

COVERED CALIFORNIA BOARD MINUTES
Thursday, October 18, 2018
Covered California Tahoe Auditorium
1601 Exposition Blvd.
Sacramento, CA 95815

Agenda Item I: Call to Order, Roll Call, and Welcome (Discussion)

Chairman Michael Wilkening called the meeting to order at 10:04 am.

Board Members Present During Roll Call:

Jerry Fleming
Dr. Sandra Hernandez
Paul Fearer
Michael Wilkening

Agenda Item II: Closed Session

A conflict disclosure was performed and there were no conflicts from the Board members that needed to be disclosed. The Board adjourned into Closed Session to discuss personnel, contracting and litigation matters pursuant to Government Code Sections 100500(j), 11126(a), 11126(e)(1), and 11126.3(d).

Chairman Michael Wilkening called Open Session to order around 1:15 pm.

Agenda Item III: Approval of Board Meeting Minutes (Action)

Motion/Action: Chairman Wilkening asked for a motion and a second to approve the October 18, 2018 meeting minutes.

Presentation: October 18, 2018 Meeting Minutes

Discussion: None

Motion/Action: Dr, Sandra Hernandez moved to approve the October 18, 2018 Meeting Minutes. The motion was seconded by Jerry Fleming.

Public Comment: None

Vote: Roll was called. The motion was approved by unanimous vote.

Agenda Item IV: Executive Director's Report

Chairman Wilkening stated that a performance review of Peter V. Lee, Executive Director, was performed during the closed session. Chairman Wilkening praised Mr. Lee's accomplishments and thanked him for the wonderful work he continues to deliver to Covered California.

Announcement of Closed Session Actions (Discussion)

In response to Chairman Wilkening's praise, Peter V. Lee thanked the Board and the team at Covered California. He commended Covered California personnel for their leadership and teamwork. Mr. Lee voiced his appreciation for the positive nature of the Covered California team and the Board Members. Mr. Lee expressed his pleasure at continuing his service at Covered California.

Peter V. Lee reported that during closed session, the Board approved a Request for Proposal for network services, the Board approved Covered California engaging in a search and review process for lease arrangements in Sacramento and Fresno Counties, and the Board reviewed the quarterly contracting reports which will be posted to the website. The Board also reviewed several contracting matters.

Mr. Lee stated he updated the Board Members on the new Customer Care Division. Mr. Lee introduced Jen Jacobs explaining she will be responsible for establishing and maintaining both internal and external communications. Mr. Lee described the importance of putting consumers first. Mr. Lee said Ms. Jacobs and her team will work throughout the organization and with external stakeholders.

Executive Director's Update (Discussion)

Peter V. Lee explained that the presentation by Wakely on the work they published in Health Affairs will be delayed until a future Board meeting. Mr. Lee stated Covered California's desire to promote evidence-based review on what is working. Mr. Lee said Covered California wants to bring these presenters before the Board and hear from them in person.

Mr. Lee stated that in the Policy and Action portion of the meeting, extension of the Qualified Health Plan Contract would be discussed. PricewaterhouseCoopers would present a draft report to the Legislature on the potential merging of the individual and small group markets for discussion. The final item would be a proposal to expand the size of the Marketing, Outreach, and Enrollment Assistance Advisory Group.

Mr. Lee called attention to articles included in the October Reports and Research. Dr. Sandra Hernandez of the California Healthcare Foundation (and Board Member) sponsored a special issue of Health Affairs. The issue looked at the lessons to be learned from California and to what extent California is leading the way on issues of coverage, issues of organized care, issues addressing maternal mortality, and a range of other issues. Mr. Lee commended everyone for reading the rich set of information included in the issue.

Mr. Lee called attention to a Kaiser Family Foundation report on the options in national discussion around Medicare for all, public plan, etc. Mr. Lee explained that there are major structural changes on the horizon. Covered California is looking very actively at the incremental changes that could lead to universal coverage through subsidies.

Mr. Lee said Katie Ravel would speak more on this subject in her presentation on the Affordability Report later in the meeting.

Mr. Lee then voiced his appreciation to the Insure the Uninsured Project (ITUP). They produced a very good summary on the proposed regulation on public charge.

The American Academy of Actuaries issued a very good, though somewhat sobering report on the opportunities for auto enrollment in the individual markets.

The Commonwealth Fund issued a report on expanding enrollment without a mandate. Much of that report parallels the work that Covered California is embarking on in the charge from the Legislature to look at affordability options in California.

Peter V. Lee stated that as of October 15, 2018, consumers could enroll in Covered California. Mr. Lee reminded everyone that California has been a remarkably stable environment. The same eleven health plans from last year are returning this year.

The average premium increase for 2019 will be about 8.7% for people who get no subsidies. For people who get subsidies the average premium increase is closer to 4%. The loss of the individual mandate will make a difference. The health plans that bid to be in Covered California had a range of projected impacts on their premiums that range from 2½ to 6%. That range of premium increase means (but for the removal of the individual mandate) the premiums in the individual market for people who don't get subsidies would be about half of what is seen today. That price increase is going to mean more people will choose to go without coverage. Mr. Lee said that Covered California's job is to make sure that as few people as possible make that bad gamble. No one really knows exactly how many people may make that bad gamble of going without coverage. Covered California's middle point estimate is that over the next three years about 20% of the individual market will drop coverage absent that penalty. Many will have claims over \$50,000. Covered California's job in this Open Enrollment Period and going forward with partners across California is to encourage people to not make that bad gamble.

Mr. Lee said that in terms of rates, the average increase for one year was about 8.7%, but over the five years that Covered California has been in existence curating an individual market, the average premium increase has been about 7.9%. Many parts of the nation saw in 2019 premium drops. The reason they showed premium drops is they had mammoth increases in prior years. Unfortunately, because of those mammoth increases in many markets, huge numbers of unsubsidized Americans have already left the insurance market. Our job in California and our job across the nation is not a 1-year job. It's a job year-over-year of keeping healthcare affordable. Covered California is working to do that and will continue to do so.

A core element that is working in California is the competition between the eleven health plans. At Covered California over four-out-of-five enrollees have at least three (most of them more) plans competing for their enrollment and 96% of our enrollees have two or more. That does leave 4% of Californians in Monterey and coastal counties that today,

have one plan offering. Covered California is working hard to try to get more plan offerings in those areas. Covered California believe competition matters.

Peter V. Lee then foreshadowed a presentation from James DeBenedetti regarding a proposed shift to the contracting schedule. The reasoning for the shift is to take a deep, fresh look at the quality and delivery reform standards and requirements. The number one consideration is Covered California consumers getting the right care at the right time. Mr. Lee described the Healthcare Effectiveness Data and Information set otherwise known as HEDIS as one of the best global markers of this. The HEDIS measures have been included in the tools available to consumers since day one. The quality information is represented by a Quality Rating Score.

Covered California's Quality Rating System (QRS) reports four ratings, a global rating and three summary component ratings. It is weighted two-thirds for "Getting the Right Care." These are called HEDIS measures. The other third is split half-and-half between member experience using the CAHPS Survey and Plan Services for Members.

The Quality Rating System is rated across five stars. The federal government adopted California's same weighting, which is that two-thirds and then, one-third. Prior to this year, the CMS rating scale was one-third each domain. That two-thirds rate at "Getting the Right Care" is now the same national standard that CMS is using.

There are also some technical changes in what is called Z-score. It basically weights the weighting of where you are in terms of how many plans go in 1-star, 2-star, 3-star, 4-star, 5-star. Do note, that it does mean when you think about 1 through 5 stars, it is not the case that each of those stars is equal to 20% of all health plans. There are fewer 1-star and fewer 5-star plans and more in the middle.

Peter V. Lee presented a chart that showed the scores. First, in the global domain, which rolls up all three elements, California and their eleven plans are doing very well. Six Covered California plans have 4 or 5 stars. Six are 3-star. Not one of Covered California plans is reported to be either a 1 or a 2-star. This is an improvement from prior years and is far better than the national average. This is a good on a benchmark basis on how Covered California is doing in ensuring that their plans are delivering quality care to those that need it. Covered California's plans are doing better year over year, they are improving. This is what quality improvement is about. About always seeking to get better and doing better on some common standard metrics. The column titled "Members' Care Experience," which is a CAHPS score, showed California has, for many years, had lower CAHPS scores than much of the nation. In the "Getting the Right Care" column, Mr. Lee noted the high scores in California.

Mr. Lee then reminded everyone that we are still in a Special Enrollment period. If an enrollee lost coverage and qualifies for a Special Enrollment, they can still obtain coverage for the last months of 2018. One-third of enrollment comes during Special Enrollment Periods. This is one reason why Covered California continues marketing outside of Open Enrollment.

For the 2019 Open Enrollment Kickoff, there was a five-week tour for Agents and Community partners. There were nine meetings across California attended by over 1,300 Certified Agents, Certified Enrollment Counselors, Carrier Representatives, Medi-Cal Representatives, Community Leaders, etc. Covered California helped their partners prepare for the 2019 sign-up period.

The Covered California Bus Tour begins on November 8, 2018. This tour promotes enrollment in health insurance at nearly twenty stops in as many cities across the state. This year's bus features an attention-getting image of a bicyclist crashing into a wheel well of the bus and flipping over onto crutches – a vivid example of how “Life Can Change in an Instant,” one of Covered California's main enrollment messages.

Mr. Lee announced that at the next Board Meeting, there will be a very early, public session, press event in the courtyard at Covered California to launch the bus tour. The theme for last year's bus tour revolved around public murals. This year Covered California is sponsoring local dance troops to dance out the image of “Life Can Change in an Instant.” Dance is woven into California's communities. Dance is a great representation of the diversity of California. California is the most diverse state in the nation ethnically, culturally, and everyone will see in the dancers brought forward, a representation of that diversity.

Mr. Lee credited the Marketing Team for their research into what motivates people to enroll in health care. They found the “Life Can Change in an Instant” marketing is motivating. The constant risk of rapid change is well understood. These advertisements are a reminder that people should not take their health, or their family's health, for granted.

The marketing team also found that people believe healthcare is too expensive. They often don't know they are subsidy eligible or that they are personally eligible for financial help to bring healthcare within reach. The team found that about two-thirds of those that are subsidy eligible don't know it. Mr. Lee then presented two radio advertisements and one television advertisement. These advertisements encourage consumers to apply for coverage.

Several legislative bills were signed into law. First SB 910 (Hernandez), prohibits the sale of short-term limited duration health insurance plans as of 2019. Second, SB 1375 (Hernandez), excludes sole proprietors and their spouses from the definition of “eligible employee” for the purposes of small group coverage. This bill prevents sole proprietors without employees from purchasing coverage in the group market, including as an association. Third, SB 1245 (Leyva), authorizes the Covered California Board to adopt necessary rules and regulations by emergency regulations until January 1, 2022.

Katie Ravel, Director of Policy Eligibility and Research, presented an update on the AB 1810 Affordability Report. The AB 1810 Trailer Bill requires Covered California to develop an Affordability Options Report to the Legislature, Governor, and the new

Council on Health Care Delivery Systems. Covered California must consult with stakeholders, Department of Health Care Services, and the Legislature and develop options for providing financial assistance to help low and middle-income Californians access health care coverage. The report must include option to assist low-income individuals paying a significant percentage of income on premiums, even with federal financial assistance, and individuals with annual income of up to 600 percent of federal poverty level. The report must consider maximizing all available federal funding and determine whether federal financial participation for Medi-Cal would otherwise be jeopardized. The report is due by February 1, 2019.

Covered California is leveraging existing analytical support contract with economists Wesley Yin and Nicholas Tilipman. Covered California has convened a workgroup that will be working with Covered California to develop the options. The options will be presented to the Board at the January Board Meeting. The report will be released publicly on February 1, 2019. Ms. Ravel presented a slide listing the Affordability Workgroup members and thanked the members for their willingness to participate. Future Workgroup meeting dates, agendas, and meeting materials can be found at [https://hbex.coveredca.com/stakeholders/AB 1810 Affordability Workgroup/](https://hbex.coveredca.com/stakeholders/AB_1810_Affordability_Workgroup/).

Peter V. Lee presented names and a group photograph of Covered California staff members that recently received SUMMIT Awards. These staff members represent the best of Covered California in the partnership within and outside the organization.

Covered California for Small Business had year-over-year growth of 35%. It is growing at a very good rate and is now at about 48,000 lives.

Mr. Lee commented on CalHEERS' most recent major release saying there are a number of things in this release that will make consumers' experience better.

Mr. Lee then foreshadowed the November Board Meeting's presentation on ChatBot. Mr. Lee suggested everyone get online and chat with the new ChatBot. Tens of thousands of people have already asked and had their questions answered. This is an example of Covered California seeking to be consumer-centric, responsive, and nimble.

Mr. Lee asked if there were any questions from the Board or the public. The Board had no questions.

Chairman Wilkening asked if there were any public comments.

Public Comment:

Beth Capell, Health Access California stated they were pleased to see this morning that the most recent census data says that California has 2.7 million remaining uninsured. She noted that among the insured, they counter the nearly million Californians that receive emergency only Medi-Cal. She believes that most people would add that million to the 2.7 million and get us a somewhat larger number of people who need more help. Ms. Capell said they are looking forward to the Affordability Workgroup and the work

that can be done to improve affordability in the individual market, so that more Californians will take advantage of coverage both those above and below 400% of poverty. She believes this is important work that Covered California is engaged in. Ms. Capell said they had a package legislation in this area this year that made it part of the way through process, but not quite all the way over the goal line and they would hope in the new year to be able to, with the good work of Covered California and the other workgroup members to be able to actually accomplish improved affordability in terms of both cost sharing and premiums. She believes both are key.

Jen Flory, Western Center on Law and Poverty and the Health Consumer Alliance stated they are thrilled to be participating in the AB 1810 Affordability Workgroup. They are also thrilled that there is going to be some modeling. They think this is a very exciting project considering who is left of the remaining uninsured. Regarding the public charge issue that's come up, they are thankful to the staff who have reached out early on what to do with the fears that are already occurring in the immigrant community. In theory, it should not affect people who are seeking to enroll in Covered California but they are already hearing that it absolutely is. They look forward to continuing to work with the staff with messaging and getting the information out to the sales agents who are often on the front line of hearing what's going on in the community.

Doreena Wong, Asian Americans Advancing Justice Los Angeles, thanked the Board, Peter V. Lee, and his team for managing to renew the Navigator Grant Program. She stated they were very happy with that. Ms. Wong stated their desire to, along with Covered California, ensure people get enrolled and renewed. They are worried this year, even though the increases are small, that it will be a challenge due to the public charge issue. Ms. Wong said they have seen people who are discouraged from enrolling in any of the programs, whether it's Medi-Cal or Covered California, because in a prior version they had mentioned the Affordable Care Act. Ms. Wong said there are still some rumors out there. They are trying to dispel those myths. They held a press conference earlier in the week to try to get the correct information to the public. Ms. Wong stated they are committed to participating in the bus tour. They hope to join with Covered California for a press event in January. Regarding the Quality Ratings, Ms. Wong noted that Asians and Asian-Americans might be hard scorers. She suggested she would like to work with Covered California to determine why this might be true. Ms. Wong suggested one reason might be the challenges around providing cultural and linguistically competent access to these services. Ms. Wong stated they have been working to improve this and they would like to work with Covered California on this as well.

Alicia Kauk, National Health Law Program and the Health Consumer Alliance first stated their eagerness to participate in the AB 1810 Affordability Workgroup. Regarding the public charge issue, they are deeply concerned that the information needs to get out to the public at different touch points where consumers are trying to enroll in coverage out in the community. Regarding the CalHEERS 18.9 release, they appreciate that there was an update to inform consumers about the new tax filing threshold that went into effect based on the Tax Cuts and Jobs Act, which impact filing thresholds for 2018.

They are concerned that many consumers are not aware of the change. Specifically, it sets a new tax filing threshold of 12,000 for individuals under 65, when previously it was \$6,350. The point is that income that would otherwise would have been included in a household income now, would not be included, which means that more consumers should be getting on Medi-Cal. They would like to continue to work with CalHEERS and Covered California to make sure that consumers are aware of that information.

Agenda Item V: Covered California Policy and Action Items

James DeBenedetti presented information on the qualified health plan contract extension. Covered California is currently in the second of a three-year contract period. When Covered California started as an exchange, there was concern that some carriers, given that this was a new marketplace and a new way of doing things, carriers might sit out and wait a year or two to find out what is going on before they take the risk of coming into this market. So, Covered California told the carriers, if you want to participate, if you don't do so in the first year, you're locked out for three years. Covered California continued this ever since. Mr. DeBenedetti said it is time to consider a new three-year cycle. The new cycle would begin in 2020 but in looking at the amount of work that will be involved with revising the contract for the new three-year cycle, Covered California realized that it is going to take a lot of analytics, a lot of time, and the involvement of many. The stakeholders, health plans, and consumer advocates, will all be needed to help craft the contract language in a useful approach that will be beneficial to everyone.

Mr. DeBenedetti stated that there was a concern that there would not be enough time to complete this before a 2020-2022 rate cycle. Covered California will therefore ask the Board (at the next Board Meeting) to extend the current contract for one additional year. Mr. DeBenedetti stated Covered California understands there may be a concern from some external carriers who are not currently contracting with Covered California. They may want to come in for 2020 and might feel that if the contract is extended, they will not be able to participate in 2020. However, Mr. DeBenedetti said that Covered California will accept new carriers who may want to contract in 2020 with the understanding that they would have to reapply, just like everyone else, for 2021 and beyond. Covered California will continue to encourage Medi-Cal and Managed Care Plans to apply. Covered California will also encourage existing carriers to expand to under-served areas as much as possible. If the extension is approved, the new contracting cycle would cover 2021-2023.

A key driver for the request for extension is Attachment 7. This is the most complicated and drives the most interest from the stakeholders. Evaluation of Attachment 7 articles identified the need for more time to analyze data and collected external data; and may result in significant revisions for the new contract period. This will not delay quality improvement strategy (QIS) work by issuers in the current cycle. Extensions would allow for Better engagement and alignment with other large purchases; gathering additional data and analyses and conducting benchmarks (where applicable); and essential time to summarize and share results (as appropriate) with external

stakeholders, solicit input, and incorporate feedback in new model contracts and attachments.

Covered California wants to increase engagement and alignment with other large purchasers in California (CalPERS, Medi-Cal/DHCS). Covered California will review efforts by large purchases (e.g. Federal Employees Health Benefits Program, CMS, and large employers). Covered California will look at what metrics and areas of service other larger purchasers are focused on and how it might increase alignment.

Mr. DeBenedetti shared a possible timeline of how the extension will allow for time to review relevant analyses and increase stakeholder engagement. In March 2019, Covered California would share outcomes (as appropriate) with external stakeholders. In March/April 2019, Covered California would obtain feedback. May-July would be dedicated staff time to annual rate negotiation. In August/September 2019, Covered California would integrate stakeholder feedback with development of new model contract and engage with stakeholders for review and feedback. In October 2019, Covered California would have the final draft of the new model contract. In November 2019, Covered California would present the 2021 New Model Contract to the Board. In January 2020, the Board could approve the 2021 Model Contract.

Chairman Wilkening asked if there were any questions from the Board.

Peter V. Lee stated Covered California looks forward to sharing more data with the public in general. Mr. Lee said that making sure that the people who are enrolled through Covered California get the care they need, right time, right setting, and seek the appropriate leverage to change the delivery system. That effort takes alignment with other purchasers and these efforts are ones that are complex issues. They will be better done by sitting down both with Covered California's eleven health plans, with experts, with advocates. Covered California is about making sure we are addressing the quadruple aim of addressing lower costs, better care, and better health while specifically, addressing health equity and health disparities, and looking at the issues of a burden on clinicians. These are issues that Covered California baked into the introduction and fused throughout what we affectionately call, Attachment 7. Covered California is not proposing changing those, but instead expects to double down on them and to sharpen them. Covered California looks forward to working with the broad community in California to do that in the year to come.

Chairman Wilkening asked if there were any public comments.

Public Comment:

Kimberly Chen with the California Pan-Ethnic Health Network thanked Covered California staff and the Board for their communication on this issue. Ms. Chen said she appreciates the amount of information that is being gathered and the task that is before Covered California implementing some very ambitious goals. Ms. Chen expressed her understanding of how, when there are ambitious goals, one might run up against challenges and things that weren't expected. They appreciate that Covered California,

rather than turning away, is taking a little bit of time, and recommitting to the process of working on it. It is ambitious, and Ms. Chen thinks a lot of folks, including themselves and other folks across the country are looking to California and how to continue to improve our healthcare system to advance equity in a time of uncertainty around these areas. They look forward to the conversation. Ms. Chen said the timeline does give her a bit of anxiety in knowing how much work is needed, how many things are going to have to be reviewed again and figuring all of that out...especially with bringing in a lot of clinical experts on the right measures and how to look at those things. Ms. Chen said she has a lot of faith in the partnership and the ability to do that. She hopes together they can break some new ground in charting a path forward.

Jen Flory, Western Center on Law and Poverty and the Health Consumer Alliance said she wanted to reiterate a lot of what Kimberly Chen said regarding their interest in the project and their understanding of the difficulties underlying it. They've undergone similar types of issues with DMHC or DHCS when talking about things like timely access standards or other issues like that and they understand that the first round of data can be difficult. Ms. Flory said they want to make sure that they are getting the right data and getting information that means something. They understand the desire to want to align with other larger purchasers because the more alignment we have, the more likely it is to get what is needed. Ms. Flory said they were concerned when they first heard about any sort of delay or looking at what other purchasers were doing. They want to make sure that they are encouraging the other purchasers to level up to Covered California's expectations of reducing disparities, not the other way around. Ms. Flory said they understand the practicalities and why this needs to happen, and they are supportive of it.

Doreena Wong, Asian Americans Advancing Justice Los Angeles stated that, like the other public commenters, they are also very appreciative that Covered California is taking the time to do this. They understand and appreciate the recognition that one of the goals for Covered California has been to address the health equity issues and the health disparities issues. It is something that often people say it is a goal, but it is hard to address. They appreciate Covered California slowing down and really looking at this. Ms. Wong said they are committed to working with Covered California on this. They have been part of discussions with the staff about addressing these health equity issues and Ms. Wong wants Covered California to continue to be the model that it has been for the outreach and education efforts and in rural efforts. This would be one more step in showing that California can really be a model for other states regarding the quality issues and the collection of data that can address health disparities and improve the health equity issues. Ms. Wong thanked Covered California and said they appreciate and look forward to working with them.

Beth Capell, Health Access California said that, like the other advocates, they appreciate that the commitment of Covered California is to the quadruple aim. When they see aligning with other purchasers, they do worry that they are moving to the lowest common denominator or the lowest common or we are eliminating measures that focus on particular populations. So, they appreciate the verbal commitment of staff that

that is not the case and that Covered California remains committed to exceptionalism, in a good sense, in California of trying to drive the agenda rather than reaching the standard that is across most of the country. Ms. Capell said that they particularly appreciate the work on disparities but there are other important elements that are in Attachment 7, whether it is health acquired infections, or other patient safety measures that their friends at Consumer's Union and they have worked on for decades now. They appreciate there are a number of ways in which Covered California is leading and that trying to encourage other purchasers to see the virtue of that is an important role for Covered California, as it has been for CalPERS. They look forward to continuing the work.

Peter V. Lee introduced Mark St. George and Pete Davidson of PricewaterhouseCoopers Consulting Practice (PwC) to present the draft of the report. Mr. Lee stated that this was an opportunity for the Board Members and the public to ask questions and provide comments. The full report was posted to the website. Mr. Lee added that an email address for additional comments would also be posted on the website. Comments will be accepted at this email address for two weeks.

Mark St. George thanked Peter V. Lee for the introduction and identified himself and Pete Davidson as actuaries for PwC. Mr. George explained that the Legislature required that Covered California commission this study. PwC was hired to perform the study.

The Affordable Care Act provided states with the option to merge individual and small group markets. The California Legislature asked Covered California to report on issues and considerations related to combining California's markets into a single risk pool. PwC was engaged by Covered California to examine the impacts, and advantages, and disadvantages of merging these markets.

For this analysis, the merged market was defined as the merging of the risk pools of their individual and small group markets into a single pool for rate setting and risk transfer calculations. Each market would be subject to its own regulatory and licensing requirements, and can maintain the current product designs, issuer participation, and distribution channels. Only Affordable Care Act compliant plans for both on-exchange and off-exchange were considered as part of the merged market. These findings are based on the current market environment. Findings in the report should be reevaluated if there are significant changes in market conditions.

Pete Davidson of PwC said he would begin with the Market Overview. The individual and small group markets in California share many similarities, but differences in key areas would impact a merged market.

Key similarities include, large and stable enrollment (approximately 2 million members in each market), robust health plan participation (although in some counties, individual market enrollees have limited or no choice of health plans), and market and rating rules (guaranteed issue/renewability, no pre-existing condition exclusions, no health status

rating, standardized rating formulas and age factors, EHB coverage, metal tiers, no annual or lifetime limits, same rating regions).

Key differences include, enrollee risk characteristics (small group enrollees average 15%-20% lower risk than individual enrollees), available benefit and network options (more standardization exists in the individual market compared to the small group), product selections (small groups choose more generous benefit plans (*average near Gold*) compared to individual market enrollees (*silver on average*)), and differences in issuer participation between markets.

Premium Impacts: Merging the California markets into a single risk pool is estimated to decrease 2019 individual market premiums by an average of 10% and increase small group premiums by an average of 11%.

Methodology: The merged market premiums were calculated using information from publicly available California Individual and Small Group rate filings. PwC also used guidance from Uniform Rate Review Instructions published by CMS.

Implications: The data shows significant increase in small group rates to subsidize the individual market. The merged market rate changes would vary widely by issuer. The impacts on risk adjustment transfers and geographic rating factors is difficult to predict. The magnitude of rate change is enough to destabilize the markets and be particularly disruptive to small employers. The uncertainty that is introduced would likely cause issuers to become more conservative at least in the short term, which would raise premiums and may limit choice.

Mr. Davidson then presented a graph highlighting some of the regional variations. They think this is going to cause some additional volatility. The graph shows geographic rating factors that are published by CMS. The data is from the risk adjustment transfer calculations. It's a summary of the rating factors that are used by the health plans, the geographic factors, and it reflects the relative health cost in those markets. The graph shows the 19 rating regions in California. The graph shows that Northern California rating factors tend to be markedly higher than Southern California. Also, there tends to be a wider gap between the rating factor that are used in the individual small group markets in Northern California. In a merged market scenario, one of the things that the health plans that are operating in both markets will have to do is have a single set of geographic factors. They will have to somehow blend these things and that will cause some additional volatility in how rates will change. Mr. Davidson said they don't think that in a merger will change that dynamic between Northern California and Southern California rates.

Mark St. George then presented a slide on the impact to consumers. In the individual market unsubsidized individuals would benefit the most from premium decreases. Subsidized enrollees are pretty much insulated from the impact of rate changes. Much of the benefit of lower individual premiums would inure to the benefit of the federal government through lower subsidy payments. On the small group side, premium

increases, might lead to employers re-thinking benefits offered or even possibly withdrawing coverage or exiting the market and looking for alternatives. For example, on the larger end of the small group market, employers might have the option of going to self-funded plans. Employees may also experience reduction in benefits or coverage cost, as small employers who are markedly more price sensitive react to the price increase they have to absorb. It could result in leader benefit plans and narrower networks making their way into the small group market. And then, changes in enrollment and participation as a result of some of these impacts could result in a destabilization of the risk score for a merge market and could end up actually destabilizing the small group market.

As far as insured choice is concerned, PwC does not believe that there would be a significant impact on the choice for individuals. They don't think that merging the markets is going to cause an influx of new plans coming into the market or an exodus. But on the small group side, it is possible that some of the decision process regarding competitiveness of the small group plans might impact insurer participation in the markets. And then, finally, with benefit design, reduced premiums could provide individuals more access to more generous benefit plans at the same price points, which would generally be expected to be a good thing or possibly could expand -- have access to expand in-networks also at the same price point. On the small group side, however, PwC thinks they would see benefit in-network buy downs to keep cost down and more limited network products reducing access to providers in the small group market. So, the caveat again is that the impacts of really merging the markets would vary extremely widely by insurer and region, and the lower premiums would be beneficial to the individual market and might increase participation, but also, it might be offset by reduction in the small group markets.

Mark St. George then presented a slide on lessons learned from other states. They looked at three states that have merged markets in place today. Massachusetts merged their markets with the onset of roll knee care in 2006. So, they had the longest experience with the merged market. Vermont and District of Columbia both introduced merged markets with the advent of the ACA. All these markets are very, very different than California.

One of the major reasons to merge the market is to increase stability. Looking at the market conditions in California, both the individual and small group on and off-exchange markets are robust and stable. That particular motivation for merging the markets is not the same as it might have been in Massachusetts in 2006 or Vermont or the District of Columbia in 2014. All those markets have slightly different market rules than each other and California. The low morbidity of the uninsured in Massachusetts to start, enabled Romneycare to be rolled out fairly successfully (at least initially) ... That is another factor that was different than what the circumstances were in California at the time at the inception of the ACA.

As for results, Massachusetts saw a moderate increase in small group rates though not as much, or as dramatic as what we would see in California with the markets that are

roughly equal size. Vermont had some additional options and a benefit package made available to consumers as a result of merging the markets that otherwise would not have been available.

Mark St. George then presented a slide on PwC's concluding observations. Currently, individual and small group markets are large and relatively stable. Merging the markets may destabilize both markets. If the markets were merged, small group premiums would increase while individual premiums would decrease. Small group employers may look to offer cheaper benefits, limited network products, and/or reduced contribution. The Benefit of individual market premium decrease may encourage additional unsubsidized individuals to purchase insurance. However, benefits largely accrue to federal government. In the short-term, if markets were merged, consumers and issuers would face a significant amount of uncertainty and instability. Negative impacts to small employers may be particularly disruptive. Longer term impacts are complex and difficult to predict. Mr. George suggested taking care in using any of the assumptions or results that PwC came up with based on today's market conditions and applying them in the future.

Peter V. Lee stated he had a question. Mr. Lee repeated that on average, small group premiums would increase by 11% or so and on average individual premiums would decrease 10 to 11% or so, but whether an individual's premium would increase, or decrease would vary dependent on what plan they're in because each plan had a very wide range. Mr. Lee asked if individuals in the individual market would only be winners or would there be potential losers there as well and the same thing on the employer side?

Pete Davidson answered by saying that there is some potential for there to be losers, but for the most part on the individual side, it's winners. There is a tremendous amount of variation at the issuer level and at the issuer, and at the geographical level. It is different to predict and a consumer going into this kind of situation would have no idea what that would do to their rates until they went in and tried to do the application and calculate it. There potentially would be some shopping opportunities. But, one of the things that they did see when we were doing the calculations is depending on an insurer's current or projected mix of enrollment in the two markets, that has a tremendous impact on the merged market rate. It's a really challenging situation, I think, for a plan to try and anticipate that. Any of those decisions they make in terms of having to blend or predict how that enrollment is going to look is going to impact their rates in both markets.

Jerry Fleming stated that in his experience, people who get rate reductions don't spend as much time cheering as the people who get rate increases complain. It was his sense that odds are that most employers, small employers were going to get a big rate increase.

Mr. Fleming wondered what the language might say? If you want to do this in the Legislature, there are going to be a lot of players. Mr. Fleming said some of them will

do a little less bad, but across small groups, it's going to be more likely that a huge percentage of them have something higher. Mr. Fleming asked if this was the right impression?

Pete Davidson said that Jerry Fleming's impression was accurate.

Peter V. Lee pointed out that this is on-top-of trend. Employers don't think of trend, they just think "what am I hit with this year?" It might be worth adding in the report that any year in which this took effect, what would it would mean for an employer? If Covered California for Small Business had a 5%, 4.6%, it's a 16% increase on the employer's side and a decrease of only 5% on the individual side because trend offsets some of the reduction. So, it is not champagne corks opening so to speak for the reduction side, which is offset by trend. Mr. Lee said that's an important addition, but it may be already detailed in the report.

Dr. Sandra Hernandez asked why the three states examined were chosen.

Mark St. George explained that they looked at these three states because they have successfully merged their markets. Other states have looked at merged markets and evaluated it, but the fact of the matter is that none of the states that have either evaluated merged markets or implemented merged markets share the characteristics as California. And so, PwC wanted to be complete in what they looked at, but there's really limited value to the lessons from other markets in this case.

Peter V. Lee then asked if he was correct in stating that other states that are comparable to California include the states of Washington and New Jersey and that these states looked carefully at this and decided not to merge.

Mark St. George said Peter V. Lee was correct. The main motivation for merging the markets has typically been stability. It shouldn't be too surprising that the larger markets feel they can gain that stability and incredible basis in both the small group and individual markets are less likely to benefit from merging the markets from a stability standpoint. Mr. George said that is consistent with what they saw when they looked at the other states.

Dr. Sandra Hernandez asked if PwC looked at any of the trends in the small group market in California that might make it unstable and therefore, make a merger look more attractive? She asked if there is anything coming at the small group market that one could anticipate from a stability point of view since that is the principle rationale for thinking about this?

Pete Davidson answered that some of these things were already addressed, the limited duration, the health plans, and the health association plans are some of the things that could be destabilizing. In California, those are largely being addressed.

Public Comment:

Beth Capell, Health Access California said that usually, when they come before the Board, we're talking about the individual market and its stability, but Health Access cares very much about the employer market, as well. They are proud to have co-sponsored with small business majority, the legislation that created the small group rules in California and consider ourselves a guardian of consumers affordability in that market. In that light, they will have several questions and comments on this report, which we find very interesting.

Ms. Capell said they are very much struck by how much richer the benefits are in the small group market and thinks the report understates it because it ignores the fact that the employer contributes a majority of the premium. It's just not that it's at the gold level of cost sharing, it is that the employer is expected to contribute a majority of the premium, most carriers for employers, at least. The difference of risk mix is in part, a testament to the difference in affordability. Ms. Capell thinks, that in looking forward to the work on improving affordability, this can help to illuminate that, as well.

Ms. Capell referenced slide 13 stating the discrepancy between Northern and Southern California. The discrepancy between Northern and Southern California in the plan management discussion, Rick Kronick from UC San Diego pointed out that traditionally health benefits in Northern California offered by employers are substantially more generous than health benefits offered in Southern California. Indeed, in Southern California the prevalence of uninsurance was much higher until about 10 or 15 years ago. The offer of coverage tended to be far less generous and family coverage, was far less common. So, some of this discrepancy that we're seeing maybe an artifact of those regional differences and they have some other more technical comments. Ms. Capell said she thinks this informs a number of discussions, not just the possibility of merging the two markets.

Peter V. Lee reminded everyone that comments would be received at qhp@hbex.ca.gov for two weeks. Mr. Lee said Ms. Capell's comments were spot-on. Mr. Lee said this is a complex set of issues. He thanked the team at PwC for a very thoughtful and well-done exposition.

Peter V. Lee said that because the Marketing, Outreach, and Enrollment Assistance Advisory Committee was set-up in 2012 by Board action, Board action was needed to allow the committee to be larger than the fifteen members set in that resolution. Recently, the advisory committee met and provided guidance that it wanted to both, continue and also, implement an extended membership of thirty members. This advisory committee and the others have functioned remarkably well. Mr. Lee reminded everyone that the advisory committees are open to the public. There are both committee membership and non-committee participants/observers. One of the things that has made Covered California a success is the effective engagement of many. Covered California wants to bring to the Board the proposal to allow for the formal expansion of the Marketing, Outreach, and Enrollment Advisory Committee to thirty members. Again, they would follow the same qualifications that are already laid out in

the Board brief material representing a range of constituents having knowledge and understanding to assist in our marketing and outreach efforts.

Dr. Sandra Hernandez noted that California is an incredibly diverse state. We have qualified people that can help us in this way. She thinks it is a very positive and thoughtful way to move forward. She said she is supportive and would love to hear anybody in the audience that has a different view.

Motion/Action: Dr. Sandra Hernandez moved for approval. The motion was seconded.

Public Comment:

Doreena Wong, Asian Americans Advancing Justice Los Angeles said they have been participating in the MOEA workgroup since the beginning more as an interested stakeholder. They are excited about the possibility of actually being an official member. They agree with Dr. Hernandez's point that this is a very diverse state. It's very important to have lots of different perspectives on the MOEA assistance workgroup. They are really appreciative of the Board considering this and approving this. Ms. Wong thinks it will make the workgroup much more robust and will be able to be much more effective. Ms. Wong thanked the Board and the staff. Ms. Wong said they went through several different meetings to ensure maximum participation by interested stakeholders and she believes the staff has come up with a good proposal. She said they appreciate their efforts.

Kristen Golden Testa, Children's partnership shared her organizations appreciations for putting this proposal forward. She said they support the increase. She said we are all in sort of difficult times especially, with the public charge coming on and making sure that everyone is looking at all the different land mines that we have to be jumping over in addition to just trying to find people. She thinks that more voices at the top would be great and appreciates Covered California's support on this.

Jen Flory, Western Center on Law and Poverty and the Health Consumer Alliance agreed with Kristen Golden Tetsta's statement. She said they have done a lot of the technical work on things like notices, and a lot of the legal stuff that consumers receive, but there is a real opportunity with marketing for a lot more flexibility and particularly, when we have things like public charge coming up and how to be nimble. She believes that getting a larger group to hear from can only improve that process. She said they appreciate this proposal.

Beth Capell, Health Access California and by proxy for Ms. Jen from CPHEN, to quote her "Ra-ra! Please do this!"

Dr. Sandra Hernandez, said that the group heard a lot of comments today about public charge and certainly, through outreach and all our partnerships on enrollment for Covered California reach deeply throughout the state. Dr. Hernandez said she would love to have a conversation about how we are using our voice and communication in

Covered California and all the connectively that we have this the state. The issue doesn't as directly affect Covered California as it does other programs nevertheless, I think that the confusion and the anxiety that is felt in the community around public charge is quite profound. Dr. Hernandez thinks that, on top of the penalty and the like is something that we should be mindful of. She said she knows all of the community groups are working on this and there is great research going on about it, but thinks thinking about our communications and messaging to be able to address this during this Open Enrollment and beyond is incumbent on us to think about and do.

Peter V. Lee agreed with Dr. Hernandez. He said Covered California has been doing a lot of work, not just with the advocates but with other parts of the state. This is a big issue for health and human services writ at large. Covered California has been very actively partnering with them to figure out what the right thing to say, and how, and when in particular. There is so much unclarity and this is a draft regulation that is subject to revision and change etc... This will come back to the Board in the November Board meeting.

Vote: Roll was called. The motion was approved unanimously.

The meeting was adjourned at 3:00 pm.