



COVERED CALIFORNIA POLICY AND ACTION ITEMS

June 14, 2018 Board Meeting

COVERED CALIFORNIA FY 2018-19 PROPOSED BUDGET AND 2019 ASSESSMENT RATES

Dora Mejia, Chief Financial Officer

Action

REVIEWED AT MAY BOARD MEETING

- Covered California's Vision and Strategic Pillars that Framed Budget Priorities
- FY 2018-19 Proposed Budget
 - Enrollment and Revenue Forecast
 - Proposed Expenditures
 - Capital Projects Reserve
- 2019 Assessment Rate Recommendation
- Multi-Year Outlook
- FY 2017-18 Budget

JUNE UPDATES

- Estimated Plan Assessment – Per Member/Per Month Calculation
- Estimated Plan Assessment – Per Member/Per Month Year-over-Year Calculation
- Total Annual Individual Market Premiums
- FY 2017-18 Budget-Updated
 - Projected operating expenditures reduced by \$3 million from May to June

COVERED CALIFORNIA'S FY 2018-19 SUMMARY

- The Board is being asked to formally set Covered California's enrollment assessment rates for benefit year 2019, and to formally approve the Budget for FY 2018-19.
- No changes to the FY 2018-19 Proposed Budget presented in May.
- The FY 2018-19 Proposed Budget of \$350.2 million includes:
 - An operating budget of \$340.2 million, along with 1,399 positions
 - Funding for the capital projects reserve of \$10 million for facility related projects
- A proposed reduction in assessment rates to 3.75 percent of premium on Qualified Health Plans, including dental plans, for benefit year 2019 with an average rate of 2.3 percent when including those enrolled in mirrored products off the exchange.
- The recommended rate for CCSB policies remains at 5.2 percent of premiums.

2018-19 Budget	\$ millions
Outreach & Sales, Marketing	\$107.4
Service Center & Consumer Experience	\$104.9
Technology	\$70.1
Administration	\$41.4
Plan Management & Evaluation	\$16.5
Total Operating Budget	\$340.2
Capital Projects Reserve	\$10.0
Total	\$350.2

COVERED CALIFORNIA'S MULTI-YEAR OUTLOOK

Multi-Year Outlook-Base Enrollment Estimate

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
<i>Dollars in Millions</i>	Actual	Proposed	Tentative	Tentative
Effectuated Enrollment (fiscal year end)	1,355,520	1,201,447	1,148,049	1,131,528
Opening Reserve Balance	\$303.0	\$313.6	\$314.5	\$296.7
Plan Assessments-Cash Basis	\$326.3	\$351.1	\$339.2	\$343.2
Projected Operating Expenditures	(\$305.6)	(\$340.2)	(\$347.1)	(\$342.7)
Margin Contribution - Cash Basis	\$20.7	\$10.9	(\$7.9)	\$5
Capital Projects Reserve	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)
Year-End Operating Reserve	\$313.6	\$314.5	\$296.7	\$287.1
<i>Number of months of reserve</i>	11.1	10.9	10.4	9.9

- Revenues from plan assessments exceed operating expenditures in FY 2018-19.
- The assessment rate is reduced for 2019 to 3.75 percent from its current 4.0 percent of premiums and maintains operating reserves of approximately 11 months.
- The proposed budget includes funding of the Capital Projects Reserve.

ASSESSMENT RATE WITH CALCULATION OF PER-MEMBER PER-MONTH

Plan Year	2018	2019	2020	2021
<i>Individual Market</i>		Proposed	Tentative	Tentative
Total Annual Individual Market Premium (\$ millions)	\$14,065	\$13,887	\$14,995	\$16,109
Plan Assessment Rate - Percentage <i>On Exchange</i>	4.00%	3.75%	3.50%	3.25%
Plan Assessment Rate - Percentage <i>On/Off Exchange</i>	2.5%	2.3%	2.2%	2.0%
Average Monthly Gross Premium	\$540	\$599	\$677	\$738
Premium Growth Assumptions	18.4%	11.0%	13.0%	9.0%
Plan Assessment Estimated Per Member/Per Month <i>On Exchange</i>	\$21.60	\$22.48	\$23.71	\$24.00
Plan Assessment Estimated Per Member/Per Month <i>On/Off Exchange</i>	\$13.32	\$13.87	\$14.62	\$14.80
Plan Assessment Estimated PMPM Year-over-Year Change	+18.4%	+4.1%	+5.5%	+1.2%

- The forecast reflects a 3.75 percent plan assessment rate for 2019, which equates to an estimated \$22.48 per member per month, or 2.3 percent and \$13.87 per member per month when considering mirrored off-exchange plans, and is influenced by the anticipated premium growth.
- The higher than average estimated per member per month change of 18.4 percent in Plan Year 2018 is primarily the result of the Cost Sharing Reduction surcharge added to silver premiums. Covered California is projecting a modest increase of 4.1 percent for 2019, and then increases of 5.5 and 1.2 percent respectively in the next two plan years.
- Premium growth assumptions are based on all key factors including the elimination of the mandate penalty and would grow 11 percent in 2019 on average across all California carriers.

COVERED CALIFORNIA CAUSES NO COST SHIFTS OR COST INCREASES ON OTHER PUBLICLY FUNDED STATE HEALTH PROGRAMS

- The Exchange affirms its compliance with GC 100521(e) as referenced in the 2018-19 Budget.
 - *GC 100521(e)-The board shall assess the impact of the Exchange's operations and policies on other publicly funded health programs administered by the state and the impact of publicly funded health programs administered by the state on the Exchange's operations and policies. This assessment shall include, at a minimum, an analysis of potential cost shifts or cost increases in other programs that may be due to Exchange policies or operations. The assessment shall be completed on at least an annual basis and submitted to the Secretary of California Health and Human Services and the Director of Finance.*
- “With this budget, pursuant to Government Code section 100521, the Board confirms that in FY 2017-18 there were no cost shifts or cost increases in other publicly funded health programs administered by the state due to Exchange policies or operations and that Covered California’s operations are entirely financed and supported by the plan assessments and reserves generated by those assessments. The proposed budget reflects no anticipated cost shifts or cost increases in programs in FY 2018-19.”

RECOMMEND APPROVAL OF COVERED CALIFORNIA'S FY 2018-19 BUDGET AND 2019 ASSESSMENT RATES

- ❑ Covered California recommends that the Board adopt Board Resolution 2018-31 to:
 - Approve the Operating Budget for Fiscal Year 2018-19, providing expenditure authority of \$340,243,865.
 - Approve the Capital Projects Reserve Budget and appropriate \$10,000,000 from unspent funds in Fiscal Year 2017-18 and \$10,000,000 from Fiscal Year 2018-19, for a total reserve of \$20,000,000. For Fiscal Year 2018-19, provide expenditure authority of \$20,000,000 from the Capital Projects Reserve Budget. Expenditures from the Capital Projects Reserve in excess of \$1,000,000 in value will require Board review and approval. Any unexpended funds will remain in the Capital Projects Reserve and be made available for expenditure in subsequent fiscal years.
 - Grant authority to the Executive Director to make adjustments to the Operating Budget, provided that 2018-19 expenditures remain at or below the level of expenditure authority approved by the Board; and that any material adjustments to program budgets and positions must be reported to the Board.
 - For plan year 2019, charge a per-member per-month assessment of 3.75% of premiums on Qualified Health Plans, including dental plans, sold through the individual exchange and 5.2% of premiums for such plans sold through Covered California for Small Business.

ELIGIBILITY AND ENROLLMENT REGULATIONS, INDIVIDUAL MARKET - AUTHORIZATION TO SUBMIT PERMANENT RULEMAKING PACKAGE TO THE OFFICE OF ADMINISTRATIVE LAW

Bahara Hosseini, Legal
Action

BACKGROUND

- Covered California was granted emergency rulemaking authority by the Legislature through January 1, 2019 for the eligibility and enrollment regulations for the individual and small business exchanges.
- With an emergency rulemaking, once the emergency regulations are adopted, the agency must then go through the regular rulemaking process to make the regulations permanent.
- First approved by the Board and the Office of Administrative Law in September 2013, these regulations are the result of ongoing collaboration with the CDSS, DHCS, DMHC, CDI, consumer advocates, QHP issuers, and other stakeholders.
- On October 5, 2017, the Covered California Board approved the 11th readoption and the start of the Permanent Rulemaking Process for the Eligibility and Enrollment and Appeal Process for the Individual Exchange Regulations.

CHANGES SINCE LAST BOARD DISCUSSION

- Stakeholders were provided a 45-day period to review and comment on the proposed changes.
- Subsequent to the noticing period, there were several changes resulting from both stakeholder feedback and changes in federal regulation, specifically the U.S. Department of Health and Human Services' 2019 Final Payment Notice.
 - Revised some definitions, per federal rules.
 - Removed the Exchange's "direct notification" requirement before eligibility for APTC could be denied due to the tax filer's failure to comply with the tax filing requirements, per federal rules.
 - Revised the verification process for increases in income, per federal rules.
 - Revised the enrollment period dates, per State law and federal rules.
 - Revised the special coverage effective dates for some triggering events, per federal law.
- On May 18, 2018, Covered California published a 15-Day Notice of Text Modifications and received no comments.

ACTION

- Staff requests that the Board approve these regulations and authorize staff to file the Certificate of Compliance for the permanent adoption of the Individual Eligibility and Enrollment and Appeals regulations with the Office of Administrative Law.
- Resolution 2018-28

ELIGIBILITY AND ENROLLMENT REGULATIONS, COVERED CALIFORNIA FOR SMALL BUSINESS (CCSB) - AUTHORIZATION TO SUBMIT PERMANENT RULEMAKING PACKAGE TO THE OFFICE OF ADMINISTRATIVE LAW

Linda Anderson, CCSB

Action

BACKGROUND

- Covered California was granted emergency rulemaking authority by the Legislature through January 1, 2019 for the eligibility and enrollment regulations for the individual and small business exchanges.
- With an emergency rulemaking, once the emergency regulations are adopted, the agency must then go through the regular rulemaking process to make the regulations permanent.
- First approved by the Board and the Office of Administrative Law in September 2013, these regulations are the result of ongoing collaboration with the CDSS, DHCS, DMHC, CDI, consumer advocates, QHP issuers, and other stakeholders.
- On March 15, 2018, the Covered California Board approved the 7th readoption and the start of the Permanent Rulemaking Process for the Covered California for Small Business Eligibility and Enrollment.

HIGHLIGHTS

- Stakeholders were provided a 45-day period to review and comment on the proposed changes. However, Covered California received no comments.
- Subsequent to the noticing period, there were minor changes to language in order to ensure clarity and compliance with federal requirements.
- On May 25, 2018, Covered California published a 15-Day Notice of Text Modifications and received no comments.

ACTION

- Staff requests that the Board approve these regulations and authorize staff to file the Certificate of Compliance for the permanent adoption of the Covered California for Small Business Eligibility and Enrollment regulations with the Office of Administrative Law.
- Resolution 2018-29

AUDIT AND FINANCE COMMITTEE ESTABLISHMENT

Virginia Corbitt, Program Oversight and Compliance Branch Chief
Action

COVERED CALIFORNIA'S AUDIT AND FINANCIAL COMMITTEE

Purpose – To assist the Covered California Board in fulfilling oversight responsibilities, including, but not limited to, programmatic and financial performance.

Authority – The Committee has authority to conduct or authorize investigations of any matters within its scope of responsibility.

Composition – The Committee is comprised of two members appointed by the Board. Appointment shall remain until a Committee member resigns or is removed.

COVERED CALIFORNIA'S AUDIT AND FINANCIAL COMMITTEE: ROLES AND RESPONSIBILITIES

- The Committee's roles and responsibilities were developed based on public and private standards, requirements, and best practices of:
 - Government Code
 - Internal Auditing Standards
 - Audit Committee Toolkit
- Responsibilities include, but are not limited to, being briefed on:
 - Results of internal and external audits.
 - Status of corrective action plans and mitigation strategies.
 - Risks and exposures for programmatic operations and financial reporting.
 - Accounting and financial reporting processes and understanding those processes.
 - Meeting at least twice a year.

BOARD ACTIONS

- Establish the Audit and Financial Committee and adopt Charter.
- Appointment Committee Members.
- Resolution 2018-30