-17	2017-18	2018-19	2019-20	2020-21
High	36,682	54,210	88,261	129,400	170,480	\$7.3	\$11.1	\$18.5	\$31.1	\$44.8
Base	35,251	44,314	54,288	63,459	67,176	\$7.3	\$10.8	\$13.1	\$16.7	\$19.6
Low	34,861	40,022	44,564	49,303	53,670	\$7.3	\$9.3	\$11.2	\$13.2	\$15.3

VII. Multi-Year Forecast and Reserves \$

Since its inception, Covered California has recognized that the budget planning process involves consideration of multiple variables over a multi-year period, including revenue, expenditures and reserves. As such, the FY 2017–18 budget is one component of a multi-year plan that will ensure that Covered California has a strong fiscal foundation for the foreseeable future.

Covered California anticipates that it will begin FY 2017–18 with an operating reserve of approximately \$289 million. Consistent with its guiding financial principles, the reserve amount is based on maintaining a level that is sufficient to assure an adequate balance to address uncertainties and to allow for timing lags needed to adjust revenue and expenditures. Adjustments in the plan assessment, for example, take 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, which utilizes the base estimate enrollment, is displayed in Table 4. Revenues, 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.

TABLE 4 — BASE ESTIMATE

<i>Dollars in Millions</i>					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Effectuated Enrollment (fiscal year end)	1,375,073	1,321,919	1,305,646	1,311,360	1,333,280
Opening Balance	\$325.1	\$288.9	\$289.5	\$298.2	\$309.3
Plan Assessments-Cash Basis	\$237.6	\$314.4	\$325.8	\$331.0	\$331.9
Expenditures Projected	(\$273.8)	(\$313.8)	(\$317.0)	(\$320.0)	(\$323.0)
Year-End Operating Reserve	\$288.9	\$289.5	\$298.2	\$309.3	\$318.2
<i>Number of months of reserve</i>	11.0	11.0	11.2	11.6	11.8
Plan Year		2018	2019	2020	2021
Plan Assessment Rate		4.00%	3.75%	3.50%	3.25%
Plan Assessment Rate On/Off Exchange		2.49%	2.33%	2.17%	2.03%
Premium Growth Assumptions		9.00%	7.00%	7.00%	7.00%

The multi-year forecast reflects a \$313.9 million budget in FY 2017–18, and assumes budgets of between \$317.0 million and \$323.0 million for FY 2018–19 through FY 2020–21. Consistent with Covered California’s long standing multi-year strategy, the current multi-year plan balances revenues and expenditures in FY 2017–18. The plan provides an operating reserve of approximately 11 months through FY 2020–21. It reflects modest increases in operating expenses over the next few fiscal years to allow programs to maintain necessary service levels and to solicit and retain membership.

The plan assessment is at a level of 4 percent of premium for 2018, at 3.75 percent in 2019, 3.5 percent in 2020 and 3.25 percent in 2021. Covered California for Small Business plan assessments are at a level of 5.2 percent of premium for the duration of

the forecast. The forecast does include revenue from family dental coverage, which is assessed at the same rates as the medical coverage offered on the individual and Covered California for Small Business markets. To the extent enrollment varies from the Base estimate forecast, Covered California would be able to adjust its revenue by increasing or decreasing the plan assessment, or by adjusting its budgeted expenditures.

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.

Targeted Reserve Position

Numerous analyses have been conducted to identify the appropriate level of reserves necessary to provide sufficient time to make fiscal adjustments in the event of a decline in enrollment. Specifically, an analysis performed at the end of 2016 indicated that given the ability to reduce both contractual and personnel expenditures (the latter primarily through attrition), Covered California's existing reserve position at the time of nine to 10 months was adequate to cover a significant reduction in enrollment.

The analysis also indicated that should Covered California's reserve position fall below the nine to 10 month-level, there is some risk that reserves, in conjunction with reductions to expenditures, may not be adequate to maintain solvency in the event of possible enrollment reductions. Because of this, the analysis concluded that Covered California should implement a reserve strategy that maintains reserves at a slightly higher level of nine to 12 months in the near term.

Given the uncertainties facing Covered California's enrollment outlook stemming from the potential for federal legislative action to change key provisions of the Affordable Care Act, it is prudent to maintain reserves at the high end of this range.

Alternative Enrollment Forecasts

In addition to the Base Estimate scenario, Covered California has utilized analyses performed by PwC to also consider the impact of alternative low and high enrollment scenarios on its multi-year outlook.

Low Enrollment Alternative

Given recent actions taken by the new administration and concerns expressed by health plans, we modeled the input of the federal government's stopping levying the personal responsibility fee to enforce the individual mandate.² In the event of this occurring, PwC estimates that open enrollment and special enrollment plan selections would drop off precipitously, leading to a decline in enrollment of up to 430,000. The low alternative assumes these reductions occur in 2018. Additionally, the losses would be weighted to individuals with better health status, which would lead to a deterioration in the risk mix

² Covered California has also modeled the input of the federal government's ceasing to provide direct funding of cost-sharing reductions. While this policy change would lead to higher premiums and higher federal expansion, it would not have a negative impact on Covered California.

and a significant increase in premiums. The low alternative assumes that on average premiums would increase 18 percent in 2018 followed by a return to the 7 percent historic trend. In response to a decrease in enrollment in this scenario, expenditures could be reduced on a measured basis in future years, but staff does not project proposing to lower the plan assessment from its 4 percent level. The impact of the low alternative on the multi-year forecast is illustrated in Table 5.

TABLE 5 — LOW ESTIMATE

<i>Dollars in Millions</i>					
	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Effectuated Enrollment (fiscal year end)	1,375,073	862,401	692,555	617,457	595,338
Opening Balance	\$325.1	\$279.1	\$244.7	\$222.5	\$192.6
Plan Assessments-Cash Basis	\$236.4	\$279.5	\$223.5	\$207.0	\$206.6
Expenditures Projected	(\$282.5)	(\$313.9)	(\$245.7)	(\$236.9)	(\$239.9)
Year-End Operating Reserve	\$279.1	\$244.7	\$222.5	\$192.6	\$159.3
<i>Minimum number of months expenditures covered by</i>	10.7	11.9	11.3	9.6	7.9
Plan Year		2018	2019	2020	2021
Plan Assessment Rate		4.00%	4.00%	4.00%	4.00%
Plan Assessment Rate On/Off Exchange		2.08%	1.86%	1.74%	1.71%
Premium Growth Assumptions		18.00%	7.00%	7.00%	7.00%

High Enrollment Alternative

Covered California also explained reasons enrollment would be substantially higher than under the Base Estimate. In particular, there is a possibility that some policy changes by health plans could result in the elimination of, or reduce the impact of the “family glitch.” This refers to the Affordable Care Act policy of using the cost of the self-only premium to determine affordability of employer-sponsored insurance. The significantly higher family premium may put insurance out of reach for family members, but if self-only coverage is deemed affordable, family members are not eligible for subsidies.

According to the estimates provided as part of its 2016 Market Analysis, PwC estimated that fixing the glitch could lead to an 18–23 percent increase in the subsidy-eligible population, leading to a 290,000 net increase in enrollment at a 69 percent take-up rate. The impact of the high alternative on the multi-year forecast is illustrated in Table 6.

TABLE 6 – HIGH ESTIMATE

Dollars in Millions

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Effectuated Enrollment (fiscal year end)	1,375,073	1,332,407	1,472,568	1,594,449	1,685,158
Opening Balance	\$325.1	\$280.2	\$281.4	\$296.7	\$317.4
Plan Assessments-Cash Basis	\$237.6	\$315.0	\$332.3	\$340.8	\$325.9
Expenditures Projected	(\$282.5)	(\$313.9)	(\$317.0)	(\$320.0)	(\$323.0)
Year-End Operating Reserve	\$280.2	\$281.4	\$296.7	\$317.4	\$320.3
<i>Minimum number of months expenditures covered by</i>	10.7	10.7	11.1	11.9	11.9
Plan Year		2018	2019	2020	2021
Plan Assessment Rate		4.00%	3.50%	2.75%	2.50%
Plan Assessment Rate On/Off Exchange		2.50%	2.27%	1.83%	1.70%
Premium Growth Assumptions		9.00%	7.00%	7.00%	7.00%

VIII. FY 2016–17 Budget Comparison to FY 2017–18

As illustrated in Table 7, the FY 2017–18 Covered California budget provides \$313.9 million to fund program operations. This funding is approximately 2 percent less than the FY 2016–17 board-adopted budget of \$320.9 million. The most significant changes are a result of reductions to the Service Center and the Technology/CalHEERS budgets.

TABLE 7
FY 2016–17 Compared to FY 2017–18

	2016-17 Budget	2016-17 Projected	2017-18 Budget	Difference
Service Center	\$ 92,188,796	\$ 83,117,638	\$ 85,943,965	\$ (6,244,830)
Technology	\$ 66,882,843	\$ 48,073,704	\$ 63,554,106	\$ (3,328,737)
Outreach & Sales, Marketing	\$ 104,109,966	\$ 96,761,435	\$ 104,908,640	\$ 798,673
Plan Management & Evaluation	\$ 15,893,290	\$ 12,801,238	\$ 15,486,338	\$ (406,952)
Administration	\$ 41,850,098	\$ 33,083,674	\$ 43,982,456	\$ 2,132,358
Total Expenses	\$ 320,924,993	\$ 273,837,689	\$ 313,875,505	\$ (7,049,488)

A brief overview of the funding changes for each organizational unit, between the FY 2016–17 actual \$273.8 million and the FY 2017–18 budgets, follows:

Service Center: The FY 2017–18 budget is consistent with projected expenditures for FY 2016–17 of \$83.1 million and will allow the Service Center to provide service levels comparable to FY 2016–17. The FY 2017–18 budget reflects a decrease of \$6.2 million from the FY 2016–17 budget. The FY 2017–18 budget includes \$50.1 million for personal services, \$26.5 million for contracts and \$5.4 million for other expenses.

Technology: The FY 2017–18 budget is approximately \$3.3 million lower than the FY 2016–17 budget. The increase of \$4.3 million for IT infrastructure investments is offset by a \$7.6 million decrease for CalHEERS. Not only is Covered California’s portion of the CalHEERS cost decreasing due to a more favorable cost allocation, but additional savings are also expected as we transition work from the third-party administrator to Covered California IT staff.

Outreach and Sales, Marketing: The FY 2017–18 budget includes \$104.9 million for outreach and marketing efforts to inform Californians about Covered California’s products and retain those who are already enrolled. The budget supports a \$6.5 million Navigator program and \$41.0 million for paid media.

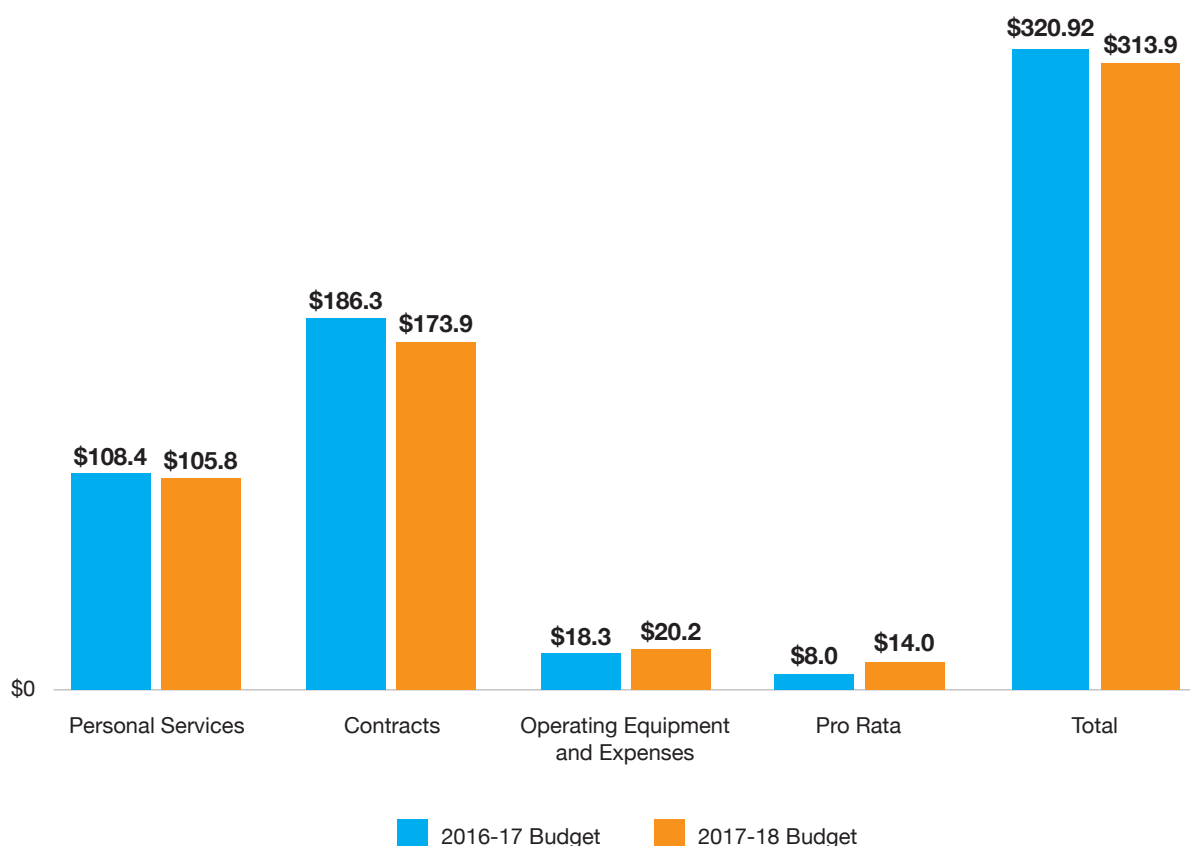
Plan Management and Evaluation: The proposed FY 2017–18 budget remains largely unchanged and continues to achieve Covered California’s goals through the effective

management and coordination of activities between Covered California and its health plans. The budget includes \$6.7 million for personal services and \$7.9 million for contracts.

Administration: The proposed FY 2017–18 budget is approximately \$2.1 million higher than the FY 2016–17 budget primarily due to increases to employee compensation and staff benefits and funding to implement the FI\$Cal transition.

Figure 2 compares the FY 2016–17 and FY 2017–18 budgets by expense category.

FIGURE 2
Expense Category: FY 2016–17 Compared to FY 2017–18
(Dollars in Millions)



Personal Services: FY 2017–18 costs for personal services are approximately \$2.6 million lower than FY 2016–17 largely due to an increase in the salary savings assessment which increased to 12 percent, from 5 percent in FY 2017–18

Contracts: The FY 2017–18 contracts budget is approximately \$12.4 million lower than FY 2016–17 primarily due to a decrease in the cost of the CalHEERS project, combined with a reduction in contractual costs in the Service Center.

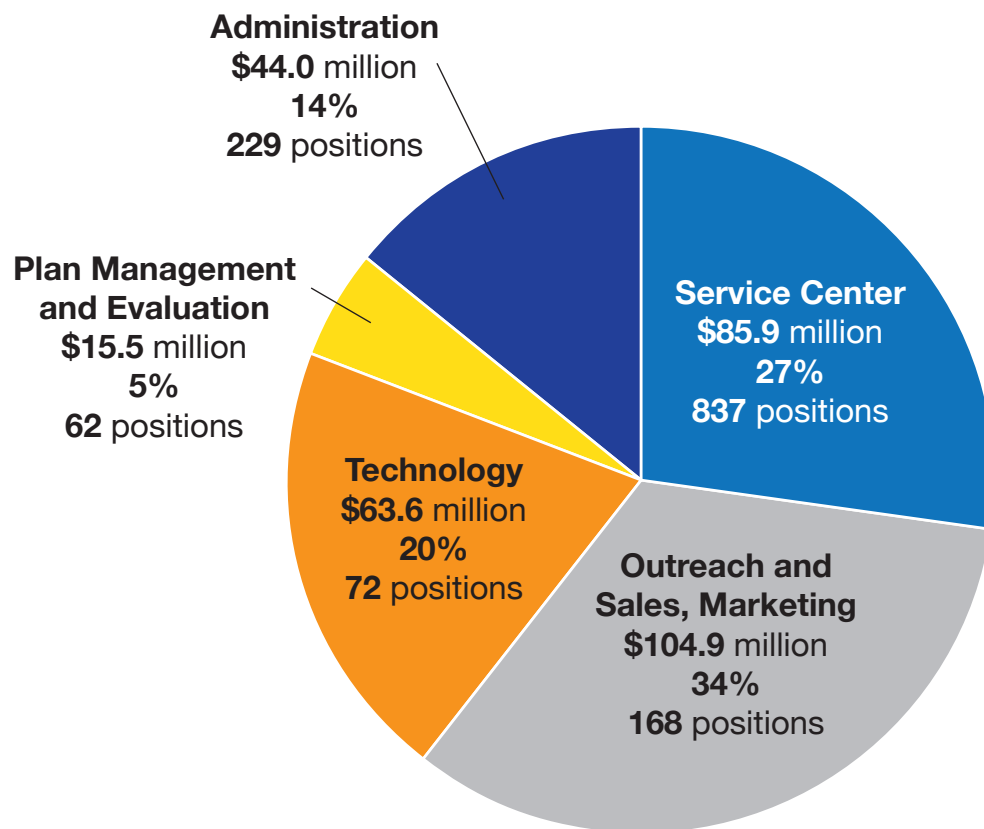
Operating Expenses and Equipment (OEE): Building improvement costs account for the nearly \$1.9 million increase in the OEE budget.

Pro Rata: The FY 2017–18 budget includes \$14.0 million for Pro Rata, a \$6.0 million increase over the FY 2016–17 budgeted amount due to Covered California achieving its normalized assessment rate.

IX. Proposed FY 2017–18 Budget

The proposed FY 2017–18 Covered California budget, presented in Figure 3, incorporates the resources to support the acquisition, retention, support and management of its 1.4 million enrollees. The budget framework is informed by Covered California’s financial guiding principles and strategic pillars, the FY 2016–17 projected expenditures, the 2017 enrollment and revenue forecast and the multi-year forecast. The budget provides 1,368 positions and \$313.9 million to fund program operations, which is 2 percent less than the FY 2016–17 approved budget, but about 15 percent higher than the likely actual expenditures.

FIGURE 3
FY 2017–18 Budget: \$313.9 million



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

- \$104.9 million for Outreach and Sales, Marketing efforts, including \$41 million for paid media and a \$6.4 million Navigator program to inform Californians about our programs and encourage retention of those who have enrolled.
- \$85.9 million for Service Center resources to support enrollment and retention of consumers and to provide a level of service comparable to FY 2016–17.
- \$36.0 million for the FY 2017–18 program requirements of the enrollment and retention IT System as detailed in the CalHEERS road map, and funding for Covered California’s portion of additional CalHEERS costs.
- \$9.0 million to fund IT infrastructure projects to improve the consumer experience and create operational efficiencies.
- \$3.3 million to support Covered California’s Healthcare Evidence Initiative, the goal of which is to use utilization and claims data to improve the quality and value of care.

This budget seeks to fund the delivery of critical programs while keeping expenditures at a level necessary to continue to execute a multi-year plan under which revenues equal expenditures in FY 2017–18 and reserves are maintained at a level sufficient to accommodate enrollment that varies from forecasts.

HIGHLIGHTS AND INITIATIVES

Fiscal Strategy

In strict accordance with the financial mandates set forth under Government Code section 100503, Covered California maintains its fund reserves 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, including adjustments in plan assessments.

In 2017, Covered California changed from a per-member, per-month (PMPM) fee to an assessment based upon a percentage of premiums. This change made for a more equitable distribution of assessments across the health plans, while allowing Covered California to continue to cover the costs associated with attracting, retaining and managing its enrollees.

Initiatives to Promote Long-Term Affordability and Quality

The Covered California Board of Directors has adopted significant requirements for the plans we contract with to improve health care delivery and quality. These reforms, which cover the years 2017 to 2019, will advance ongoing efforts by health insurance

companies, hospitals and care providers to ensure that patients receive quality health care.

The new contract provisions sought to address the challenges in our current health care system and provide guidance for the future that address both quality and costs, such as strengthening value-based, patient-centered benefit designs to improve access to primary care. In addition, Covered California uses core levers to promote better quality and lower costs, such as:

- Requiring providers to meet quality standards without exception and to provide safe care for all, including various racial and ethnic groups.
- Adopting payment strategies that support quality performance.
- Adopting proven models of primary care and integrated delivery models.
- Providing tools to help consumers make informed choices while selecting \$ providers. \$
- Providing actionable information and evidence to improve quality, access, and value throughout the health care delivery system.

These changes are supporting system-wide efforts to lower costs and improve quality for all Californians.

Technology

CalHEERS

At the start of FY 2016–17, the program sponsors of CalHEERS — Covered California and Department of Health Care Services (DHCS) — turned over the oversight and project management of CalHEERS to the Office of Systems Integration (OSI). The transition has resulted in increased efficiencies and streamlining of both maintenance and operations efforts, as well as enhancements to the solution through the application of OSI's best practices in project management.

Some of the most significant enhancements coming in FY 2017–18 include:

- Continuing to implement operational improvements from the CalHEERS roadmap to ensure the organization's technical infrastructure is properly maintained and secured, supports capacity demands and achieves business goals.
- Appropriately equipping authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensuring that business partners are able to receive, exchange and reconcile appropriate consumer information in a timely fashion.

- Striving to continuously simplify and streamline the consumer experience, including during enrollment and while transitioning between various programs available through the Affordable Care Act.

*Information Technology Infrastructure Investment*³

The budget includes a \$9.0 million investment in IT infrastructure to drive efficiencies throughout the organization and provide better customer service.

These efforts will focus on the following:

- Continued work on enhancing the data management strategy for the customer relationship management (CRM) software.
- Implementing additional consumer self-service capabilities.
- Piloting an automated solution for the processing of consumer verification documents.
- Extending marketing capabilities beyond paper and email to text messaging.
- Continued work to enhance Covered California's Salesforce tools.

Service Center and Consumer Support

The budget provides \$85.9 million to fund Service Center operations, a level consistent with FY 2016–17 expenditures, with expectations that the consumer experience continues to improve through a variety of innovative initiatives that are focused on the following activities:

- 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.
- Streamlining business processes to seek operational efficiencies and increase the quality of work.
- Controlling operational costs in order to deliver products and services that offer high value to our consumers.

Outreach and Sales, Marketing

In order to generate new enrollment and maximize retention, the budget proposes \$104.9 million for outreach, sales and marketing efforts. The budget includes \$60.5 million for marketing activities, including \$41.0 million for paid-media marketing. The Marketing Division's goal is to achieve membership acquisition, retention and renewal through the strategic, cost-effective use of marketing in collaboration with the

³ For the final proposed budget, IT expenses will be allocated to programs as appropriate.

Operations, Outreach and Sales, and Communications and Public Relations divisions. The Marketing Division's strategies focus on the following key activities:

- Optimize customer conversion, retention and renewal by using a personalized customer relationship marketing approach.
- Continue to focus advertising campaigns on motivating Californians to enroll during open enrollment and special enrollment, with continued focus on assuring enrollment across California's diverse population.
- Continue the efficient and effective use of social media to expand customer outreach, improve brand engagement and improve customer service.
- Continue to enhance the lead-nurturing program to capture, nurture and convert consumers who express initial interest in the brand acquired through marketing, outreach and education efforts.
- Continue to promote dental, vision and other new services.
- Maximize marketing return on investment by leveraging insights from consumer research, adjusting campaign functionalities based on marketing analytics and optimizing media-spend effectiveness.

In addition to marketing, the budget also includes \$33.1 million specifically for Outreach and Sales, including \$6.5 million for the Navigator program, to educate, support and empower more than 20,000 Covered California sales partners. In FY 2017–18, Outreach and Sales strategies will focus on the following:

- Continued development of the Outreach and Sales Division's technical \$ capabilities to manage and support channel partners. \$
- Regional ground campaign with increased field support.
- Support for Covered California for Small Business.

Navigator Grant Program

The Navigator grant program, mandated by the Affordable Care Act and administered by Covered California, awards funding through a request for application process. Grant funds are awarded to for-profit and nonprofit community-based organizations and community health centers to enroll and re-enroll eligible consumers into a health insurance plan through Covered California. These grantees have successfully reached underserved populations (including Latinos, Asian/Pacific Islanders, African Americans and the LGBTQ community) and have demonstrated their ability to meet U.S. Department of Health and Human Services (HHS) requirements by providing focused "targeted assistance." The contracts will be rebid next year.

Covered California for Small Business

Covered California for Small Business is California's Small Business Health Options Program, which is available to small businesses with one to 100 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 the program will continue its focus on new business growth, continuing to improve operational efficiencies and relationships with agents.

X. ' Covered California FY 2017–18 Program Details

Plan Management and Evaluation	31 \$
Outreach and Sales, Marketing.....	36 \$
Service Center	50 \$
Technology.....	54 \$
Administration	60 \$

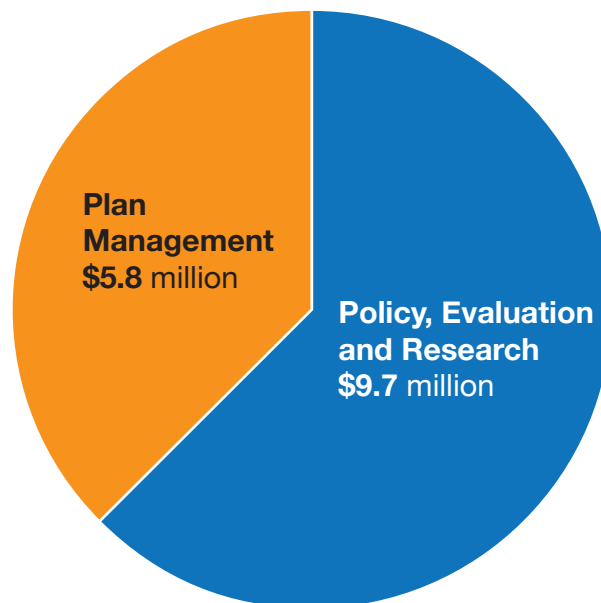
Plan Management and Evaluation

Plan Management and Evaluation includes the Policy, Evaluation and Research Division and the Plan Management Division. The total budget for FY 2017–18 is \$15.5 million.

Plan Management and Evaluation Budget

	FY 2015-16	FY 2016-17	FY 2017-18 #
	Actual Expenditures	Approved Budget	Proposed Budget #
Positions	54	60	62
Personal Services	\$ 3,036,300	\$ 4,426,706	\$ 4,427,284
Benefits	\$ 1,316,190	\$ 2,239,696	\$ 2,282,417
Contracts	\$ 7,996,263	\$ 8,472,962	\$ 7,851,960
OEE	\$ 154,146	\$ 354,000	\$ 229,500
Pro Rata	\$ -	\$ 399,926	\$ 695,177
Total Expenses	\$ 12,502,899	\$ 15,893,290	\$ 15,486,338

Plan Management and Evaluation FY 2017-2018 Budget



Plan Management Division

The Plan Management Division's purpose is to improve the cost, quality and accessibility of health care delivered to consumers through its contracted health plans, and to enable Covered California's goals through the effective management and coordination of activities between Covered California and its health plans.

Key Activities

- Annual plan certification and recertification.
- Annual development and updating of its patient-centered benefit designs.
- Assuring contract compliance and effective partnerships with regulators.
- Promoting quality improvement and delivery-system reform.

Key Accomplishments for FY 2016–17

- Negotiated premiums and service area expansions, and certified 11 health plans for 2017. This gave consumers more choices in 2017, allowing more than 92 percent of consumers to choose from three or more health plans, and nearly 80 percent of consumers were able to pay less by shopping and selecting another plan. Others saw their rates go up by no more than 5 percent if they shopped and switched to another plan.
- Negotiated rates and certified seven dental plans. Launched two new dental plan issuers offering high-quality dental care and competitive premiums, giving consumers in all ZIP codes at least two dental plan choices.
- Engaged stakeholders, regulators and plans in a comprehensive review of Covered California's patient-centered benefit designs, which resulted in implementing changes to reduce financial barriers to needed care in 2017 by eliminating confusing physicians' fees for emergency room services, removing the deductible from emergency room visits for most plans, and reducing the cost of urgent care and primary care visits in most plans.
- Executed a new three-year contract with our health and dental plan issuers that specifies the roles and responsibilities of the parties for plan years 2017–19.
- Implemented a multi-year quality and delivery-system reform agenda as part of the 2017–19 Qualified Health Plan Issuer Contract. Staff met one-on-one with contracted carriers to discuss and track their progress in achieving project milestones and delivery-system improvements.
- To ensure enrollees receive quality care, the Plan Management Division required health plan issuers to ensure all enrollees either selected or were assigned a primary care clinician within 60 days of plan effectuation.

Plan Management Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	26	29	29
Personal Services	\$ 1,806,112	\$ 2,294,803	\$ 2,255,923
Benefits	\$ 761,455	\$ 1,161,058	\$ 1,160,733
Contracts	\$ 2,864,158	\$ 1,777,960	\$ 1,982,960
OEE	\$ 99,059	\$ 168,000	\$ 130,500
Pro Rata	\$ -	\$ 139,436	\$ 259,913
Total Expenses #	\$ 5,530,784	\$ 5,541,256	\$ 5,790,028

Budget Highlights and Key Changes

The contract budget includes:

- \$570,000 for actuarial services.
- \$750,000 for consulting services.
- \$160,000 for medical advisory and clinical support.
- \$395,000 for project management.
- \$107,960 for quality assurance and various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Certification and recertification efforts that promote rate moderation and \$ meaningful plan options. \$
- Working with health plan issuers to refine and execute quality-improvement strategies.
- Ensuring enrollee access to primary care and providing support to navigate the health care system through patient-centered benefit designs, and by requiring all health plan issuers to match a primary care clinician to every enrollee.
- Reviewing program performance, sharing information and ideas and ultimately improving the products and services provided to enrollees through regular engagement with qualified health plan issuers.

Policy, Evaluation and Research Division

The Policy, Evaluation and Research Division provides accurate, complete and timely policy and data analysis to support evidence-based decision-making. Through its Eligibility Operations Unit, the Policy, Evaluation and Research Division also ensures implementation of program eligibility rules.

Key Activities

- Informs policy development.
- Coordinates the provision of input on federal and state exchange policy and regulations.
- Designs manual and automated eligibility processes and verifications.
- Drafts member communications.
- Performs data analysis and modeling.
- Designs research, evaluation and surveys.
- Publicly reports data and develop reports on critical issues to inform policy development. \$

Key Accomplishments for FY 2016–17

- Hosted public engagement process on section 1332 State Innovation Waiver and released analysis of stakeholder recommendations. (Available at <http://hbex.coveredca.com/stakeholders/Covered%20California%201332%20Waiver/index.shtml>.)
- Published the Covered California Active Membership Profile and member survey data. (Available at <http://hbex.coveredca.com/data-research/>.)
- Refined eligibility processes to ensure that consumer communications are clear and effective.
- Launched Covered California's Healthcare Evidence Initiative.

Policy, Evaluation and Research Budget '18

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	28	31	33
Personal Services	\$ 1,230,188	\$ 2,131,903	\$ 2,171,361
Benefits	\$ 554,735	\$ 1,078,638	\$ 1,121,684
Contracts	\$ 5,132,105	\$ 6,695,002	\$ 5,869,000
OEE	\$ 55,087	\$ 186,000	\$ 99,000
Pro Rata	\$ -	\$ 260,490	\$ 435,265
Total Expenses	\$ 6,972,115	\$ 10,352,034	\$ 9,696,310

Budget Highlights and Key Changes

- The budget includes one career executive assignment (CEA) position to allow the Policy Division to expand its leadership capability to improve the enrollment experience for our consumers and sales channels, maintain compliance with frequently changing federal and state eligibility rules, and deepen Covered California's relationships with state and federal health care partners and consumer advocates.
- The contract funding reflects a decrease of \$826,002 primarily due to moving the contracted expense for the Health Consumer Alliance funding to the Office of Legal Affairs's budget.
- The contract budget includes:
 - \$3,839,000 for analytics and modeling.
 - \$1,000,000 for consulting services.
 - \$30,000 for student assistants.
 - \$1,000,000 for readability and translation services.

FY 2017–18 Activities Supporting Covered California's Mission and Strategy

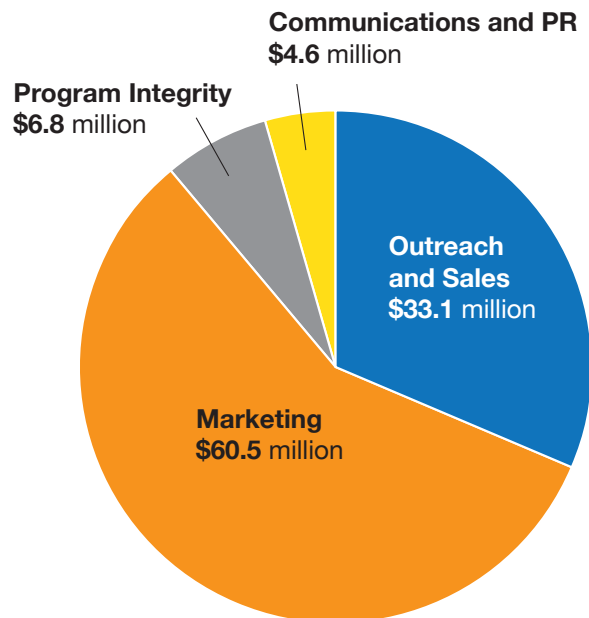
- Continue to refine eligibility processes to ensure compliance and provide a simple and positive consumer experience.
- Under the Healthcare Evidence Initiative, analyze consumer access to care through clinical, enrollment and qualitative survey data, and identify opportunities for improvements.
- In partnership with Plan Management and the chief actuary, provide data and models to describe the consumer response to the prior year's products and price in support of rate negotiations.

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 budget for FY 2017–18 is \$104.9 million.

	FY 2015-16	FY 2016-17	FY 2017-18 #
	Actual Expenditures	Approved Budget	Proposed Budget #
Positions	152	157	168
Personal Services	\$ 7,586,999	\$ 11,033,858	\$ 11,051,677
Benefits	\$ 3,469,051	\$ 5,524,109	\$ 5,576,753
Contracts	\$ 86,546,969	\$ 84,065,752	\$ 82,776,671
OEE	\$ 621,642	\$ 942,000	\$ 884,000
Pro Rata	\$ -	\$ 2,544,247	\$ 4,619,539
Total Expenses	\$ 98,224,661	\$ 104,109,966	\$ 104,908,640

Outreach and Sales, Marketing
FY 2017-2018 Budget



Marketing

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

Key Activities

- Performs market and consumer research to understand the consumer mindset.
- Creates the marketing strategy, grounded in qualitative and quantitative research, to attain the organization's objectives and achieve enrollment goals.
- Develops, executes and monitors marketing campaigns that align with an approved strategy, including media planning and buying, advertising creative development and production, and digital and social media.
- Develops, executes and monitors a lead-nurturing program to capture, nurture and convert consumers who express initial interest in the brand, acquired through marketing, outreach and education efforts.
- Develops, executes and monitors a Customer Relationship Marketing program that focuses on retention and renewal. This program deepens member relationships through personalized, timely and relevant communications that build consumer loyalty and advocacy.
- Analyzes results from a return-on-investment standpoint and recommends \$ improvements. \$

Key Accomplishments for FY 2016–17

- Implemented a successful multiethnic, multichannel marketing campaign that contributed to 412,000 new plan selections during open enrollment.
- Continued with the "It's more than just health care. It's life care." advertising campaign tailored by segment, including Latino, African American, Asian/Pacific Islander, LGBTQ, and multi-segment via multiple television, radio, newspapers, out-of-home, digital and paid social channels.
- The Retention and Renewal program effectively targeted existing members, contributing to approximately 1.34 million enrollees renewing their membership for 2017.
- The social media campaign established a highly visible presence on Facebook, Twitter, Instagram and YouTube to engage directly with Californians and function as a successful customer service platform. Consumers who posted comments were provided a response from Covered California within two hours 84 percent of the time.

- Promoted dental plan offerings and achieved approximately 281,000 dental plan \$ selections during the open-enrollment and renewal period. \$

Marketing Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	24	24	26
Personal Services	\$ 1,389,532	\$ 1,809,004	\$ 1,945,313
Benefits	\$ 626,547	\$ 915,267	\$ 1,002,824
Contracts	\$ 53,168,720	\$ 54,077,814	\$ 54,808,000
OEE	\$ 52,654	\$ 144,000	\$ 104,000
Pro Rata	\$ -	\$ 1,392,494	\$ 2,625,399
Total Expenses #	\$ 55,237,453	\$ 58,338,580	\$ 60,485,535

Budget Highlights and Key Changes

- The budget includes a reduction in postage costs related to CalHEERS notifications while maintaining funding for voter registration at \$2.3 million, the same level as FY 2016–17.
- The budget includes two new marketing specialist positions, one to coordinate the Marketing Division’s participation in the upcoming Consumer Journey initiative and the ongoing Enrollment Application Improvement initiative, and the other to develop content and distribute targeted messages to members and consumers who have expressed interest in Covered California.
- To support the statewide marketing effort, the budget includes \$41 million for paid media.
- The contract budget includes:
 - \$4,088,000 for market research.
 - \$2,292,631 for voter registration.
 - \$4,000,000 for CalHEERS postage.
 - \$3,427,369 for collateral, fulfillment and printing.
 - \$41,000,000 for marketing.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Optimize customer conversion, retention and renewal by using a personalized customer relationship marketing approach.
- Continue to focus advertising campaigns on motivating Californians to enroll during open enrollment and special enrollment.
- Continue the efficient and effective use of social media to expand customer outreach, improve brand engagement and improve customer service.

- Continue to enhance the lead-nurturing program to capture, nurture and convert consumers who express initial interest in the brand, acquired through marketing, outreach and education efforts.
- Continue to promote dental, vision and other new services.
- Maximize Marketing's return on investment by leveraging insights from consumer research, adjusting campaign functionalities based on marketing analytics and optimizing media spend effectiveness.

Outreach and Sales Division

The purpose of the Outreach and Sales Division is to educate, support and empower the more than 20,000 Covered California sales partners in order to increase the number of insured Californians and drive enrollment to create a sustainable exchange. The program follows contract, compliance, regulatory and policy responsibility for all sales-channel partner programs to ensure program integrity and consumer protection.

Covered California's sales partners enroll more than half of Covered California consumers. Sales partners include Certified Insurance Agents, Navigators, Certified Application Entities and Plan-Based Enrollers.

The Outreach and Sales Division consistently seeks to develop new and innovative ways to connect consumers to coverage. The division works closely with our sales partners to enroll diverse populations. A commitment to reach and enroll all populations in our diverse state and the crucial 18-to-34-year-old young adult demographic is among our top priorities to help give California the best risk mix in the nation.

The Outreach and Sales Division includes the following program areas:

- Accounts Team:
 - Navigator grant program regulation, policy, contracts and compliance.
 - Plan-Based Enrollers.
 - Certified entities.
- Agent Program Management: Regulation, policy, contracts and compliance for more than 14,000 Certified Insurance Agents.
- Business Development: Field outreach team supporting all certified enrollers.
- Certification Services: Certification of all non-insurance agent enrollers, including 500 certified entities and more than 5,000 certified counselors.
- Distribution Services: Communication, training, storefronts, events program, portals, "Help on Demand" consumer referral program, service center and CalHEERS in support of sales channel partners.
- Sales Division Analytics: Monthly sales reporting, support of sales system Salesforce.com and maintaining "hot spot" maps using Geographic Information Software.
- Covered California for Small Business (CCSB).

Strategies for the Outreach and Sales Division include supporting all sales partners by:

- Providing timely and effective training and communication.
- Developing and managing online sales-channel partner tool kits.

- Ongoing development of certified enroller and agent portals in CalHEERS.
- Maintaining a high-performing Sales Call Center to support all sales partners.
- Maintaining the storefront and events programs and webpages.
- Maintaining “hot spot” heat maps to identify pockets of uninsured consumers and inform outreach strategies.
- Providing access to enrollment marketing materials.
- Providing enrollment support to all sales channel partners in the field.
- Making it easier for consumers to get local help to enroll from certified enrollment partners by offering the following tools on Covered California’s “Find Local Help” webpage: the Help on Demand referral tool and tools to find certified storefront locations, local enrollment events and certified sales partners in their community.

Key Outreach and Sales Activities for FY 2016–17

- Develop and implement the sales strategy for both the individual and small-business exchanges.
- Build and manage productive relationships with all sales channel partners to promote community-level outreach and enrollment throughout California.
- Sales channel training, communication, support, contracting and compliance.
- Development and oversight of client-management tools and technology.
- Innovation to help consumers connect with local enrollment support. Includes the storefront program, the “Events Near You” webpage, and the Help on Demand tool.
- Manage the following programs: Agent Program Administration, Certified Application Counselor (CAC) program, Navigator grant program, Plan-Based Enroller (PBE) program, Medi-Cal Managed Care Plan (MMCP) program, Community Outreach Network and Covered California for Small Business.

Key Outreach and Sales Accomplishments

- Grew the Covered California certified enrollment storefront program from 500 storefronts to more than 800 in advance of open enrollment using the new heat maps developed last year to identify “hot spots” of subsidy-eligible uninsured consumers.
- Updated Covered California’s heat maps, which informed strategies to reach and enroll subsidy-eligible uninsured consumers across all communities, including those that are underserved. The maps are powered by Geographic Information

Software and show the area's race and ethnicity demographics. Heat maps are used to identify "hot spots" with large numbers of subsidy-eligible, uninsured consumers. They are used by health plans, insurance agents and the Outreach and Sales team to plan enrollment efforts.

- Managed the Navigator grant program, which is composed of 47 grantees. The program assisted more than 45,000 consumers with enrollment and renewal in a plan through Covered California.
- Developed and launched Help on Demand, an innovative new web-based \$ consumer referral tool. \$
- Led special-enrollment period and open-enrollment period kickoff events and meetings throughout the state to promote and train Covered California's certified enrollers.

Covered California for Small Business

Covered California for Small Business's mission is to provide a cost-efficient exchange that promotes fair competition and efficiencies through technology and administration in order to provide employers, their employees and their families with more plan choice and access to affordable coverage.

The Outreach and Sales Division is responsible for overseeing all aspects of Covered California for Small Business, including strategy, finance, sales and marketing, plan management, regulations, policy and operations.

Key Small-Business Accomplishments

- Achieved new membership growth of 25 percent to 4,045 groups and 34,515 members.
- Established an Account Management team to focus on customer retention.
- Renewed our four existing general agent contracts and added a new one, \$ Rogers Benefits. \$
- Improved our agent-commission payment process to exceed the industry standard. \$
- Implemented an agent and general agent sales-incentive program.
- Revised and extended the contract with the program's third-party administrator, Pinnacle Claims Management, for two years.
- Developed and launched Partner News, a monthly e-newsletter.
- Developed an agent and employer online enrollment portal for launch in early 2017.

- Improved the product portfolio to include two full-network PPOs, Blue Shield of California and Health Net, which improved choice and access for California's small businesses.

Outreach and Sales Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	55	57	59
Personal Services	\$ 2,938,069	\$ 3,977,269	\$ 4,031,049
Benefits	\$ 1,318,288	\$ 1,977,709	\$ 2,008,373
Contracts	\$ 30,406,681	\$ 27,170,938	\$ 25,186,671
OEE	\$ 319,237	\$ 342,000	\$ 354,000
Pro Rata	\$ -	\$ 863,897	\$ 1,484,249
Total Expenses	\$ 34,982,275	\$ 34,331,814	\$ 33,064,341

Budget Highlights and Key Changes

- The budget includes two additional positions, a staff services manager (SSM) II to manage the Agent Program Management Team and the Sales Distribution Team, and an associate governmental program analyst (AGPA) to provide administration support for the Outreach and Sales Division's management team.
- The budget sustains Navigator program funding at \$6.5 million, which maintains community expertise and consumer support across targeted populations and ethnicities.
- Funding for the Covered California for Small Business third-party administrator and agent support continues to represent a substantial portion of the Outreach and Sales budget.
- The contract budget includes:
 - \$ \$20,000 for background and fingerprinting.
 - \$ \$15,478,338 for Covered California for Small Business administration and agent support.
 - \$ \$400,000 for consulting services.
 - \$ \$263,333 for infrastructure projects.
 - \$ \$6,475,000 for Navigator and in-person assisters.
 - \$ \$1,300,000 for project management.
 - \$ \$1,250,000 for other projects.

Program Integrity Division

The Program Integrity Division within Covered California collaborates with all program areas to improve system and operational efficiencies when consumers apply and enroll in a health plan through Covered California. In addition, the division helps improve program compliance with federal and state regulations and mandates.

Key Activities

- Manages, monitors and oversees all data integrity initiatives to improve data consistency and accuracy within the core systems of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). In addition, manages, monitors and reconciles program data to improve accuracy of enrollment information and transactions sent between CalHEERS, health and dental plans and federal partners.
- Manages and oversees the User Acceptance Testing (UAT) process with programs by testing CalHEERS's key functionalities prior to implementation in order to reduce the number of critical system issues.
- Performs prioritization on CalHEERS's issues and conducts Post-Implementation Review (PIR) on system functionalities with programs in order to improve operational efficiencies and compliance, in accordance with established business requirements and program policies.
- Oversees and monitors an enterprise-wide risk-management reporting process to assist program areas in their risk analysis and evaluation of organizational operations, internal management controls, policies and procedures based on Covered California's goals and objectives. This process allows Covered California the opportunity to effectively prioritize risks for mitigation efforts, and help identify areas that may require improvements to operational efficiencies and effectiveness.
- Monitors and oversees an integrated and enterprise-wide fraud risk-management program within Covered California, which requires collaboration and partnership with various internal and external entities. Identifies processes to assist in detecting, deterring, and preventing fraud by identifying trends that may be more vulnerable to fraud issues. In addition, researches and evaluates allegations related to fraud, waste, abuse or the misuse of consumer information.
- Manages and performs independent external and internal audit functions and services to help improve program compliance with federal and state regulations and mandates, as well as identifies risks that may potentially impede Covered California in achieving its goals and objectives.

Key Accomplishments for FY 2016–17

- *Reconciliation of Enrollment and Membership (REM)*: The Data Integrity Branch successfully developed a process using key performance indicators (KPI) to monitor each health and dental plan's performance of reconciliation efforts (and projected future carrier performance). In addition, there was a significant increase regarding the frequency of data reconciliation throughout the year. This drastically improved data accuracy and consistency within CalHEERS's core systems. All discrepancy reports reflected less than a 0.1 percent discrepancy rate regarding data pertaining to consumers' start and end dates of coverage and enrollment status.
- *CalHEERS User Acceptance Testing and System Issues Review*: User Acceptance Testing was performed on every CalHEERS release to validate the performance of key system functionalities. In addition, extensive reviews occurred related to CalHEERS system issues. These issues were prioritized and resolved by CalHEERS. These activities helped improve the consumer experience and consumer journey.
- *Special-Enrollment Period Verification Process*: A special-enrollment verification process was implemented by using a statistically valid random sampling of consumers who enrolled with a qualifying life event. The special-enrollment verification process and all consumer notices were implemented with input and feedback from consumer advocate groups. Management reports and dashboards were created to inform future policy decisions related to the special-enrollment eligibility process.
- *Enterprise Risk Management*: An Enterprise Risk Management process was created to identify, document, track, monitor and prioritize risks, in compliance with the State Leadership Accountability Act (SLAA). All reports and corrective action plans for the biennial SLAA reporting were completed. In addition, an enterprise risk- management training course was designed and developed to help supervisors and managers identify various methods and techniques to help manage risks that affect Covered California's goals and objectives.
- *Integrated Fraud Risk-Management Program*: An integrated and enterprise-wide fraud risk-management program strategy was developed. The initial strategy phase has been implemented that identifies areas of oversight and compliance monitoring that can be further refined, as well as strategies to help identify additional safeguards to help improve processes for fraud prevention.
- *Independent Audit Functions and Services*: Implementation of the Annual Audit Plan occurred. Fieldwork was conducted to gather and analyze evidence in order to make useful recommendations to program areas for improvement of operations and to enhance compliance with regulations.

- *Independent External Functions and Services:* Coordinated several external audits performed by external entities, such as the Government Accountability Office, Treasury Inspector General of Tax Administration, and the California State Auditors.

Program Integrity Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	54	57	63
Personal Services	\$ 1,915,346	\$ 3,714,568	\$ 3,665,532
Benefits	\$ 941,586	\$ 1,879,389	\$ 1,861,566
Contracts	\$ 956,188	\$ 675,000	\$ 640,000
OEE	\$ 124,102	\$ 342,000	\$ 336,000
Pro Rata	\$ -	\$ 170,647	\$ 305,642
Total Expenses #	\$ 3,937,222	\$ 6,781,604	\$ 6,808,740

Budget Highlights and Key Changes

- The budget includes one new senior management auditor, one new SSML, two associate management auditors and two new AGPAs.
- The contract budget includes:
 - \$490,000 for audit services.
 - \$100,000 for consulting services.
 - \$50,000 for various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Help improve CalHEERS when consumers apply and enroll into a health plan through Covered California to enhance the consumer experience.
- Help improve program compliance with federal and state regulations and \$ mandates. \$
- Help improve data accuracy and consistency within CalHEERS to improve federal reporting and enhance the reliability of data-driven business analytics for Covered California’s policy decision-making process.
- Implement various reporting tools and processes to help Covered California identify risks for mitigation efforts and areas that may require additional improvements to operational efficiencies and effectiveness.

Communications and Public Relations Division

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 a large-scale open-enrollment launch effort, press conferences, press releases, op-eds, speechwriting, Speakers' Bureau coordination, message development, video creation and production, as well as daily responses to complex and sensitive media inquiries.
- Provides spokesperson services in English, Spanish and other languages for non-English media outlets.
- Designs and executes communications plans to reach specific ethnic groups such as Latinos, African Americans and Asian/Pacific Islanders.
- Develops and reviews agency-wide messages on critical and sensitive topics.
- Provides regional communications support with enrollment, education and awareness activities. \$
- Spearheads the design of and updates all content for CoveredCA.com. Maintains coherence of content through the English and Spanish mirrored websites.
- Provides high-quality graphic design services for divisions throughout the \$ organization. \$
- Develops and maintains writing style guidelines.
- Serves as the first point of contact with the public for the Speakers' Bureau and assigns speakers to fulfill requests.
- Makes communications presentations to internal and external groups about open-enrollment earned-media efforts.

Key Accomplishments for FY 2016–17

- Conducted a successful kickoff media tour during open enrollment, making 27 stops and visiting 10 California cities over nine days, resulting in more than 46 million earned-media impressions and an advertising value of nearly \$1.5 million.
- Conducted a “countdown” media tour during the last few days of open enrollment, visiting major cities across the state and conducting one-on-one interviews with prominent media outlets. During the entire open-enrollment period

for 2016–17, Covered California generated a total of 77.1 million media impressions. \$

- Planned and coordinated more than a dozen press conferences and teleconference calls with state and national media, issued more than 34 news releases (in English and Spanish) and answered hundreds of media calls.
- Developed fact sheets and helped produce two comprehensive reports containing more than 300 pages of written and visual content.
- Redesigned and reorganized CoveredCA.com for the fourth open-enrollment period based on broad-ranging quantitative and qualitative research from multiples sources, making it easier for consumers to find the information they need through a retooled navigation system that complemented the upgraded online shopping tool.
- Created an Ethnic and Community Media Outreach program that resulted in dozens of print-ready article placements in Asian/Pacific Islander, African-American and LGBTQ newspapers and websites leading up to and through the fourth open enrollment. The monthly outreach has led to many outlets placing our press releases as well.
- Conducted hundreds of broadcast and print-media interviews in markets statewide, in English and Spanish, during open enrollment and during worthy news cycles.
- Added more “Real Stories” of Californians sharing the experiences they have had with Covered California. The “Real Stories” page on CoveredCA.com now features 35 stories collected during the past few years.
- Published a monthly employee newsletter that highlights the people of Covered California and their work.

Communications and Public Relations Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	19	19	20
Personal Services	\$ 1,344,052	\$ 1,533,016	\$ 1,409,784
Benefits	\$ 582,630	\$ 751,744	\$ 703,991
Contracts	\$ 2,015,380	\$ 2,142,000	\$ 2,142,000
OEE	\$ 125,649	\$ 114,000	\$ 90,000
Pro Rata	\$ -	\$ 117,209	\$ 204,249
Total Expenses #	\$ 4,067,711	\$ 4,657,969	\$ 4,550,024

Budget Highlights and Key Changes

- The budget includes a new information officer to perform the more difficult professional and technical tasks associated with a comprehensive state and national television, radio and e-video media relations program to inform the public of the objective of Covered California and to restore an expired position.
- The contract budget includes:
 - \$2,000,000 for communication services.
 - \$42,000 for student assistant staffing.
 - \$100,000 for various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Develop an overarching strategy for Covered California’s public-facing website content, which includes CoveredCA.com and HBEX.ca.gov.
- Provide regularly updated information to the media. Create a strategic approach for general press, as well as targeted-segmented audience media tailored to their specific needs and formats.
- Provide communications expertise and support to other divisions to further their goals.
- Strengthen the Communications and Public Relations Division within Covered California, identifying functions, skills and 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 consumers in health plans and promptly resolving challenges that prevent consumers from receiving health and dental benefits. Our efforts ensure consumers receive the right care at the right time at an affordable price, retain Covered California coverage and are satisfied with our products and services.

Key Activities

- Processes consumer inquiries and assists in consumer enrollment.
- Provides warm transfers to counties via the “Quick Sort” process for individuals who are eligible for other programs.
- Provides support for enrolled assisters, agents and health plans. Provides support for incoming and outgoing mail operations. Provides Help Desk backlog support. Performs data entry for submitted paper applications. Processes manual verification (inconsistency) documents, Form 1095-A disputes and appeals.
- Performs Form 1095 special projects.
- Implements administrative law judge (ALJ) decisions.

Key Accomplishments for FY 2016–17

- Processed more than 3.9 million consumer assistance calls from July 2016 through mid-February 2017.
- Closed more than 18,000 escalations and formal complaints.
- Processed 15,082 consumer appeals.
- Implemented more than 5,000 administrative law judge decisions.
- Restructured the appeals process for improved efficiencies.
- Implemented a Recorded Verbal Withdrawals process.
- Implemented a warm-transfer process between the Department of Managed Health Care and Covered California.
- Implemented a case management process.
- Developed disclaimer call box scripts and training for appeals staff.
 - \$ Completed appeals and hearings training by the California Department of Social Services.

- Reduced backlog of manual work by 195,000 individual tasks during the off-season and developed an ongoing workflow plan.
- Service Center representatives enrolled 12.9 percent of new enrollees for the fourth open enrollment.
- Assisted with the agents' calls.
- Performed multiple successful outbound call campaigns.
- Completed more than 482,000 manual work streams.
- Enhancements to the interactive voice response (IVR) allowed Service Center representatives to be dually skilled.
- Implemented messaging that lets consumers know (in their language) that they will be transferred to a representative who will assist them with the help of LanguageLine translation services if no representative is available in their language.
- Provided live chat in Spanish.
- Processed and resolved more than 8,100 IRS Form 1095-A dispute forms.
- Researched and submitted 3,326 cases for data fixes to resolve Form 1095 generation issue.
- Reviewed and processed 6,915 Help Desk tickets.
- Extended business hours during the fourth open-enrollment period to assist consumers on key dates.
- Implemented courtesy callbacks.
- Implemented messaging for consumers to hear their estimated wait time to reach a representative.
- Installed prerecording disclaimer boxes for all Service Center sites.
- Implemented Skype for Business to support instant staff communication and coaching.
- Revamped the quality-assurance process.
- Re-engineered the quality assurance process for standardization, staff feedback and coaching.
- Conducted regular meetings with the health plans to improve partnerships and efficiencies.

- Ramped up the surge vendor.
- Collaborated with Covered California University to schedule refresher and ongoing training.
- Conducted several hiring processes at all levels.
- Provided supervisory and managerial training and development through the International Customer Management Institute.
- Established team leads to provide a first point of support for all Service Center units.
- Centralized the Priority Support Unit.
- Reorganized the structure of the Service Center to address span of control, business-process improvements and accountability.

Service Center Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	908	843	837
Personal Services	\$ 32,148,932	\$ 36,071,341	\$ 33,436,126
Benefits	\$ 16,230,330	\$ 17,843,067	\$ 16,701,745
Contracts	\$ 31,867,751	\$ 29,411,306	\$ 26,532,948
OEE	\$ 4,643,985	\$ 6,543,320	\$ 5,415,147
Pro Rata	\$ -	\$ 2,319,762	\$ 3,857,999
Total Expenses	\$ 84,890,998	\$ 92,188,796	\$ 85,943,965

Budget Highlights and Key Changes

- The Service Center budget includes a decrease of six vacant positions and corresponding funding that will be redirected to IT for continued support of Service Center activities.
- Fourteen vacant positions are being repurposed for special-enrollment period verification.
- The budget includes a \$1.5 million increase for the surge vendor to supplement the expired contract for Contra Costa County call center services. The contract expired on Dec. 30, 2016, and at this time there are no plans to renew this contract.

- The contract budget includes:
 - \$6,294,948 for appeals.
 - \$18,825,000 for call center support.
 - \$250,000 for consulting services.
 - \$1,163,000 for various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Controlling operational costs in order to deliver products and services that offer a 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.
- Streamlining business processes to seek operational efficiencies and increase quality of work.

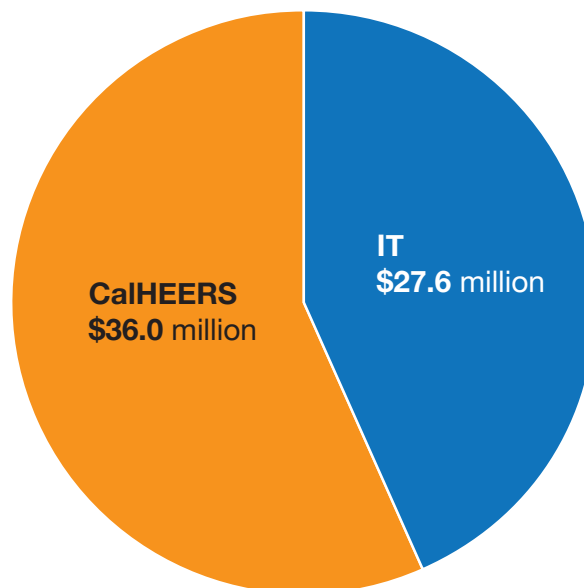
Technology

Technology includes the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and the Information Technology (IT) Division. The total budget for FY 2017–18 is \$63.6 million. \$

Technology Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	100	55	72
Personal Services	5,402,723	\$ 4,148,305	5,069,764
Benefits	2,323,218	\$ 2,098,838	2,502,744
Contracts	39,346,221	\$ 54,427,816	46,901,868
OEE	4,684,196	\$ 4,524,900	6,226,805
Pro Rata	0	\$ 1,682,984	2,852,925
Total Expenses	\$ 51,756,358	\$ 66,882,843	\$ 63,554,106
Reimbursements	\$ (4,190,647)	\$ -	\$ -
Total Operating Costs	\$ 47,565,711	\$ 66,882,843	\$ 63,554,106

Technology
FY 2017-2018 Budget



California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)

The California Healthcare Eligibility, Enrollment and Retention System project is the system jointly sponsored by Covered California 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

- Enhancement, maintenance and operations of the CalHEERS solution to support eligibility determination and enrollment in Covered California and Medi-Cal, including the technical infrastructure for Covered California service centers.
- Liaison between sponsors and partner agencies at the federal and state level, and the systems integrator for operational coordination and efficiency.
- Integrates with health insurance companies for enrollment.
- Federal and state reporting, management and interface responsibilities.
- Project management services.

Key Accomplishments for FY 2016–17

- Processed more than 1.3 million renewals for the 2017 plan year.
- Processed more than 400,000 new enrollments during the 2017 open-enrollment period.
- Upgraded the consumer-decision support tools for plan selection for the 2017 open-enrollment period.
- Implemented eligibility notices in all threshold languages.
- As part of an effort to add mobile readiness and other consumer-centric enhancements to CalHEERS throughout 2017, implemented enhancements to the income section of the online application.
- Implemented automated workflows to streamline and expedite consumer inquiries and verifications. \$
- Completed the Form 1095 processing for the 2016 plan year on time with a very small percentage of consumers requiring corrections.
- Delivered courtesy callback functionality, improving the Covered California caller experience.

CalHEERS Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	58	0	0
Personal Services	\$ 2,896,186	\$ -	\$ -
Benefits	\$ 1,288,062	\$ -	\$ -
Contracts	\$ 36,408,112	\$ 42,587,816	\$ 34,384,730
OEE	\$ 124,829	\$ -	\$ -
Pro Rata	\$ -	\$ 1,099,306	\$ 1,616,065
Total Expenses #	\$ 40,717,189	\$ 43,687,122	\$ 36,000,795
Cost Sharing	\$ (4,190,647)	\$ -	\$ -
Total Operating Costs #	\$ 36,526,542	\$ 43,687,122	\$ 36,000,795

Budget Highlights and Key Changes

- Option year negotiations with Accenture to continue operations and maintenance (O&M) services after the end of the base contract term this fiscal year.
- Carve out the service center functionality from the system integrator to transition to the state.
- The contract budget includes:
 - \$31,384,730 for program partners.
 - \$3,000,000 for SAWS.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Continue to implement operational improvements from the CalHEERS 24-month roadmap to ensure the organization’s technical infrastructure is properly maintained and secured, supports capacity demands and achieves business goals.
- Appropriately equip authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensure business partners are able to receive, exchange and reconcile \$ appropriate consumer information in a timely fashion. \$
- Strive to continuously simplify and streamline the consumer experience, including enhancing consumer experience during enrollment and transitioning between various programs available through the Affordable Care Act.

Information Technology Division⁴

The Information Technology (IT) Division provides technology and security services and solutions to all divisions, consumers and stakeholders to support effective, secure and efficient operations and enrollment services in a manner that is financially sustainable. This includes providing oversight of the ongoing development and operations of CalHEERS for Covered California. Central to IT is ensuring the best possible consumer experience before, during and after the enrollment process. We do this by monitoring the technology landscape for strategic opportunities, gathering requests for services, evaluating possible solutions, managing an effective IT governance process, providing project management and oversight, and implementing or overseeing and supporting solutions either internally or through appropriate outsourcing strategies.

Key Activities

- Enterprise architecture, IT governance and technical project management.
- Oversight and monitoring of the security of all data and technical assets of \$ Covered California. \$
- Analysis, development, implementation, maintenance and operations of the Covered California technical business solutions.
- Architecture, security and integrity of Covered California data assets.
- Management and oversight of the technical infrastructure and network for Covered California. \$
- Staffing and operating a full-service Service Desk for Covered California.

Key Accomplishments for FY 2016–17

- Completed an expansion of extranet sites for agents, carriers and consumers, adding new features and functions to enhance business-to-business operations and overall consumer experience for appeals, Form 1095s and special enrollments.
- Added a new opt-in lead capture for news and reminders to the Covered \$ California website. \$
- Made nearly 200 new storefronts available to consumers.
- Implemented the first major upgrade to the customer relationship management (CRM) platform for Service Center representatives.

⁴ At this point, the IT budget is presented separately. In the June proposal, some of these costs will be allocated in the programs that benefit from the IT projects.

- Implemented recorded consumer disclaimers to ensure consistency and completeness of information to consumers applying for Covered California programs.
- Designed, built and implemented a new data platform to allow enhanced data reporting throughout the organization, including implementation of improved geo-mapping capabilities for sales and data reporting.
- Launched a new internal services management system to streamline internal operations, including Help Desk ticketing for IT, the Business Services Branch, Covered California University, internal hiring and audits.
- Migrated the organization to a new email platform, Office365.
- Renewed Covered California's authority to connect to federal services for an additional three years.

Information Technology Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	42	55	72
Personal Services	\$ 2,506,537	\$ 4,148,305	\$ 5,069,764
Benefits	\$ 1,035,156	\$ 2,098,838	\$ 2,502,744
Contracts	\$ 2,938,109	\$ 11,840,000	\$ 12,517,138
OEE	\$ 4,559,367	\$ 4,524,900	\$ 6,226,805
Pro Rata	\$ -	\$ 583,678	\$ 1,236,860
Total Expenses	\$ 11,039,169	\$ 23,195,721	\$ 27,553,311

Budget Highlights and Key Changes

- The budget includes an \$8.3 million investment in IT infrastructure to drive efficiencies throughout the organization and provide better customer service.
- The budget includes four systems software specialist III (SSS III) position to provide support during the Service Center transition from Accenture support to a new vendor and state support.
- Two SSS III positions to acquire specific resources, infrastructure equipment and professional services for the transition from Accenture.
- Two associate information systems analyst (AISA) positions for the development and expansion of the Covered California IT Service Desk.
- Two SSS III positions and one senior program analyst to assist with the implementation and use of a variety of technical solutions across the enterprise.
- Two staff programmers, one SSS II and one SSS III to replace professional services currently being provided by multiple outside vendors.

- One data processing manager IV and one data processing manager III to initiate the Enterprise Project Management Office (EPMO) to assist Covered California with managing a number of IT and programmatic projects, which in turn would reduce the need for private contractors.
- The contract budget includes:
 - \$850,000 for Call Center support.
 - \$8,315,067 for IT infrastructure projects.
 - \$1,315,071 for project management.
 - \$1,350,000 for security.
 - \$687,000 for other contracts.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Continue work on enhancing data management strategy for CRM.
- Implement additional consumer self-service capabilities.
- Pilot an automated solution for the processing of consumer verification \$ documents. \$
- Extend marketing capabilities beyond paper and email to text messaging.
- Continue work to enhance Covered California’s Salesforce tools.

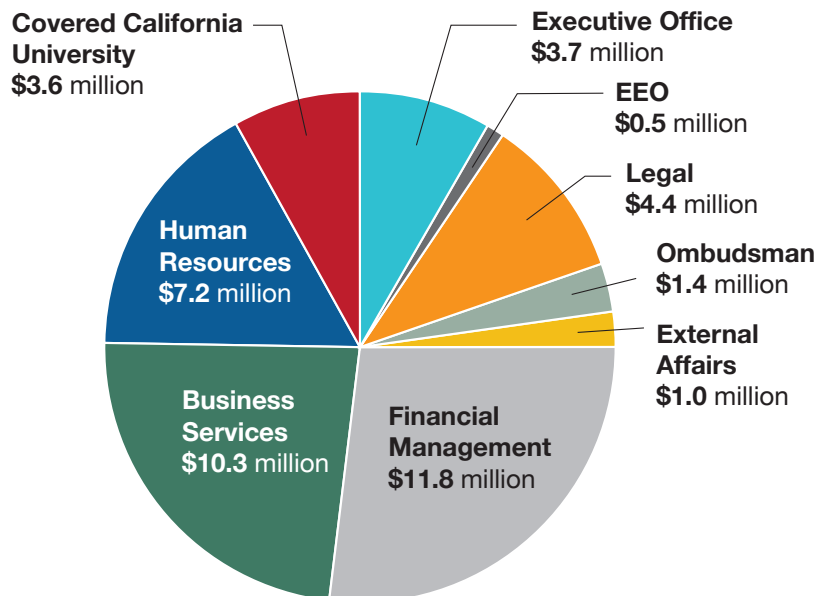
Administration

Administration includes the following program areas: Financial Management, the Business Services Branch, the Human Resources Branch, Covered California University, the Office of Legal Affairs, the Executive Office and External Affairs. The total budget for FY 2017–18 is about \$44.0 million.

Administration Budget

	FY 2015-16	FY 2016-17	FY 2017-18 #
	Actual Expenditures	Approved Budget	Proposed Budget #
Positions	191	209	229
Personal Services	12,390,500	15,794,513	16,087,807
Benefits	7,015,041	9,220,712	8,703,942
Contracts	5,941,984	9,882,400	9,790,500
OEE	4,739,099	5,899,392	7,425,847
Pro Rata	0	1,053,081	1,974,360
Total Expenses	\$ 30,086,624	\$ 41,850,098	\$ 43,982,456

Administration
FY 2017-2018 Budget



Financial Management Division

The Financial Management Division (FMD) plans, implements and guides all financial-related activities of Covered California, including finance, accounting, forecasting, budgeting and governmental compliance. This includes coordinating and preparing Covered California's annual financial plan. The plan is developed to ensure divisions have sufficient resources to meet program operations to fulfill the mission. The financial plan is administered consistent with pertinent state laws, policies and guidelines to safeguard Covered California's assets.

Key Activities

- Financial planning and analysis.
- General ledger and payables.
- Account receivables and reconciliation.
- Automated Accounting Systems Resolution Section (AASRS).
- Economic analysis and sustainability.

Key Accomplishments for FY 2016–17

- Published Covered California's Fiscal Year 2016–17 Budget Book, which \$ includes a multi-year financial summary of all revenues, expenditures and \$ staffing used by each of Covered California's programs. \$
- Developed a new Monthly and Quarterly Financial Report, which provides timely, accurate and meaningful information on key financial indicators to inform executive management on the organization's current fiscal situation and to support financial decision-making. The report also includes year-to-date performance on enrollment, assessment fee revenue, expenditures and reserve position, versus the budget, the most recent forecast and the prior year.
- Provided the board a FY 2015–16 year-end update on revenues, expenditures, operating cash reserve and resulting changes to the multi-year forecast.
- Implemented Reconciliation, Enrollment and Membership (REM) system modifications for the Accenture Billing Engine (ABE) within CalHEERS. The system modifications are essential to reflect accurate financial information for enrollment and revenue forecasts.
- Managed the spenddown and closeout of federal grant budgets by closely monitoring and tracking grant-funded implementation expenditures and sustainability-funded operational expenditures, and produced standard and ad hoc reports required by the Center for Consumer Information and Insurance Oversight at CMS.

- Continued our strong dedication to customer service by providing our program partners with sound fiscal analyses and recommendations, improved budgeting documents and templates and a monthly revenue and expenditure report.
- Using the Financial Management Division's Structured Query Language (SQL) database, Covered California continues loading and reconciling Covered California for Small Business's carrier, general agent and agent payment information. This initiative allows FMD to validate and analyze information relating to historical premium; carrier rate; commission; per member, per month (PMPM); and payments for CCSB. This initiative also allows FMD to perform reconciliations with carriers, specifically for Covered California for Small Business employer groups and their members.
- Reviewed the Covered California for Small Business process flows to present assessment of FMD posting options of summary-level transactions to meet three key objectives: align FMD and Pinnacle operational and systematic processing, realize savings from alignment of operational processing and assist in resolving payment processing constraints.
- Reconciliation, enrollment and membership: Provided extensive and timely assistance to verify enrollment data and to test the implementation of numerous enrollment system modifications. This assistance was critical in achieving a variety of mission-critical objectives, including ensuring successful 2017 health plan renewal, minimizing erroneous advanced premium tax credit (APTC) information reported on IRS 1095 forms and supplying accurate financial information for revenue forecasts.
- Provided critical support to promulgate Covered California's permanent regulations in accordance with the Administrative Procedures Act by developing regulatory economic and fiscal impact analyses.
- With the introduction of the Structured Query Language database, Covered California improved validation of agent, carrier and general agent disbursements, resulting in a flat file to the State Controller's Office for faster processing from 15 days to three days and paying twice per month.
- Enhanced banking services that include use of the Automated Clearing House (ACH) payment process for the small-business employer invoices, which improved the cash cycle posting time from nine business days to 48 to 72 hours.
- The Agent Agreement Team has created an automated payment-processing workflow to retain accurate agent information with the goal to make agent commission payments timely and accurate.

Financial Management Budget '

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	55	55	58
Personal Services	\$ 3,548,458	\$ 4,244,026	\$ 4,295,318
Benefits	\$ 1,521,604	\$ 1,937,160	\$ 1,946,277
Contracts	\$ 3,056,880	\$ 3,371,000	\$ 4,603,250
OEE	\$ 254,362	\$ 455,000	\$ 461,000
Pro Rata	\$ -	\$ 258,312	\$ 531,369
Total Expenses	\$ 8,381,304	\$ 10,265,498	\$ 11,837,215

Budget Highlights and Key Changes

- In conjunction with the Business Services Branch, FMD's budget includes three associate accounting analysts and six temporary help positons to support operational efficiencies for the FI\$Cal transition.
- The contract budget includes:
 - \$3,400,000 for accounting services.
 - \$850,000 for consulting services, including \$500,000 in new funding for the FI\$Cal transition.
 - \$353,250 for various other services.

FY 2017–18 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.

Administrative Services Division '

The Administration Services Division provides an array of central support services to provide Covered California's board, staff, members and customers with the most effective and efficient level of administrative services to achieve Covered California program and operational objectives. Services are provided through the following independent branches.

Business Services Branch

The Business Services Branch 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 branch 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.
- Health, safety and wellness program.
- Administrative services.
- Facilities management.

Key Accomplishments for FY 2016–17

Contracts Unit:

- Updated the Covered California Procurement and Contract Manual for the agency, which was re-adopted by the board in March 2017.
- Provided contracting services for more than 17,000 Certified Insurance Agents; Certified Enrollment Entities; Navigators; health plans, dental plans and third-party administrators; personal services; operational services; and non-monetary agreements.
- Collaborated with Covered California University to develop contract pre-planning and pre-approval process training modules.

Procurement Unit:

- Purchasing Services processed more than 900 requests within a 10-business-day timeline.
- Collaborated with Covered California University to develop an intra-office \$ requisition-training module. \$

- Implemented office supply reuse and exchange program for the Expo location.

Health, Safety and Wellness Unit:

- Conducted annual updates to the injury and illness prevention program and workplace violence and bullying prevention programs at all Covered California locations.
- Continued to provide basic safety training for managers and supervisors along with handbooks with health and safety procedural information. Implemented additional safety training for all staff with the assistance of Covered California University.
- Designed wellness activities through the Healthier U program for the agency.
- Continued with annual safety inspections and annual evacuation drills.

Administration Unit:

- Completed the biennial asset inventory and streamlined asset management for the agency.
- Completed the recycling program for the agency and conducted e-waste events.
- Continued the development of the Covered California Administrative Manual.
- Developed a digital signature administrative procedure to allow for enterprise-wide use.

Business Services Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	31	33	36
Personal Services	\$ 1,557,256	\$ 1,845,506	\$ 2,145,412
Benefits	\$ 747,329	\$ 933,735	\$ 1,018,822
Contracts	\$ 204,673	\$ 1,966,500	\$ 383,750
OEE	\$ 4,086,152	\$ 4,656,592	\$ 6,256,647
Pro Rata	\$ -	\$ 242,700	\$ 460,813
Total Expenses	\$ 6,595,410	\$ 9,645,033	\$ 10,265,443

Budget Highlights and Key Changes

- The budget includes one new associate governmental program analyst (AGPA) in the Administration Unit to assist multiple units to perform at higher levels in terms of services provided.
- The budget includes one new AGPA for the new Contract Liaison Unit to provide personalized training and guidance to the program contract managers.
- In conjunction with FMD, the budget includes four temporary help positions for the FI\$CAL transition.

- The budget realigns funding between contracts and Operating Expenses and Equipment to accurately reflect where services are charged.
- The budget includes \$1,973,000 to fund additional Department of General Services charges within Operating Expenses and Equipment.
- The contract budget includes:
 - \$150,000 for student assistants.
 - \$34,750 for maintenance (operational).
 - \$199,000 for various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Continue to improve processing times and quality of services for all business services requests.
- Automate and streamline business services-related functions to improve \$ operational efficiency and effectiveness. \$
- Continue to successfully achieve all business services activities and implement all legislatively mandated policies and procedures.

Covered California University

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

Key Accomplishments for FY 2016–17

- Fully transitioned all content development activities from consultants to CCU's technical writing team.
- Fully supported certification and recertification training efforts for all sales channels, including course creation, distribution and Learning Management Support (LMS) for more than 20,000 enrollers.
- Implemented CCU's Service Portal Ticketing system, thereby creating a single entry point for all employees to submit internal and external training requests. As a result, internal customer service and turnaround times have been improved. Additionally, Covered California now has a vehicle to track and report on external training records.
- Fully transitioned Covered California's mandatory training from consultants and internal programs to CCU.
- Implemented escalation and compliance reporting for Covered California to report out on mandatory-training compliance to ensure the organization is abiding all state requirements.
- Launched the new employee orientation.
- In collaboration with the Marketing Division, expanded educational training to consumers through email campaigns containing eLearning tutorial videos on various topics to assist consumers in self-serving their accounts.
- Automated the Individual Development Plan (IDP) process for reminders and tracking compliance through the LMS. As a result of implementing this electronic process, Covered California is in compliance with state laws and regulations.
- Trained approximately 900 Service Center representatives in nine weeks to support open enrollment.

- Provided a comprehensive series of refresher courses for Service Center representatives prior to open enrollment, which decreased call-handle times by approximately four minutes.
- Instituted a proactive, collaborative project plan for CalHEERS releases. The training and knowledge teams' work in tandem ensured that we are far in front of the release, and that training and knowledge are closely aligned.
- Implemented a redesigned knowledge base for use by Service Center staff.
- Implemented SharePoint workflow for the content-review process.
- Fully transitioned the Escalated Questions Forum (formerly known as Knowledge Nook) from the Policy Division to Covered California University. The Escalated Questions Forum will be staffed year round for the Service Center.
- Initiated new annual review, quality assurance and quality-review processes for Knowledge Management to meet or exceed industry standards for technical writing.
- Developed tools and processes to track, report and improve key performance indicators for the Knowledge Management Team.

Covered California University Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	27	30	31
Personal Services	\$ 1,230,695	\$ 1,852,999	\$ 1,937,298
Benefits	\$ 592,543	\$ 937,526	\$ 971,259
Contracts	\$ 649,308	\$ 705,000	\$ 450,000
OEE	\$ 108,993	\$ 180,000	\$ 118,000
Pro Rata	\$ -	\$ 94,875	\$ 163,396
Total Expenses #	\$ 2,581,539	\$ 3,770,400	\$ 3,639,953

Budget Highlights and Key Changes

- The budget includes one new AGPA to support technical writing projects for Covered California, including the enhancement of the consumer knowledge base.
- The contract budget includes:
 - \$50,000 for consulting services.
 - \$50,000 for licenses.
 - \$350,000 for various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Develop and apply content standardization and best practices to all courses and knowledge materials across the organization.
- Leverage 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.

Human Resources Branch

The Human Resources Branch is responsible for all personnel functions. The branch provides overall policy direction on human resource management and administrative support functions related to the management of employees.

Key Activities

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

Key Accomplishments for FY 2016–17

Performance Management Unit:

- Provided essential consultation to supervisors and managers on performance management.
- Developed and administered interactive performance-management training to supervisors and managers.
- Hosted monthly statewide discipline forums.

Disability Management Unit:

- Assisted managers, supervisors, and employees with workers' compensation claims.
- Coordinated return-to-work for employees on a leave of absence.
- Developed and published information and resources on leaves of absence, and protected leave information on the intranet site.

Employment and Classification Services Unit:

- Implemented a new recruitment and selection process, and provided training to all supervisors and personnel liaisons to ensure compliance with state hiring laws, rules, and guidelines.
- Administered examinations and processed personnel actions.

- Provided classification and compensation consultation, and recruitment and selection services.
- Implemented recruitment strategies, represented Covered California at recruitment events and focused efforts to hire and retain bilingual employees.
- Developed job evaluations and descriptions, pay structures, variable pay programs, position allocation and salary studies. \$

Labor Relations Office:

- Provided consultation to management on matters relating to hours, wages and the terms and conditions of employment.
- Partnered with labor organizations to resolve issues and concerns at the lowest possible level.
- Researched and responded to requests relating to contract negotiations.

Payroll and Benefits Unit:

- Implemented employee onboarding meetings.
- Processed personnel hiring actions, payroll and benefits.
- Conducted health benefit open-enrollment sessions.
- Significantly reduced the number of accounts receivable by streamlining the notification process, resulting in the collection of monies owed to the state.

Special Projects Unit:

- Conducted and responded to internal and external federal and control agency personnel audits related to employee compensation, hiring, recruitment, training and performance, and developed corrective action plans.
- Developed and implemented a performance-feedback process, notifications, tracking and compliance reporting.
- Prepared employee and manager communications through development of bulletins, procedures and intranet enhancements to establish timely and transparent communication.
- In partnership with Covered California University, reconciled employee-training records and developed requirements for completing state-mandated training.

Human Resources Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	46	47	52
Personal Services	\$ 2,826,504	\$ 3,213,611	\$ 3,416,998
Benefits	\$ 2,983,414	\$ 3,215,140	\$ 2,604,950
Contracts	\$ 430,256	\$ 487,000	\$ 608,000
OEE	\$ 136,930	\$ 330,800	\$ 259,700
Pro Rata	\$ -	\$ 187,053	\$ 323,810
Total Expenses	\$ 6,377,104	\$ 7,433,604	\$ 7,213,457

Budget Highlights and Key Changes

- The budget includes a decrease in funding for the State Compensation Insurance Fund premium.
- The budget includes one new staff services manager I, specialist (SSM I) to focus on recruitment strategies.
- Two AGPAs and one office technician (OT) to focus on ensuring Covered California is in compliance with the State Personnel Board's new regulatory requirement, affording all disqualified applicants.
- One SSM I, supervisory, to identify and implement an automated human resources management solution. \$
- The contract budget includes:
 - \$190,000 for examination lists and hiring.
 - \$418,000 for various other services.

FY 2017–18 Activities Supporting Covered California's Mission and Strategy

- Automate and streamlining human resources services provided to internal and external customers.
- Provide support to the functions and responsibilities of various Covered \$ California divisions. \$
- Continue to pursue technological advances that improve operating efficiencies.
- Partner with each program area to implement continuous improvement of organizational culture and maintain a workplace that fosters a healthy, positive and respectful work environment.

Office of Legal Affairs

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 and operations, and in 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.
- Eligibility and enrollment appeals support.

Key Accomplishments for FY 2016–17

- Established an important background check program and appeals process.
- 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.

Office of Legal Affairs Budget '

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	17	27	25
Personal Services	\$ 1,358,674	\$ 2,556,773	\$ 1,872,464
Benefits	\$ 570,741	\$ 1,210,121	\$ 916,901
Contracts	\$ 91,653	\$ 1,353,400	\$ 1,300,000
OEE	\$ 43,385	\$ 175,000	\$ 117,000
Pro Rata	\$ -	\$ 136,686	\$ 197,697
Total Expenses	\$ 2,064,453	\$ 5,431,979	\$ 4,404,062

Budget Highlights and Key Changes

- Moved the Office of the Ombudsman staffing and contracts from the budget and increased staffing to add an additional nine positions to support legal appeals functions.
- The contract budget includes:
 - \$100,000 in background and fingerprinting services.
 - \$750,000 for independent consumer assistance.
 - \$450,000 for various other services.

FY 2017–18 Activities Supporting Covered California's Mission and Strategy

- Conduct 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 activities.
- Promulgate regulations to ensure Covered California's policies are legally enforceable and the public is aware of the rules and requirements to participate in Covered California.
- Develop 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.

Office of the Ombudsman '

The Office of the Ombudsman's primary function is to independently examine complaints from consumers who feel their Covered California coverage has been unfairly handled. Resolutions of complaints are conducted in a neutral and impartial manner without regard to race, ethnicity, gender, disability, sexual orientation, age, religion or health status.

Key Activities

- Conducts independent investigation and resolution of complaints.
- Reviews and resolves escalated complaints from the legislature and advocacy groups.
- Provides information, answers questions and identifies staff and resources to address consumer issues.
- Assists with urgent Covered California enrollment and disenrollment issues.
- Proposes policy and procedural changes based on documented consumer issues.
- Implements administrative law judge decisions on Covered California appeal cases.
- Advises executive leadership of complaint trends.

Office of Ombudsman Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	0	0	9
Personal Services	\$ -	\$ -	\$ 500,460
Benefits	\$ -	\$ -	\$ 257,500
Contracts	\$ -	\$ -	\$ 500,000
OEE	\$ -	\$ -	\$ 40,500
Pro Rata	\$ -	\$ -	\$ 61,027
Total Expenses	\$ -	\$ -	\$ 1,359,486

Budget Highlights and Key Changes

- Previously funded within the Office of Legal Affairs.
- The budget includes \$798,460 for nine positions.
- The contract budget includes:
 - \$500,000 for consulting services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Creating a consumer-friendly referral webpage to assist consumers with receiving proper and timely customer service.
- Tracking and collecting consumer complaint metrics and trends to assist in the improvement of the Covered California consumer experience.

Executive '

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

Key Activities

- Develops and implements high-level strategies.
- Makes major management decisions.
- Manages the overall operations and resources of the department.
- Acts as the main point of communication between the board and Covered \$ California's operations. \$
- Talent management and succession planning.

Talent Management and Succession Planning

Provides strategic talent leadership to ensure Covered California is considered an employer of choice and can attract, develop, retain and recognize the best talent. Talent management and succession planning supports the overall strategic plan and vision.

Talent Management Key Activities

- \$ Assists leadership in identifying common themes for improvement at both \$ the department and division level, and creates an overall engagement \$ strategy. \$
- \$ Oversight responsibilities for ensuring effective employee recognition is incorporated into the organizational culture in support of Covered \$ California's strategic pillars and primary values. \$
- \$ Develops and implements a workforce plan that aligns staffing and \$ competencies with the department's current and future strategic business \$ needs. \$
- \$ Builds a targeted, sustainable succession plan for key senior roles.

- \$ Conceptualizes, builds and rolls out learning solutions that center on career development and career ladders, as well as increase the team's ability to be net talent exporters.
- \$ Conceptualizes, builds and rolls out a comprehensive career development program. Such a program shall invest in the professional development of employees, result in knowledge transfer throughout the department, increase employee engagement, increase employee retention and prepare employees for career advancement within Covered California.

Talent Management Key Accomplishments

- \$ Enhanced ongoing comprehensive employee engagement surveys and related activities targeting statewide objectives and division-specific action plans.
- \$ Implemented a comprehensive Employee Recognition program that offers acknowledgment through formal, informal and everyday recognition. Such a program is multifaceted and consistent with the interests of the public, the state and individuals employed by Covered California.
- \$ Continued development of a workforce plan and succession plan for Covered California. \$
- \$ Created a Career Development program concept that would successfully establish an environment at Covered California that promotes job mastery, professional development and career-planning activities. \$

Executive Office Budget '

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	8	10	8
Personal Services	\$ 1,326,030	\$ 1,577,253	\$ 1,258,307
Benefits	\$ 400,186	\$ 731,855	\$ 647,433
Contracts	\$ 1,490,174	\$ 1,894,500	\$ 1,550,000
OEE	\$ 67,097	\$ 60,000	\$ 89,000
Pro Rata		\$ 110,055	\$ 166,601
Total Expenses	\$ 3,283,487	\$ 4,373,662	\$ 3,711,341

Budget Highlights and Key Changes

- The contract budget includes:
 - \$1,520,000 in consulting services.
 - \$30,000 for various other services.

Equal Employment Opportunity Office

The Equal Employment Opportunity (EEO) Office is responsible for developing, implementing, coordinating and monitoring the EEO and Reasonable Accommodation programs, as well as reporting on appointments and bringing issues of concern regarding equal employment opportunity to the executive director and recommending appropriate action. The EEO Office provides department-wide leadership and advice to staff and management in the implementation and maintenance of non-discrimination policies, procedures and practices.

Key Activities

- Advisor and resource to management regarding equal employment opportunity and work diversity laws and rules.
- Administers the department's Equal Employment Opportunity program in accordance with applicable laws and internal policies.
- Responds to complaints regarding employment practices, language access and denial of services related to discrimination or unlawful harassment.
- Administers Covered California's Reasonable Accommodation program, ensuring appropriate processing of reasonable-accommodation requests in accordance with applicable laws and internal policies.
- Evaluates and identifies underutilization of racial, ethnic and gender groups, and creates an action plan for eliminating non-job-related employment barriers.
- Administers Covered California's Upward Mobility program and evaluates upward mobility employment goals.
- Provides advisory support to Covered California's Disability Advisory Committee.

EEO Office Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	0	0	2
Personal Services	\$ -	\$ -	\$ 133,900
Benefits	\$ -	\$ -	\$ 68,895
Contracts	\$ -	\$ -	\$ 290,500
OEE	\$ -	\$ -	\$ 15,000
Pro Rata	\$ -	\$ -	\$ 23,890
Total Expenses	\$ -	\$ -	\$ 532,185

Budget Highlights and Key Changes

- Previously funded within the Executive budget.
- The budget includes two positions for \$217,795 for personal services, benefits and operating expenses and equipment.
- The contract budget includes:
 - \$290,500 for the EEO program.

External Affairs

External Affairs serves as Covered California's government relations liaison, providing strategic representation to federal, state, and local elected and administration officials. External Affairs also assists with management of stakeholder engagement, proactively developing and maintaining stakeholder relations to support and advance Covered California's mission and goals.

Key Activities

- Government relations.
- State and federal legislation tracking.
- Technical assistance development.
- Constituent correspondence and case-escalation resolution.
- Event support.
- External stakeholder engagement.

Key Accomplishments for FY 2016–17

- Monitored and analyzed legislation that has a potential impact on Covered California. Provided technical assistance to Congress and the California Legislature as needed.
- Assisted in the resolution of escalated consumer cases spanning a variety of areas, including Form 1095-A disputes, enrollment issues and payment inquiries.
- Provided updates and information to elected officials and staff, including presentations regarding Covered California, updates on new developments and responses to inquiries from elected officials as appropriate.
- Reached out to offices of elected officials throughout California during the fourth open-enrollment period with the goal of promoting enrollment into health coverage. In doing so, External Affairs secured partnerships with numerous elected officials at local, state and federal levels through op-eds, support for public and press events and targeted community outreach efforts.
- Hosted the 2016 Tribal Consultation and facilitated the Tribal Advisory Workgroup process. \$
- Facilitated multiple Marketing, Outreach and Sales, and Enrollment Assistance Advisory Workgroup meetings.

- Completed and distributed the 2015–16 Covered California Report to the \$ Governor and Legislature. \$

External Affairs Budget

	FY 2015-16	FY 2016-17	FY 2017-18
	Actual Expenditures	Approved Budget	Proposed Budget
Positions	7	7	8
Personal Services	\$ 542,883	\$ 504,346	\$ 527,652
Benefits	\$ 199,224	\$ 255,174	\$ 271,906
Contracts	\$ 19,040	\$ 105,000	\$ 105,000
OEE	\$ 42,180	\$ 42,000	\$ 69,000
Pro Rata	\$ -	\$ 23,400	\$ 45,757
Total Expenses #	\$ 803,327	\$ 929,920	\$ 1,019,314

Budget Highlights and Key Changes

- Funding for tribal consultations remains steady from FY 2016–17.
- The budget includes one new office technician position to increase efficiency and streamline work by having a centralized position to handle clerical and administrative workload that is currently disbursed among all staff members.
- The contract budget includes:
 - \$75,000 for tribal consultations.
 - \$30,000 for various other services.

FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Developing governmental and stakeholder outreach and engagement strategies, including proactive and strategic engagement on Covered California initiatives.
- Monitoring and analyzing legislation affecting Covered California, its consumers and the health insurance market.
- Maintaining open communication and coordination with Covered California stakeholders, as well as federal, state and local government officials.
- Engaging in and providing support for special projects and matters that involve multiple divisions within the organization.
- Serving as Covered California’s liaison to California’s tribal governments.

XI. Budget and Planning Process

The annual Covered California budget and planning process is a comprehensive and analysis-based procedure 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 process is based on established budget principles, processes and procedures in order to provide 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 financial guidelines set forth under Government Code section 100503, the Covered California Board must:

- Assess a charge on health insurance companies 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, expenditures and annually report that accounting to the Health and Human Services' secretary.
- Commencing Jan. 1, 2016, conduct an annual audit.
- Prepare an annual report for the Governor and the Legislature on its implementation and performance during the preceding fiscal year. The report must include the manner in which funds were expended and the progress toward 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 Jan. 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 percent of premium rate 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 monies. 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 monies.