COVERED CALIFORNIA BOARD MINUTES
Thursday, January 17, 2019
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 10:02 am.

Board Members Present During Roll Call:
Jerry Fleming
Dr. Sandra Hernandez
Art Torres
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 at 12:55 p.m.

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

Motion/Action: Chairman Wilkening asked for a motion and a second to approve the November 8, 2019 meeting minutes.

Presentation: November 8, 2018 Meeting Minutes

Discussion: None

Motion/Action: Dr. Sandra Hernandez moved to approve the November 8, 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: Election of Vice Chair

Motion/Action: Chairman Wilkening proposed, that as discussed at the previous Board Meeting, a Vice Chair could be elected to fulfill all the duties and responsibilities in the event of the absence of the Chair. While the bylaws do not require such a position and there has not been one in the past, the bylaws are permissive in the terms of establishing such a position. Chairman Wilkening asked for volunteers or nominations.

Discussion: None

Motion/Action: Jerry Fleming nominated Paul Fearer for the position. The motion was seconded by Paul Fearer. There were no other nominations or volunteers.

Public Comment: None

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

Agenda Item V: Executive Director's Report

Peter V. Lee pointed out a new display (in the Board Room) of past board members. Mr. Lee encouraged everyone to admire the display. Mr. Lee pointed out that the Board's previous Chairperson, Diana Dooley, was included in the display. Mr. Lee said that all the past and current board members are celebrated but Diana, in particular, served the Board very, very well. Mr. Lee said he had the privilege of going to a retirement event for Diana Dooley for which Chairman Michael Wilkening was keynote. Mr. Lee said the Board will ask Diana Dooley to attend a future Board Meeting where her contributions will be recognized. Diana Dooley's hand on the helm for Covered California's first six years was remarkably important.

Announcement of Closed Session Actions (Discussion)

Peter V. Lee reported that there were a number of personnel matters undertaken during closed session. The interagency agreement with the Department of Social Services was approved. There was discussion on the health plan contracting issues, the Navigator funding, and CalHEERS procurement issues.

Executive Director's Update (Discussion)

Peter V. Lee called attention to two of the reports included in Board Materials. The California Health Care Foundation issued a report on the impact of the Affordable Care Act on essentially, eliminating coverage health disparities in California in the last six years. Mr. Lee said there are absolutely still health disparities in care. The fact that there used to be dramatic disparities in coverage, and they have been largely addressed in the ACA's expansion of coverage is remarkably good news for the State of California. Mr. Lee then called attention to a report by Urban Institute on incremental

reform. Mr. Lee said it is an interested frame of reference because they did national modeling similar to some of the things that can be found in the Affordability Report.

Peter V. Lee then called attention to the change to Board Meeting dates. There will be Board Meetings on February 21, 2019 and March 14, 2019.

Peter V. Lee said that Open Enrollment was coming to an end. Mr. Lee praised the work of Yurina Melara in Covered California's Communications and Outreach division. Mr. Lee said that Ms. Melara has worked on phone banks with the major stations and has been doing an incredibly, really, really good job.

Peter V. Lee reported that the bus tour went really well. Dance was a featured event at the tour stops. Mr. Lee showed pictures of the dancers. Mr. Lee said that these tours are not just to talk to people in the field, but to get the word out through TV, through radio, and through print. Using the "Covered and Dance" them with local dancers from local communities was effective in helping get the word out to the people. Mr. Lee said it was a fun tour. Peter V. Lee said that over the past few days, Covered California went to African-American churches and other places.

Mr. Lee pointed out that "enroll now" buttons are still being worn even after the 15th of January. He explained Covered California's desire to ensure that everyone who started the enrollment process, completes their enrollment. Mr. Lee then showed a video on the bus tour.

Peter V. Lee said that 38,000 signed up during that past week. 70,000 people called and listened to the message saying, "you can get across the finish line Wednesday, Thursday, or Friday." Covered California sent out hundreds of thousands follow-up emails with the people who are in the process of enrolling. Mr. Lee said Covered California looks forward to sharing the early results. Mr. Lee said that renewals were stronger than anticipated. New enrollments are down from the previous year. Covered California predicted new enrollments would be down in the range of 10 to 15 percent. It may be more than that. Mr. Lee provided two reasons for this drop. The first reason, is the removal of the federal penalty. On the margins, healthier people are choosing not to enroll. California has more healthier people insured than any other state, so having a drop would be not that surprising given the number of healthy people in California. The second reason, is that California has a very strong economy. If people have jobs they may not need insurance in the individual sector. Mr. Lee said either of these factors could be affecting the number of new enrollments. Mr. Lee recommended everyone watch for Covered California's final report on Open Enrollment.

Peter V. Lee then talked about Governor Newsom's budget proposal and his broader healthcare reform. In his first day in office, Governor Newsom released a slate of healthcare proposals. Governor Newsom's budget had three major actions. One was to propose new state subsidies for individuals who make, in particular, over 400% of the poverty level. They individuals are said to be outside the cliff. Mr. Lee said that

Katie Ravel and Wesley Yin would speak more about this during their presentation on the Affordability Report. Mr. Lee said that a lot of Californians, who because they make more than 400% of poverty, are spending huge portions of their budget on insurance. Mr. Lee said that Governor Newsom proposed the implementation of a state penalty for people that can afford insurance and don't have it. Mr. Lee said that Governor Newsom proposed an expansion of Medi-Cal for young adults (18-25) regardless of immigration status. The Governor proposed prescription drug cost containment. The proposal suggests the use of the State of California's purchasing power to achieve a single-payer system for prescription drugs. Mr. Lee noted that Governor Newsom's proposal on the individual penalty showed courage as well as real thoughtfulness in recognizing the challenges that middle-class Californians face. The Governor recognized the importance of thinking about healthcare costs and not only about coverage. The Governor put some of the spotlight on cost containment and drug cost. It is important, and it shows the Governor's grasp for the broader healthcare issues.

Peter V. Lee said the Governor showed he has a broader agenda which he identified in a letter to President Trump and the leadership of the House and Senate. The letter was sent on Governor Newsom's first day in office. Governor Newsom called for several things in the letter. One was to allow states the ability to submit a new waiver. This would require new changes to the federal law to have transformational costs and coverage waivers to allow states that wanted to go beyond the ACA to do so. The letter spelled out what canons should be done to build on the ACA; expanding subsidies, addressing the cliff, returning to having a national penalty for non-coverage. Mr. Lee said that Covered California looks forward to working very closely with Governor Newsom's administration in the future.

Peter V. Lee said that, just as Governor Newsom stepped out of the gate talking about healthcare, so did the leaders in the California legislature. In the Assembly and in the Senate, there are proposals, for example, to expand Medi-Cal coverage to all low-income adults regardless of immigration status. Assembly Member Wood proposed allowing for expanded subsidies above 400% of the federal poverty level. Senator Pan proposed Senate Bill 65 which requires Covered California to administer financial assistance to help low and middle-income Californians to access affordable health care coverage by capping consumer contributions and reducing copays and deductibles for lower income consumers. Mr. Lee said that the Executive and Legislative branches of the government are both showing a strong interest in engaging aggressively in building on the Affordable Care Act and getting universal coverage as soon as possible.

Art Torres said Governor Newsom is probably the most prepared Governor California has had when it comes to healthcare. Governor Newsom's leadership as the Mayor of San Francisco was historic. Mr. Torres said he knows of Governor Newsom's passion for universal healthcare and accessibility to healthcare. He looks forward to an incredible partnership.

Peter V. Lee agreed with Mr. Torres. Mr. Lee said Dr. Hernandez had the opportunity to work with Mayor Newsom on the San Francisco health program. It was a fast and remarkable approach to healthcare.

Peter V. Lee then turned to federal actions. Covered California had comments on proposed federal program integrity rules. On January 8, 2019, Covered California submitted comments on the proposed federal Exchange Program Integrity regulations (CMS-992-P), specifically on the proposal to require separate billing for non-Hyde abortions services. The Affordable Care Act is very clear that federal funds cannot be used to fund abortion services. In California, since day one, there's been $1 collected from every enrollee monthly to cover the cost of abortion, which are part of the California constitution, part of required covered benefits in this state. Under this rule, all Covered California's health plans would need to send to every individual in California two separate bills. One for $1 a month for those services and the other for all other services. Covered California commented that these rules are unnecessary. Covered California plans are segregated funds and there is not one penny of federal dollars being spent on abortion-related services in California. Covered California was also concerned about the adverse impact this policy would have on-exchanges, but more importantly on consumers. Covered California believes it could lead to potential consumers confusion and drops in enrollment coverage. Mr. Lee said that Covered California noted, beyond our strong concerns about these proposals, the implementation time line was wholly undoable as well. Mr. Lee said that there are many other groups, both in California and nationally that commented on these regulations. Mr. Lee encouraged everyone to look at those comments.

Mr. Lee said that Covered California also commented on regulations regarding the management of health reimbursement accounts. Mr. Lee said that Covered California is quite concerned that these regulations would lead to potential consumers confusions, potential inappropriate determination of subsidies, depending on how health reimbursement accounts were dealt with, and impacting the risk mix. Mr. Lee encouraged everyone to investigate this for more details.

Mr. Lee said that, for the last five years, he has enjoyed participating in the Martin Luther King Jr. Parade in L.A. In previous years, the Martin King Jr. Parade celebration occurred during Open Enrollment. This year Open Enrollment ended before the Martin Luther King Jr. celebration. Mr. Lee said that this year, he and Covered California staff were looking forward to marching in the Sacramento parade. He encouraged Covered California staff and "folks of a like mind" to join the Martin Luther King March for the Dream parade in Sacramento.

Peter V. Lee then stated that Covered California makes big investments in the Service Center. There were quite a few incoming calls in December. A higher proportion of calls were answered meaning fewer calls were abandoned. Mr. Lee said this means more people are getting the help they need to enroll. Mr. Lee see recognized these

achievements by Covered California staff, IT, and Faneuil. More calls were handled by Covered California's Integrated Voice Response System.

Chairman Wilkening asked if there were any questions from the Board. There were none. Chairman Wilkening asked if there were any public comments.

Public Comment:

MJ Diaz, Health Access California thanked Covered California for showing the preliminary results on enrollments. She said they were not surprised the numbers are down considering the many uncertainties and factors consumers had to deal with. She said they were disappointed that new enrollments could be down as much as 15%. Ms. Diaz said it is all-the-more reason to move forward and investigate how individual coverage can be made more affordable. She also commented on aligning with Governor Newsom's proposal to reinstate the State individual mandate penalty in California to get consumers back into enrollment. Ms. Diaz said that, in partnership with other advocates, they are sponsoring most of the legislation discussed/presented and recognized it will be a "heavy lift" for everyone working together through the legislative and budget processes. Ms. Diaz said they look forward to successful legislation to help many Californians during this time.

Cary Sanders, California Pan-Ethnic Health Network (CPEHN) spoke of their appreciation regarding the information on enrollment. She said they look forward to receiving more details regarding the enrollment numbers. Ms. Sanders reported that they are happy that retention is up but disappointed that enrollment is down. She said it is not a huge surprise. Ms. Sanders said the numbers were expected given everything that has happened in terms of the mandate and other efforts at the federal level. Ms. Sanders said that CPEHN will join their colleagues in supporting Governor Newsom's proposals, and proposals in general, around affordability. Ms. Sanders said that they are really trying to make sure that they continue to improve and increase enrollments in Covered California. They look forward to getting more detailed information on enrollments by demographic subcategories.

Michelle Lilienfeld, National Health Law Program (NHLP) thanked Covered California for the updates. On behalf of her organization, she thanked Covered California for once more showing leadership by submitting comments on the proposed Federal Rule on Program Integrity on those regulations and highlighting the adverse impact that those proposed rules would have on consumers.

Doreena Wong, Asian Americans Advancing Justice Los Angeles first thanked Peter V. Lee and Covered California Staff for coming by their offices as part of the bus tour. Ms. Wong said it was a fun and lively event. There was a great turnout. Ms. Wong said she agrees with Mr. Lee in that it was a different event. There are press conferences at these events every year and, generally, it is just people talking. Having an activity and the two dance troops made the press event a lot more interesting and

fun. Due to rain, they could not take a photograph of everyone outside of the bus. Ms. Wong thanked Covered California for including them in outreach events. She said that they have found that it has been harder getting people to enroll. Ms. Wong said that it is not only the tax penalty but along with the anti-immigrants environment and the Public Charge fears, it is challenging for them to get people to feel safe and to enroll. Anything Covered California can do to encourage people and make sure they know their information is safe and confidential would be helpful. Ms. Wong said that, like her colleagues, they support the affordability options to increase affordability and increase supports for not only middle-income enrollees, but low-income enrollees as well. Ms. Wong thanked Covered California for their support on opposing the separation of billing and the integrity rules. She said this impacts a lot of women, low-income, and women of color.

Chairman Wilkening said the Board looks forward to working with all the speakers on the issues around access and affordability when moving through the budget and legislative processes. He said he was glad to see the engagement and positive responses.

Peter V. Lee said that Covered California team is looking at the question, has there been differences in new enrollment by age, ethnicity, or other ways to explain it? Mr. Lee then voiced his appreciation for Doreena Wong and the folks at Asian Americans Advancing Justice Los Angeles. He said it was one of the last press events and it was very well attending by the media, in particular, media serving the Korean, Chinese, and Vietnamese communities. Mr. Lee noted that at many Covered California events, someone who has benefited from Covered California coverage and services is in attendance. One such individual was at the event. The speaker only spoke Chinese but with the help of a translator, he told his story of having an aneurysm. He had only recently obtained coverage through Covered California. His wife encouraged him to get to the hospital. He had a stroke and was treated for the aneurysm for 20 days in an ICU with $100,000 in expenses. Mr. Lee reported that this man's main message was that he was thankful to be alive. Without health coverage, the man would have dismissed his illness as a bad headache. His wife said "look, you've got that coverage. Get to the hospital." It was clear the man survived because he went to the hospital. Mr. Lee said this type of story is a telling testament to why people do need to have health insurance coverage. Mr. Lee encouraged anyone watching to "enroll now."

Agenda Item VI: Covered California Policy and Action Items

2019 Qualified Dental Benefit Design

Peter V. Lee then asked James DeBenedetti to come forward to present. Mr. DeBenedetti said that attendees might remember that Covered California has a problem with the dental benefit approval process every year. The Board typically approves the standard benefit designs in March and then new dental codes are issued throughout the year. Covered California has approached the problem in different ways in prior years.

One year, Covered California brought the new codes to the meeting every time there was a new code. That wasn't the best approach. This year, Covered California decided to ask the Board for a preliminary approval in March, and then once the final set of codes was released, come back to the Board to get approval. As that brought us to January 2019, it doesn't appear to be the best approach. In future years, and certainly for 2020, Covered California will pass the benefit designs in March and new codes will be covered the following year. Covered California is not going to keep coming back to the Board for adjustments. Mr. DeBenedetti said that this was the history but right now, approval of the 2019 benefit designs (with the new codes) is needed.

Motion/Action: The motion was made by a Board Member and seconded by Dr. Sandra Hernandez.

Public Comment: None

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

2020 Qualified Health Plan Certification

Jan Falzarano, the Deputy Director of Covered California's Plan Management Division presented a brief update on the 2020 application process this year. The first slide provided a high-level background on the Actuarial Value Calculator. The essential health benefits, in its final rules, require all issuers to use this AV calculator for the purposes of determining their coverage level at the 4-tier levels; the Bronze, the Silver, the Gold, and the Platinum. This calculator does provide a very close approximation of the average spend by a wide range of consumers in that standard population. Normally, in a typical year, the AV calculator is expected to be released sometime in the fall. In anticipation of that, the Plan Management Division went ahead and convened their annual benefit subcommittee meeting with the plan advisory group and the purpose of that was to start working on the modeling of the benefit designs and also taking a look at all of the proposals and the policy items for the 2020 health and dental benefits.

One of the major areas of focus is looking at the cost-sharing changes from the prior year's AV's calculation. Since mid-October, there have been four meetings. The majority of the meetings was spent talking about dental benefit designs and a few policy items that are related to health benefits.

There has been a delayed release of the AV calculator, as well as the Notice of Benefit and Payment Parameter. Ms. Falzarano said that the Office of Management and Budget (OMB) concluded their presentation of the benefit and payment parameters. The release of the Notice of Benefit and Payment Parameter (NBPP), as well as the AV calculator, the 2020 calculator can be expected to be released sometime shortly. Prior to the knowledge that the release was eminent, Covered California came up with a contingency plan.

Covered California proceeded with benefit modeling using the 2019 AV calculator applied the assumptions using a couple of assumptions. Covered California thinks that the AV will reflect a similar cost trend increase from 2019, so the AV increase between 2018 and 2019 is what was used in the assumption. After the release, Covered California will be able to use the updated AV calculator. Some additional benefit subcommittees were added in January. Ms. Falzarano said Covered California plans on coming back to the Board with a new Benefit Design Plan for the Board on February 21, 2019.

Ms. Falzarano said she would move on to the certification process. The Plan Management Division (PMD) released the revised 2020 applications for public comment in mid-December and the final public comment period closed on January 7th. PMD received a total of 91 public comments from all four applications, and more than a third of those were regarding technical changes, very minor changes and we made updates to all those changes. About a dozen very positive comments were received, specifically on the quality and the quality improvement strategy subsection. Ms. Falzarano said commenters commended Covered California for adding some of the subsections back in, as well as some of the revisions that were made to clarify some of the ways that carriers can improve on their quality section. A red-lined version of the application that reflects all these changes is available on the certification website.

Ms. Falzarano made note that Covered California is requiring five quality sections specifically for contract carriers that were previously only required for new entrance. Plan Year 2020 Qualified Health Plan (QHP) and Qualified Dental Plan (QDP) Certification Applications are open to all licensed health plan carriers. Currently contracted applicants for Sections 1-17, QHP and QDP Carriers contracted for Plan Year 2019 will continue to complete a simplified Certification Application for Plan Year 2020. Currently contracted applicants for sections 18-19, we are requiring five Quality and QIS subsections for currently contracted QHP Carriers which were previously required only for new entrant Applicants. The additional requirements acknowledge the one-year contract extension and align the application with Attachment 7 refresh efforts. Covered California is considering setting standard related to agent commissions and policy for certified agents offering Sharing Ministry starting in 2020. Ms. Falzarano said Covered California would talk to all the carriers in the next couple of weeks and bring additional information back to the Board at a future meeting.
Ms. Falzarano showed a slide on proposed certification milestones. She called attention to three milestones. First, Covered California will accept letters of intent to apply, February 1st through the 15th. Second, Covered California will come back to the Board on February 21st with the 2020 standard benefit plan design. Third, the QHP and QDP applications will be open starting on March 1st.

Chairman Wilkening asked if there were any questions from the Board. There were none. Chairman Wilkening asked if there were any public comments.

Public Comment:

MJ Diaz, Health Access California thanked Covered California staff for thinking about contingency plans because of the delay at the federal level of the AV calculator. What would normally be a four or five-month process has now been condensed into less than two months. Ms. Diaz said they were thankful that Covered California was able to model some estimates with medical trends so that they can start the often-times, difficult conversations on how we need to change consumer cost-shares to fit into the calculator this year. Ms. Diaz said they look forward to working with Covered California on this over the next few weeks. Ms. Diaz said that, along with some partners, they submitted comments on the Qualified Health Plan application. She thanked Covered California for the clarity provided for the many questions that are included on the application, especially those relating to Attachment 7. Lastly, Ms. Diaz said they look forward to seeing more on the Shared Ministries issues and engaging in the process.

Cary Sanders, California Pan-Ethnic Health Network (CPEHN) said they appreciate the work of the Plan Management Team in trying to move forward with thinking about what the plans and the benefits would look like next year. They look forward to continuing that conversation and they appreciate the additional meeting time in February to hopefully, continue that discussion. Ms. Sanders said that CPHEN and others submitted joint comments on the 2020 changes and extension to the contract. She said she wanted to thank Covered California for clarifying that it is continuing to move forward on the health disparities reduction provisions. She said it was also great to see a lot of questions -- new questions for providers and plans around care coordination. Ms. Sanders said they are really excited to see that Covered California is asking and trying to get information from plans about what they're doing to make sure their patients are being referred and getting into behavioral health.

Jen Flory on behalf Western Center on Law and Poverty and the Health Consumer Alliance reiterated the thanks to the staff in the challenges faced in the absence of an AV calculator. She said the flexibility has been tremendous. Ms. Flory said they look forward to seeing any future policies on healthcare sharing ministries. She said they just started seeing these come up through their health consumer centers and they are concerned that consumers don't quite know what they are.

Michelle Lilienfeld, National Health Law Program (NHLP) echoed the comments made by others and thanked Covered California staff for everything they are doing. She said they really appreciate the contingency plans and everything that is being done to move things forward, given the delays with the Notice of Benefit and Payment Parameters.

2021 Covered California Polices Delivery Reform
Peter V. Lee said Covered California has embarked on a very significant refresh related to Attachment 7. Mr. lee said James DeBenedetti would present.

James DeBenedetti said that this subject could potentially be a very long discussion. He said there was a lot of information and he understood that some people would likely feel they hadn't had adequate time to review. Mr. DeBenedetti said he wanted to make it clear that there would continue to be reviews and revisions through the remainder of the year. He said Covered California is interested in receiving comments.

Mr. DeBenedetti displayed a slide on Covered California's early results. Beginning in 2014, Covered California set forth standards and strategies for quality improvement and delivery system reform in Attachment 7. These standards and strategies were later updated for the 2017 – 2020 contract period. The early results collected from QHP issuers are based on available data, most results are for plan year 2017. Covered California will continue to work with QHP issuers to standardize reporting across issuers to ensure data validity and accuracy.

Mr. DeBenedetti quickly reviewed the nine articles relating to the requirements within Attachment 7. Article 1: Improving Care, Promoting Better Health and Lowering Costs: Ensuring networks are based on value, addressing high cost providers and high cost drugs. Article 2: Provision and Use of Data and Information for Quality of Care: Healthcare Effectiveness Data and Information Set (HEDIS), Consumer Assessment of Healthcare Providers & Systems (CAHPS), Quality Rating System (QRS) reporting and IBM Watson data submissions. Article 3: Reducing Health Disparities and Ensuring Health Equity: Increasing self-identification of race or ethnicity and measuring and narrowing disparities. Article 4: Promoting Development and Use of Effective Care Models: Primary care provider (PCP) matching, promotion of patient-centered medical homes (PCMH) and integrated healthcare models (IHMs), supporting primary care through value-based payment, increasing mental and behavioral health integration with medical care, and using telehealth. Article 5: Hospital Quality and Safety: Payment models to increase value, reducing hospital acquired conditions (HACs) and unnecessary C-Sections. Article 6: Population Health: Preventive Health, Wellness and At-Risk Enrollee Support: Wellness services, community health, supporting at-risk enrollees, and diabetes prevention. Article 7: Patient-Centered Information and Support: Price and quality transparency for enrollees, shared decision making, reducing overuse, and using the statewide provider directory. Article 8: Payment Incentives to Promote Higher Value Care: Increasing value-based reimbursement. Article 9: Accreditation.

Mr. DeBenedetti said there are actually 40 elements in those articles, (sub-articles) and there are actually 180 different requirements within all these little sub-articles. He said that it's a lot of information. Not all of it would be presented at the Board meeting.

There is strong evidence across plans that consumers are likely to receive quality care with all plans achieving three stars or better from measure meter 2017 or performance year 2018 ranging from solid to exceptional performance. It is really nice to see our plans all at the 3-star level or better.

Covered California has seen incremental increases in payment linked to value or shared risk. All of Covered California's issuers have adopted core hospital performance measures in managing low-risk C-sections and hospital-acquired infections, either through contracting processes with providers or performance management. Covered California has seen significant increased participation in the California Material Quality Care Collaborative (CMQCC) and Partnership for Patients programs, these are collaboratives within the industry. We're seeing significant improvement in low-risk C-section and hospital-acquired infection rates and progressive adoption of payment reforms among larger network plans with market power. Smaller plans have difficulty getting providers to agree to where they want to go in terms of payment reforms, but Covered California feels that by getting all of the plans, whether they're small or large, the same contract requirements, as they negotiate with providers, providers can see all of the plans we're doing business with or most of them are establishing the same requirements.

Covered California has been working on blended case rates for maternity. Covered California doesn't like the circumstance where there's the financial incentive to deliver a child via C-section versus normal birth. Value-based contracting with hospitals, working towards accountable care organizations, and some other great developments.

Ninety-nine percent of Covered California enrollees have a PCP. There is significant investment in supporting providers in advanced primary care practice transformation. There is less progress with primary care payment reform and PCMH recognition. There is significant growth in enrollment in IHM/ACO models for network QHPs, and advances in standardization of measuring ACO performance that will permit comparing ACO models. There has been a good start on reducing disparities in care, but this is of intense interest to Covered California. This is a difficult topic for everyone. There's a lot to look at and Covered California definitely wants to continue putting a lot of effort into this topic. Covered California is seeing improving counts for self-identified racial ethnic identity, which is part of our requirements in Attachment 7. Covered California has three years of baseline data for chronic conditions and depression and is working with the plans on strategies to reduce these disparities. Mr. DeBenedetti said this was in the very early stages.

Mr. DeBenedetti then discussed the Quality Rating System (QRS). This is the first year where Covered California has no one or two-star plans. The Quality Rating System, the methodology and how it is computed every year has changed a little bit. This year, more than any year, it is using clinical measures as the primary determination of a score. And these are generally HEDIS Measures and then, there are some CAHPS scores that are survey measures when individual's get surveyed that make up a remaining component of these scores. QHP issuers are required to collect and report to Covered California, for each product type, its QRS HEDIS, CAHPS and other performance data.

Mr. DeBenedetti said he would cover some of the elements that are used in the calculation or computation. One of these is diabetes control. This is a very common chronic disease for nearly every population. The requirement in this measure is that you have your hemoglobin A1c rating at 8% or lower to get an effective score here. What Covered California is seeing from the plans is that, Covered California plans are average compared to the national standard, but they've been improving over time. Along as solid improvement can be seen, there is value. Mr. DeBenedetti showed a slide that provided a sense of the range and where California sits compared to the nation.

Mr. DeBenedetti then showed a slide on the medication adherence rating for diabetes. Proper diabetes management is essential to control blood glucose, reduce risks for complications and prolong life. Diabetes can be managed by taking medications as instructed, eating a healthy diet, being physically active and quitting smoking.

Mr. DeBenedetti then showed a slide on controlling high blood pressure. He said that the numbers are plateauing. Mr. DeBenedetti said that although California is on-par with the national average, there isn’t improvement. Covered California is looking at this more closely. Some plans do better than others and Covered California will see to what degree they can get the lower performing plans to implement best practices from the higher performing plans.

Mr. DeBenedetti then showed a slide on colorectal cancer screening. He said, that to his understanding, this is one of the most preventable cancers. Covered California’s numbers are average. For Covered California’s average plan, there's steady improvement. This is one area where Mr. DeBenedetti thinks there is potential for a lot of improvement. There have been a lot of advances in the screening process. Covered California no longer require everyone to get colonoscopies to be screened for this issue, so it should be a lot easier to reduce the screening rates for our members. Covered California will be working with plans that have more success in this effort to find out what their practices are to get the less successful plans to follow similar approaches.

Mr. DeBenedetti then showed a slide on access to care. He said this is one of the measures that comes as a result of a survey, rather than being clinical indicators. Covered California is not quite at the typical that you see for the rest of the nation. For whatever reason, California plans tend to score lower on survey questions like this than the rest of the nation does. The reason is not clear. Some people think it might be the presence of managed care in California versus other parts of the country, but there is not a solid explanation for why that is.

Peter V. Lee then asked if he could offer a quick summary observation. The HEDIS Measures really provide a core set of are plans doing okay for the vast majority of people, people with chronic conditions, etc. The overall indications are very positive in virtually every case Covered California has one or multiple plans that are doing better than the national, ninetieth percentile. For those plans that are doing worst, they have

improved the most. It is both improving and overall being often, at least that, or close to national average. Mr. Lee said that Covered California does not see this as an indicator that we have consumers at risk. Instead, Covered California shows good work on quality improvement, good work on ensuring quality care. As a core set of measures for that element of accountability, are people getting the right care at the right time? Covered California is seeing both improvement and solid scores.

Jerry Fleming asked if the HEDIS scores are based on the entire population the health plan serves in California?

James DeBenedetti said yes, and it should be Covered California specific.

Peter V. Lee said these are Covered California specific HEDIS and CAHPS rates.

Jerry Fleming asked if the national comparison was the same?

Peter V. Lee said the national comparison is to national commercial, generally.

There was discussion as to where the comparison data is from. James DeBenedetti said it was from national exchange. Art Torres asked if that meant the information was from other exchanges.

Peter V. Lee went back to slide 20 on colorectal cancer screening to explain. For a HEDIS score, this HEDIS score for colorectal screening, the ninetieth percentile of .68 is national amongst all people in marketplaces state or federal and the Exchanges, that's the 90th percentile in plans in exchanges. The 50th percentile is 50th percentile in plans and exchanges. The Covered California average is the weighted average of all of our plans based only on their enrollment in Covered California as a whole. Mr. Lee said they were not positive if it was Covered California as a whole or the Individual Market. He said Covered California would look into that and report back. He said that this is why Covered California is not giving too much early release and what is the right frame of reference etc. It is absolutely, at least, the individual market only, maybe just Covered California.

Paul Fearer said that he would say then, that this issue of access to care is discouraging for a couple of reasons. Covered California presses their plans to assign a primary care point of contact or person. So Covered California has tried to facilitate. To see this result is concerning. If it is then a comparison to a broad database and not just exchange participants, Mr. Fearer said he had other ideas of why it might happen. Covered California may have an unusual number of people new to insurance, for example. But if in fact, it's other exchanges, Mr. Fearer doesn’t see why that would be particularly different.

James DeBenedetti said that it is common for everyone in California compared to national benchmarks, no matter the line of business, commercial, Medi-Cal, all of them, tend to do poorly on the CAHPS scores compared to the rest of the country if they are a California-based plan.

Peter V. Lee reminded everyone that this is an early glance and that a lot more time would be spent on referencing.

James DeBenedetti then presented a slide on a requirement that issuers start linking payment to quality performance. QHP issuers are required to change how hospitals are paid to promote quality. They must adopt a payment method that ties 2% of hospital payments to quality performance. They must also adopt a payment method with no financial incentive for hospitals to perform low risk C-Sections. CMQCC stands for California Maternal Quality Care Collaborative. CMQCC is becoming a nationally recognized organization for improving maternal care in California. Covered California has had exceptional success compared to other states in the country. There are re-coaching programs to help improve quality. There are resources that can help them improve maternal care. Covered California has received emails stating that Covered California's efforts with health plans to make this an issue and Covered California's provider contracting has had a significant impact in getting hospitals to sign on to CMQCC. These joint efforts have resulted in reducing the C-section rate and basically, avoiding roughly 4,500 C-sections that would have otherwise occurred in 2017.

Dr. Sandra Hernandez said that aside from the importance of the collaborative and the tools that it offers, she thinks that one of the other things that has made this particularly successful has been the fact that Covered California has worked closely with the Medi-Cal program, and with CalPERS in a voluntary way. Dr. Hernandez thinks that the three big public programs in the State all realize this represented not only unnecessary care, but bad care for mothers and not great outcomes for kids. It's important to point out how this effort at value-based purchasing, as well as really leveraging the public's programs in a collaborative way, can lead to some very dramatic improvements in terms of overuse and in terms of outcomes for moms.

James DeBenedetti then presented a slide on improved hospital safety. Covered California requires QHP issuers to encourage hospitals to become involved in free coaching programs to improve hospital acquired infection (HAI) rates. Covered California requires QHP issuers to track HAI rates with the possibility of excluding a hospital from network if the hospital is a low performer and not working to improve. As a result, hospital participation in Partnership for Patients improvement collaboratives is now nearly universal. Rates of avoidable hospital acquired infections are decreasing. Mr. DeBenedetti showed a chart of the standardized infection ratio. Mr. DeBenedetti said this is the actual infection rate for ovulation, divided by your expected infection rate for that population for these different infections. If you're at 1.0, that means that you're having about the same level of infections you would expect for a population. If you're above, that means you're having more infections than you would expect for that

population. If your number is lower, you are having fewer infections than you would expect for that population of that kind. Covered California is seeing steady progress, year after year of reducing the infection rate compared to what could be expected. Not shown in the graph is that there are hospitals that are reducing the infection rate to zero and maintained it over time. That's an indication that there's a potential for some of these infection rates to actually get them to zero.

Mr. DeBenedetti next showed a slide on Covered California’s requirement that all of Covered California’s health plans provide a primary care physician to their enrollees whether they're in a PPO, HMO, or EPO. By January 2017, Covered California required that all enrollees were matched to a primary care physician (PCP) or other primary care clinician (such as a nurse practitioner) within 60 days of enrollment. This requirement effectively applied to PPO and EPO plans as HMO plans already assign enrollees to a PCP as part of their business model. In 2017, virtually all of Covered California enrollees were matched with a PCP, a nearly 30-percentage point increase from 2016.

Peter V. Lee said that one of the reasons for doing this is that Covered California is still monitoring what difference it made. He said does it take a year lag or not? Are there other data points? How do we compare ourselves to other delivery systems that have PPO enrollees that don't do this? Mr. Lee said that this is where the challenge of being the only one doing something, is what do you compare yourself to?

Mr. Lee said he wanted to send a call-out to Blue Shield of California. They had by far, the largest enrollment in a PPO that went to the effort where if you already had an HMO. Blue Shield of California had hundreds of thousands of individuals in a PPO system prior to this requirement, they weren't doing this, and then, stepped up in a really positive way to make sure their enrollees knew here is a clinician available and open and willing to take them and service their primary care home. Mr. Lee said it was a really important effort.

Mr. DeBenedetti said the next slide showed an issue that Covered California is struggling with. Covered California requires QHP issuers to have an increasing number of enrollees who obtain their care in a patient-centered medical home (PCMH) model with advanced primary care. The problem is how does Covered California recognize a PCMH? For this statistic, Mr. DeBenedetti said they really wanted to exclude Kaiser because Kaiser is a primary patient-centered medical home for all of its enrollees. So, given how big they are and given they are 100% of everyone is enrolled in that in Kaiser, it really skews the numbers when look at from a Covered California wide perspective. For a couple of these measures, Covered California extracted Kaiser and looked at what the network model health plans look like. This slide showed that the amount that are in PCMH recognized practices has increased, but it's still really tiny.

On the next slide, Mr. DeBenedetti showed that a lot of the providers don't see the value in getting PCMH certification. They feel it's expensive, it has to be redone every year, it is very process oriented rather than outcome oriented. Covered California is reviewing

the current PCMH recognition programs to assess lack of provider interest. Some providers that meet the PCMH recognition requirements may not be pursuing formal recognition. QHP issuers remain committed to promoting the elements of advanced primary care: accessible, data-driven, and team-based care. Five issuers have made significant investments in coaching to support providers in achieving advanced primary care

Next, Mr. DeBenedetti showed a slide on enrollments in Accountable Care Organizations (ACOs). Covered California requires QHP issuers to have an increasing number of enrollees who are attributed to or cared for in integrated healthcare models (IHMs) or accountable care organizations (ACOs). There appears to be strong growth and increasing growth in ACOs. A good definition of what qualifies as an ACO is needed. There are currently quite a few different definitions. Covered California is supporting advances in standardizing the measurement of ACO performance that will permit comparing ACO models.

Mr. DeBenedetti showed a slide on understanding disparities. Covered California requires QHP issuers to achieve 80% self-identification of racial or ethnic identity (R/E) by 2019 and encourage use of various data collection methods beyond the enrollment form to identify membership, in order to understand disparities in care. Covered California requires QHP issuers to submit data by R/E group on 14 disease control and management measures for four conditions: diabetes, asthma, hypertension and depression. Issuers submit data for all lines of business excluding Medicare. This work helps “track, trend, and improve” care across R/E groups. In 2017, nine of eleven QHP issuers have seen increases in the self-identification rate over 2015. Six QHP issuers have met and exceeded the 80% target a year early. QHP issuers have increased identification rates due to improved data collection and incorporation of best practices in asking enrollees for R/E information. Covered California is working with QHP Issuers to analyze early condition-specific data, and to address challenges related to data quality, small denominators, and data interpretation.

Mr. DeBenedetti showed a slide on achieving value in drug spend. He said this is an area where he doesn’t know if the requirements in Attachment 7 right now are useful. A lot of Covered California plans are meeting requirements. Seven of eleven QHP issuers representing 86% of our enrollees have a process for analyzing drug efficacy in the context of total possible care and outcomes and all of them have a system that are systematic evidence-based approach for monitoring the off-label use of pharmaceuticals. A lot of plans use PBMs. They don't have the resources internally to handle drug management. They farm it out to a PBM, which is a large organization that has the resources to effectively manage drugs. In looking at drug management, Covered California probably needs to look at areas where plans are likely to not be served by already existing approaches used by PBMs, because there's kind of a baseline or a floor that a PBM can supply to any plan no matter how strong or solid its internal resources are. Mr. DeBenedetti said that maybe Covered California needs to

look a little bit deeper in a few different areas in terms of how they are managing their drug spend.

Mr. DeBenedetti showed a slide on access to telehealth services. Telehealth is becoming pretty common. Virtually all of Covered California's issuers offer telehealth services to 99% of our enrollees. Mr. DeBenedetti said he wanted to point out that 41% of Covered California enrollees are actually in plans that receive telehealth visits that are no cost share. Other ones are typically the cost of a primary care visit or less. There's some debate as to whether or not you should or shouldn't charge for telehealth. There is a concern that some people may feel if they don't get charged for telehealth, it is not real healthcare and they should still go see a doctor. There is debate in the industry as to what is the best approach on telehealth.

Mr. DeBenedetti showed a slide on consumer decision support tools. QHP issuers are required to offer tools that enable enrollees to look up provider-specific cost shares of common elective inpatient, outpatient, and ambulatory surgery services and prescription drugs, and accumulations toward deductibles and maximum out of pockets (MOOPs). QHP issuers with fewer than 100,000 members with Covered California can provide this information to enrollees through another method such as a call center. Nine of eleven QHP issuers (covering 1,327,350 or 99% of enrollees in 2017) provide an online tool with cost information to consumers, including four issuers with fewer than 100,000 enrollees. Mr. DeBenedetti said the difficulty here is often getting people to actually use these tools.

Mr. DeBenedetti showed a slide on member portal tools. Covered California requires QHP issuers to report on enrollee access to personal health information and the tools offered through their member portals. 86% of Covered California enrollees are being offered access to personal health information through their member portal. There are different levels of information that is provided, but that's a very common offering to our enrollees. All QHP issuers offer the following services through their member portal: premium payment, provider search, selecting or changing a PCP, and managing prescription drugs. Seven of eleven QHP issuers (covering 1,152,230 or 86% of enrollees in 2017) offer access to personal health information through their member portal.

Mr. DeBenedetti said this was, pretty much, the summary of what Covered California has seen so far under the current Attachment 7. He asked if anyone would like to pause for questions or comments.

Peter V. Lee suggested pausing for Board questions. Public comments would be addressed more broadly at the end.

Dr. Sandra Hernandez thanked James DeBenedetti for the fantastic work and the continued effort to improve. She said she was curious on the making incremental improvement in value-based payment, and asked what Mr. DeBenedetti thinks is the

head winds in that? She also asked what some of the best practices are in there beyond the C-section stuff that was discussed earlier? She asked if it feel like there is as much movement in that direction as Mr. DeBenedetti might have hoped?

Mr. DeBenedetti said that, in rural areas, where there's not a lot of competition among providers, trying to get them to adopt some of these payment models is difficult. Covered California still struggles with that and that's an area where Covered California may need to make modifications to the requirements.

Peter V. Lee said that one thing Mr. DeBenedetti would be discussing is that Covered California has commissioned PWC to talk to other large purchasers to share our strategies. One of the key elements Covered California thinks of their success is to align effectively with others; DHCS, CalPERS, CMS. One of the key points of the refresh is to number one, assess the evidence and what's working and what is not working on every one of these strategies. HMA is doing an evidence survey that Covered California will be reporting on and another one is talking to purchasers. Covered California wanted to step back from their opinions to actually do a broad cast of the net in terms of what the data is.

Mr. DeBenedetti said that Covered California has been pretty prescriptive in Attachment 7 on how everyone should do things. Because of the wide variety of the approaches taken by different health plans and different delivery systems that Covered California maybe needs to be more focused on outcomes, rather than approaches. The idea is that certain kinds of payment reform will result in better outcomes, but maybe if we focus on the outcomes, rather than the form of payment then Covered California lets the plans and the providers work out how to best achieve that outcome and not be as prescriptive.

Mr. DeBenedetti said that Covered California wants to restructure Attachment 7, how it is presented, and how it is thought about. The guiding principles for Covered California’s expectations of health plans are largely the same. Covered California wants to Ensure members receive the right care, at the right time, in the right setting, at the right price. They are promoting value-enhancing strategies that have the potential to reform the delivery system in the near and long term. Covered California has tried to take everything in Attachment 7 and organize it a bit better, so it is not just a simple list. Mr. DeBenedetti showed chart with “Right/Care/Accountability Strategies” on the left and “Delivery System Improvement Strategies” on the right. He said that Covered California understands there can be quite a lot of overlap in these categories, but it helps structure discussions with others. It helps everyone think about how to craft revisions to Attachment 7. There will be a questionnaire that gives everyone the opportunity to comment.

Mr. DeBenedetti showed a slide on the refresh process. He said that there was concern that benchmarking Covered California against other exchanges might not be the best benchmark. An outside consultant, PricewaterhouseCoopers (PwC) will be used to

review and synthesis the available evidence base for Right Care and Delivery System Improvement Strategies. PwC will Identify relevant benchmarks and data sources to provide valid comparison reference points for current expectations and performance standards for Covered California Qualified Health Plans and Covered California's populations overall. PwC will review activities and initiatives of other large health purchasers to identify key areas of focus, strategies and performance measures that Covered California should consider for potential adoption or alignment. This is called the Purchaser Strategy/Measurement Review. HMA will synthesize the evidence for each value-enhancing strategy and evaluate its potential effectiveness in terms of cost, quality of care, improved health, reduction in health disparities, and provider burden. This is called the Best Evidence Value-Enhancing Strategies. Covered California seeks to understand each issuer's intended direction, investment strategy, and perspective on how best to assure right care is being delivered and it is fostering delivery change. Covered California seeks input from diverse stakeholders, including providers, consumers, other purchasers, and regulators.

Mr. DeBenedetti showed a slide on expectations development approach timeline. In going through Attachment 7, Covered California saw a lot of things that aren't as useful or fruitful as anticipated. Focusing on process, rather than outcomes is one of them. They also found some gaps that need to be filled. The information related to Attachment 7 should be published publicly. Covered California wants to make it clear to stakeholders, what it is they can expect to see from Covered California in the future. Mr. DeBenedetti said that Covered California would like to have a more developed version of the information that he presented available in March. He said this will also include findings of consultants, early engagement efforts with stakeholders and health plans. They will let everyone know what is working and what isn't working and endeavor to begin the conversation in a more robust manner. Reading from the slide, Mr. DeBenedetti said that the aim for Board review is currently November 2019. The Final approach is currently scheduled for January 2020.

Mr. DeBenedetti then brought attention to two documents posted on the Board website with the presentation. The first was a document title Refreshing Contractual Expectations and the second was a request for comment document titled Request for input. Mr. DeBenedetti said the Covered California would like to receive responses by February 15, 2019 to be included in the March presentation.

Chairman Wilkening thanked Mr. DeBenedetti for the preliminary information and said there would be a lot of time spent in the coming months looking into this subject. He thanked Mr. DeBenedetti for the work that went into getting the results.

Peter V. Lee then said that, due to time constraints, the Board would defer the final two presentation on the Agenda. The Board would still hear the report on the Affordability Report but would then adjourn.

Chairman Wilkening asked if there were any questions or comments from Board Members.

Dr. Sandra Hernandez said that within the values of Covered California and the tremendous effort that it has had from the very beginning of being very evidence-based and very data driven, she looks forward to the addition to the really thinking about what the cadence of public reporting is on a number of these indicators. She thinks it's something that Covered California should make clear with the plans that it's important to our members and, you know, there is benchmark work clearly to be done. She said she knows the organization will do that well, but thinks understanding how regular, at what level, Covered California is going to report this. She said she would encourage Covered California to be pretty bold in that effort. She thanked Mr. DeBenedetti and said she looks forward to that piece.

Public Comment:

Cary Sanders, California Pan-Ethnic Health Network (CPEHN) thanked Covered California and James DeBenedetti for providing the high-level data. She said there is a lot of rich data to review and they look forward to delving deeper in an analysis with Covered California moving forward. She said it's great to see improvements in self-reporting of demographic data. She said this is the gold standard and what they want to see. Particularly, if they're going to move the needle on some of the disparity reduction requirements. She said they advocated for data across lines for business, for some of the reasons that James mentioned. They understand the complexity of dealing with small sample sizes when looking at chronic conditions, but they also think it is important to weigh that with information and public reporting. They look forward to providing input and further conversations on the public reporting of that data. She said they would love to see more granular data. They are looking forward to seeing some granular data on some of the quality metrics, the HEDIS scores by race and ethnicity, and ideally, at plan level, as well. Ms. Sanders said that she wanted to notice in the request for information, Mr. DeBenedetti asked folks to prioritize thirteen strategies and disparity reduction is one of those. She said that just kind of hit her a little sideways, because disparities is kind of a core criteria, core value of Covered California. Rather than potentially eliminating a whole strategy, she said she wondered if it's another way to look at it is to really think about pairing down subcategories within some of those rubrics.

MJ Diaz, Health Access California said she wanted to echo many of Cary Sanders' comments with regards to how they are looking at a refresh of Attachment 7. They appreciate all of the work and the thought and also, very much understanding of all of the challenges. She said she thinks that the staff, and the advocates, and the stakeholders are available to really make something out of it, given that Attachment 7 is a national model that other states are looking towards. As a set of results, these do look great, but we don't know which plans are actually good and whether one plan is consistently performing low or at the bottom of the list. She said there is a lack of plan

specific data. She said they have been asking for that data since 2013. They would like to get that data, so that everyone can start the harder work around really trying to figure out how they can move plans forward in making sure that the quality of care and reducing health disparities is actually being overcome.

Jen Flory, Western Center on Law and Poverty and the Health Consumer Alliance said she wished to echo both of her colleagues at CPHEN and Health Access. She said they are also interested in more granulated data, as well as understanding how which plans are doing. She said that one of the comments that was made was regarding why we were looking across all lines of business. One reason for a different score might be because there are a lot of Medi-Cal enrollees. She said they are really interested in that information. They look forward to continuing to work with Covered California. She said they look forward to seeing what further improvements can be done to reduce disparity and improve some of these other quality metrics.

Doreena Wong, Asian Americans Advancing Justice Los Angeles said she wanted to reiterate her support for a lot of the comments that her colleagues have made around the need for granular data. It is somewhat difficult when you have small populations, but it is particularly important for the Asian-American and pacific islander communities to have this aggregated race data. She said there is just a range in the health conditions among the different subpopulations in the Asian communities that we that smaller data to really get to the health disparities and addressing those. Ms. Wong said she really appreciated Dr. Hernandez's recommendation that this data has to be publicly reported. The community needs to know where the plans stand, advocates need to know. Because the data and especially, around race and ethnicity is self-reported, she said we need to encourage our community members to provide that, that data. A lot of the plans have an 80% self-reported rate, but for Covered California, the self-reported race and ethnicity data is even higher than that. If we can work in partnership and encourage our community members and stress the importance of why they need to provide that information, since our community-based organizations are the trusted messengers, maybe we can help to increase that data collection.

Peter V. Lee thanked everyone for the comments. He thanked the Plan Management Team, the advocates, the health plans. This is a very important initiative. It is not just about getting people insurance, it is getting people the right care at the right time. Covered California has had a really good team internally working on this. Mr. Lee said he also wanted to note that Covered California has had meetings with each of the eleven health plans and every one of them showed up in every way you'd want them to, with senior staff, both medical senior executive leadership, understanding the importance of this to the California community and ready to lean in on it. Mr. Lee said he looks forward to the work we're going to be doing in the months to come.

Mr. Lee provided a reminder that the new Navigator Funding Model would not be presented at the meeting. He said there would be a webinar. Mr. Lee said that one of the things Covered California looks forward to bringing to the next February meeting is

also, potential proposed funding levels. Advocates, in particular, Navigators that care deeply about this issue can get an early window before the Board Meeting, which we will be discussing it.

Peter V. Lee then invited Katie Ravel, Nicholas Tilipman and Wes Yin to present on the Affordability Report. As they approached the podium, Mr. Lee noted how timely this work is. Clearly, this is called upon by the Legislature, calling on Covered California to submit a report, which Covered California will be doing by the end of this month to the Governor, to the Legislature, and to a yet-to-be formed council. Mr. Lee gave a huge thank you to Katie, Wes, and Nick noting how complex the issue is. It is complex, there are infinite variations, but working with a very diverse range of stakeholders that have, themselves leaned in and worked together. Mr. Lee said they've done an incredibly good job of helping to chart a path to help policymakers to have a roadmap. This is an opportunity to the Board to ask questions, provide comments, the public to provide comments, but it is also a public airing in the most public of ways to solicit public comment to Covered California to inform a revision of this report, which will be finalized in the next two weeks.

Katie Ravel said this was our charge to submit by February 1st a report on options, ways that we can improve affordability in the individual market. It's been an exciting and challenging project. Ms. Ravel thanked the Stakeholder Committee saying they have helped Covered California over the last three months in sort of a marathon sprint to refine and sharpen our focus and they have been extremely valuable troopers in wading through very dense material. Ms. Ravel thanked Dr. Hernandez and Mr. Fleming for participating in the group.

The group talked in early sessions about the affordability challenges that remain in the individual market, despite the wonderful tools of the Affordable Care Act. Ms. Ravel said the group was enriched in those discussions by some wonderful California data. Covered California's UC colleagues at UCLA and UC Berkeley talked to us about the remaining uninsured. The group talked about survey data that was conducted by a team at Harvard that looked at the California individual market. The group got some assessment of consumers challenges of continuing to afford their premiums and their cost-sharing. The group talked quite a bit about those who do receive premium tax credits and still struggle to pay premiums and those for whom there are not federal subsidies, those who are over the tax credit cliff, as we call it, who pay the full cost of their premiums and were not capped the way that people under 400% of federal poverty are capped. The group talked a lot about cost-sharing. They talked about some of the trade-offs that folks make below 250% of the federal poverty level, who maybe trading between a lower premium plan and leaving cost-sharing, federal cost-sharing support on the table and then, those above 250% of the poverty level, who don't get cost-sharing assistance and struggle to meet those out-of-pocket expenses. And then, the group talked about the elimination of the penalty and what that could mean in future years in going forward in premium increases.

Ms. Ravel said that the group considered a variety of options. They looked at the existing toolbox of the Affordable Care Act in the interest of making sure that the options that we present are feasible to implement. They looked at additional premium subsidies and both making them richer for the people who qualify for the federal subsidies and also, extending them to people at income ranges that don't qualify today. They talked about expanding cost-sharing subsidies and expanding eligibility for some of the cost-sharing plans that are available today. They talked about implementing a state level mandate and associated penalty. The group talked about going back and looking at reinsurance, which operated in the individual market temporarily between 2014 and 2016 but was very helpful in lowering premium rates.

Ms. Ravel said the group took two approaches which are both spelled out in the report. Approach 1, is market wide affordability enhancements, which really looks at everybody in the individual market whose eligible for qualified health plan coverage today regardless of income. The report shows two things in a layered way. The report starts by expanding and enhancing support, cost-sharing support, then layer on a state individual mandate, and then finally layer on a reinsurance program. Approach 2, looks at targeted affordability enhancements and these are mindful of particular income groups and potentially, a budget constraint. There are a variety of options that address three primary groups of interest: Individuals under 400% of the federal poverty level, and then at 600% and below. That's mindful of the charge from our legislation, which actually called out 600% of the federal poverty level as an income range to look at. Ms. Ravel then turned the microphone over to Wes Yin and Nicholas Tilipman to step through the great work they've done. Ms. Ravel said Covered California is so fortunate to work with them. She said that they have been involved in a lot of the market modeling that Covered California has done going back to when we were first grappling with the potential of elimination of direct payment for cost-sharing support. They know our market well. They have a microsimulation model that was already built with Covered California data, so we were able to leverage them and hit the ground running, and they've been hugely helpful.

Nicholas Tilipman said that they had modeled several policy options. He said that before getting to the results of those options and looking at some interesting outcomes, they wanted a little bit of time to just go over specifically what they did and talk about how they estimated what they estimated. Mr. Tilipman said that for each policy option what they are reporting here are five key outcomes. He said they would report total enrollment, coverage rates in the market, metal tier choice, so generosity of coverage, new state funding for proposed subsidies, and the impacts on the federal premium tax credits. He said they would be able to do this both in aggregate and separately by consumer income groups. The estimates are projections for the year 2021.
Mr. Tilipman said that the way that they arrive at these estimates is in part based on the use of some really wonderful administrative data from Covered California on enrollment, premiums and plan characteristics combined with some wonderful data from the UC system and survey data on uninsured populations and projections of those populations going forward. Using that combined with some economic theory and econometrics,

they developed this micro simulation model that essentially lets them model how changes in premiums and subsidies affect plan choice and enrollment and using that they were able to simulate the effects of those proposed changes in policy options.

Approach 1 were more market wide approaches and a big focal point of that, are these reductions in required premium contributions for benchmark Silver plans. Mr. Tilipman showed the options that they modeled. The current premium contribution caps out at about 9.86% at 400% of the federal poverty level. This is called the “tax credit cliff.” For households with incomes above 400% FPL, they are asked to pay the full price of the premium. Mr. Tilipman explained how two essential things are modeled. First, they significantly reduced these premium contribution caps for households below 400% FPL, so those households who are already eligibility for subsidies. These now extend from 0%, essentially full subsidies at 138 FPL up Through 8% at 400 as opposed to the 9.86. So, premiums are becoming much more affordable in this proposal for this population. Mr. Tilipman said that in addition, they eliminated this tax credit cliff by extending subsidies support out above 400% FPL and capping that at 15%. So, essentially, nobody in the market under this proposal would be asked to pay more than 15% of their income for a benchmark Silver plan. To see sort of the value particularly of eliminating these -- this tax credit cliff, you can look at specific examples.

Mr. Tilipman showed a side with two figures showing the difference in consumer’s premiums as a percent of their income for $700 benchmark plan when a cap on premiums is added above 400 percent FPL.

Mr. Tilipman showed a side with a graph which stated, approach 1 enhances cost-sharing subsidies so that consumers up to 400 percent FPL receive at least Gold level coverage at a Silver premium price.

Wesley Yin then presented a table titled, *Approach 1: Enrollment, Coverage, Plan Choice and Spending Impacts.* Mr. Yin provided a detailed explanation of what the table means. He then showed a slide titled, *Change in Individual Market Coverage by Policy Option – 2021 Projections.* Mr. Yin then showed two slides that provided examples of how this would impact particular individuals. The slides were titled *Illustrating the value of Enhanced Affordability Through Consumer Scenarios.*

Mr. Yin then presented a slide on the main take-aways for Approach 1. Premium and cost-sharing subsidies alone make significant gains in coverage. Consumer cost (especially among subsidy ineligibles), behavioral frictions, low demand for insurance limit their impact on enrollment. Penalty Reinstatement has a large impact when paired with policies that make plans affordable; while decreasing the impact on State budget and inducing more federal spending. Reinsurance is the only *direct* way modeled to improve affordability for people ineligible or not qualified for premium subsidies. The cost of reinsurance depends on how 1332 waiver is applied.

Mr. Yin said he would not talk too much about Approach 2. Approach 2 as opposed to Approach 1 recognizes that there may be budgetary constraints and therefore, targets policies towards specific populations in the non-group market. Approach 2 is in some ways, a scaled-back version of the subsidies and the cost-sharing strategies that were modeled in Approach 1. Mr. Yin then presented a slide titled, *Approach 2: Enrollment, Coverage, Plan Choice and Spending Impacts.*

Katie Ravel said the group added some implementation considerations in the report around each of the tools. On premium subsidies, there will be a key decision on advanceable subsidies versus refundable. The federal subsidies are advanceable. All of the modeling done by Wesley Yin and Nick Tilipman is predicated on an advanceable subsidy that lowers your price when you pay. A refundable tax credit is possible, but it would have much lower enrollment numbers or would induce a lot less take up. On cost-sharing subsidies, the fact that we would have to do this in a way that would interrogate with the federal program, is flagged. Ms. Ravel said that the federal law says exactly what the actuarial values of cost-sharing plans need to be and they are also mindful of the fact that they are funding the cost-sharing benefit in a way that wasn't intended under the Affordable Care Act, so they wouldn't want to jeopardy their current surcharge approach.

For the individual mandate, they would have to be conscious of conforming that with the federal mandate, which is obviously on the books, even though the penalty has been set to zero for 2019 and going forward. There are a variety of questions and legislative authority that they would have to get if there was a desire to implement a 1332 waiver to get Federal Funding for a reinsurance program.

Mr. Ravel said the assembled group is obviously well aware of some of the lead times that they have in implementing their policies. Implementation timing considerations included Covered California system and benefit design changes, rate negotiates and new consumer outreach programs. They implementation timing considerations also include Franchise Tax Board system changes and consumer outreach for penalty implementation.

Ms. Ravel said they were about two weeks out from finalizing this report but would love to have additional feedback. The target date for additional feedback was set at January 24, 2019. Ms. Ravel reminded everyone about the Affordability page on Covered California’s website. The final report would be posted as well as submitted to the Legislature and the Governor.

Peter V. Lee said he would make some comments before taking questions and comments from the Board. Mr. Lee reminded everyone that the presentation was just a small portion of the information that was provided in the Affordability Report. Mr. Lee encouraged everyone to read the Report. Mr. Lee commended the Affordability Workgroup for the incredibly good engagement on the Affordability Report.

Mr. Lee said that Covered California has been very mindful with matching up with plan's ability and also, with providers ability. So, you will note the designs on shipping, cost-sharing, it is to go to Gold that's because we have a benefit design for Gold.

Mr. Lee said that while all of the financial modeling for benefit designs and subsidies look at 2021, he thinks that the penalty could be implemented in 2020. He said Covered California is right now looking at benefit designs for 2020.

Chairman Wilkening asked if there were questions or comments from Board Members.

Paul Fearer said he had a question about the presentation. Mr. Fearer said that there were two key metrics in the presentation over and over, namely expense and the implications in terms of additional insured members. Mr. Fearer asked, does that actually understate the favorable implications? In other words, even if there were no new members, is this not a significant improvement for those already insured through Covered California?

Wesley Yin replied, “absolutely.” Mr. Yin said they tried to address this a little bit more clearly in the working group sessions. He said there's really two ways that happens. The first way is the switch from Bronze to higher tier plans. A more significant benefit is for those who are going to be covered any ways, they are now getting a decrease in their out-of-pocket contributions, their premium contribution is going to go down. Even if no one new was enrolled because of these additional subsidies, they would be benefitting. A fairly large fraction of the total spending that's going towards consumers is actually captured in that benefit.

Katie Ravel said that she would take that as a recommendation to weave this information into the report since all of the numbers are available.

Jerry Fleming said that having participated in the process, he could testify to how complex it is. Mr. Fleming said the Affordability Report is a very impressive piece of work and he thinks that not only are the numbers that come useful, but inevitably the political process is going to create even thousands of more variations and options. This Report is a tool that we're going to be able to use to be able to estimate what the costs are.

Public Comment:

Jen Flory, Western Center on Law and Poverty and the Health Consumer Alliance said she was fortunate enough to be able to participate in the workgroup. She commended the staff and Wesley Yin and Nick Tilipman for all of the time they've put in and for being open to suggestion from all of the stakeholders on how to design plans and what things were important. She said it was a really fascinating process to see. Ms. Flory said she had the opportunity last month, when in Washington, D.C., to visit some elected health

policy staff members. She said she bragged about the work that is being done in California.

Ms. Flory said she wanted to point out that in looking at some of the underlying tables, it is kind of implicit in some of what they have here, but the take-up rate is actually higher the lower down the federal poverty scale you go. She said she hoped that their administration would take a look at that before finalizing their budget later on in spring and look at the fact that some folks are below 250% of the federal poverty level. Even though their current assistance may look more generous, they're actually more price sensitive and many more would sign-up if they had additional assistance.

MJ Diaz, Health Access California thanked and appreciated the work that Nick Tilipman, Wesley Yin, Katie Ravel, and all of Covered California staff did to produce the Affordability Report in such a short amount of time. The report is very useful because one, it really lays out and provides a base understanding of what the ACA actually provides to consumers. Many people do not know what the federal ACA actually provides and APTC premium subsidies and also, cost-sharing subsidies. The Report really does provide a good context especially. Ms. Diaz said they appreciate that the policy options also maximize enrollment in various income categories. She said they agree with Board Member Fearer where they also would want to highlight the proposals that actually improve affordability and move people to better coverage because they think that is equally as important as new enrollment and take up is achieved. She noted that half of the individual market is still uninsured, and it is because of affordability challenges. She said they appreciate the options for the different targeted populations. Ms. Diaz thanked the Board and said they look forward to the final report and moving forward with these proposals legislatively and budget.

Michelle Lilienfeld, National Health Law Program (NHLP) thanked Covered California for inviting their organization to participate in the Affordability Workgroup. She thanked everyone for the large amount of work that was completed in the short three-month process. She said they were encouraged by the options to increase affordability for low and middle-income consumers.

Peter V. Lee said that there was another change to the Agenda. The Certified Application Counselor Regulations were deferred to the next meeting in February. Mr. Lee then stated the line was open for a caller on the phone.

The female caller did not identify themselves or their affiliations. She said she agreed with what was said at the meeting and thanked the Board, Covered California, and the Navigator brand for giving them to opportunity to participate in the meeting. She said she wanted to clarify something. She said the time line, or some time lines, that were mentioned are January 2020. She asked if this would start in 2019 or 2020 or if it would impact the 2019 enrollment.

Peter V. Lee noted that, in public comment, the Board does not generally respond to questions. He thanked the caller for the question and said that the Affordability Report is a report to the Legislature for policies that would take effect at the very soonest in 2020 in terms of a penalty being in place and subsidies most likely, the soonest would be 2021. These policies do not affect 2019.

Cary Sanders, California Pan-Ethnic Health Network (CPEHN) said she wanted to echo the other comments of my colleagues. She said they really appreciate Covered California's work and extensive modeling that they. She said it was timely given the lower than anticipated enrollments and the 10 to 15% decline. She said they appreciate the focus on folks above 400% of the federal poverty level and the cliff. She said she wanted to echo what Jen Flory at Western Center said regarding how very eye opening it was to participate in the conversations. She said they learned that for folks below 250% being able to give them, even that just little bit of assistance was both cost-effective and had a huge impact on enrollment, as well. She hoped to see all of the pieces in the final proposal and the Legislature.

Wendy Soe, California Association of Health Plans thanked Covered California for convening the workgroup and for all the work that the staff, Wesley Yin, and Nicholas Tilipman put into the process to develop the proposals. She said they really appreciated the opportunity to have been a part of that workgroup. She said they wanted to note their support and that they are excited about expanding premium subsidies and implementing a state mandate. These proposals are directly in line with the Governor's plan. She said the strategies could stabilize the marketplace, improve the risk mix, and make coverage more affordable for consumers. She said that now that they have the Affordability Report's menu of options and the potential impact to analyze each option, they are really looking forward to pivoting quickly towards discussions around implementation, working with Covered California, and other stakeholders to assess really, which options are doable by when. There are operational and implementation details to work through with each of these proposals and she thinks there could be some value in sequencing implementation in determining which are feasible in 2020, 2021, and so forth. She said they believe that the work around the State mandate could start earlier, given it would take time to implement and direct the revenue. She thanked the Board for the opportunity to comment and said they will be providing further details in written comment soon.

Chairman Wilkening said this was the start of a robust discussion with the legislature.

Peter V. Lee said he had two things to add before adjourning. The two issues deferred to the February meeting are on the new Navigator Funding Model. Mr. Lee said he was glad to have it shared broadly, so as to allow time for people to digest it. He encouraged everyone to look forward to a webinar to be held prior to the February meeting. The Navigator funding will be discussed in March.

Mr. Lee then expressed his gratitude to Katie Ravel, Wesley Yin, and Nicholas Tilipman. He said they worked incredibly hard, nimbly, and were responsive. Mr. Lee thanked the Workgroup including the two Board Members, Dr. Sandra Hernandez and Jerry Fleming, for their participation in the Affordability Workgroup. He reiterated that "it's complex stuff" but it is better because of the input and engagement. Mr. Lee invited comments on the draft and provided the email address. Mr. Lee asked the Workgroup members to be prepared to potentially reconvene due to the implementation issues. He said Covered California has had very positive results of good engagement of diverse stakeholders, understanding the issues in substance. Mr. Lee said that if the Workgroup members are ready to serve, they should be ready to potentially be reformed on an ad hoc basis on some of the implementation issues that may come down the track.

Chairman Wilkening adjourned the meeting at 3:22.