

COVERED CALIFORNIA BOARD MINUTES
Thursday, June 26, 2019
Covered California Tahoe Auditorium
1601 Exposition Blvd.
Sacramento, CA 95815

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

Acting Chairman (Vice Chairman), Paul Fearer called the meeting to order at 9:00 a.m.

Board Members Present During Roll Call:

Jerry Fleming
Dr. Sandra Hernandez
Art Torres
Paul Fearer
Secretary Mark Ghaly

Acting Chairman (Vice Chairman) Paul Fearer described the meeting's different schedule. He said the board would adjourn to closed session for approximately thirty minutes. Open session would begin around 9:30 a.m. followed by a second closed session. The board would then return to open session to announce closed session actions.

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).

Acting Chairman (Vice Chairman) Fearer called open session to order at 9:30 a.m.

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

Acting Chairman (Vice Chairman) Fearer asked for a motion and a second to approve the May 16, 2019 meeting minutes.

Presentation: May 16, 2019 Meeting Minutes

Discussion: Some typos were identified and it was decided to move to approve the May 16, 2019 meeting minutes with the corrections.

Motion/Action: Mr. Fleming moved to approve the May 16, 2019 Meeting Minutes. Mr. Torres seconded the motion.

Public Comment: None

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

Agenda Item IV: Election of Board Chair (Action)

Acting Chairman (Vice Chairman) Fearer noted that Dr. Mark Ghaly was confirmed by the state Senate as Secretary of the California Health and Human Services Agency. Dr. Hernandez and Mr. Fleming were also confirmed on their reappointments to the Covered California Board.

Acting Chairman (Vice Chairman), Fearer nominated Secretary Ghaly for the position of board chair.

Board Comment: Mr. Torres thanked Acting Chairman (Vice Chairman) Fearer for taking on the role of Acting Chairman.

Public Comment: None

Vote: Roll was called. The board unanimously approved the nomination of Secretary Ghaly as the new board chair.

Chairman Ghaly said he was looking forward to this important role. He hoped to continue the long history of success and pushing the envelope not just in California but across the nation. He said he looked forward to working with the board, Covered California staff, and all the incredibly dedicated people from the public and organizations that work together on these important issues.

Agenda Item V: Executive Director's Report

Peter V. Lee, Executive Director, congratulated Dr. Hernandez and Mr. Fleming on their Senate confirmations. He thanked Mr. Fearer for serving as Acting Chairman and for his continued services on the board. Mr. Lee welcomed Chairman Ghaly to his new role.

Announcement of Closed Session Actions (Discussion)

Mr. Lee reported on several contracting matters discussed in closed session. Mr. Lee said that through a competitive bid process through the Office of Systems Integration with the Department of Healthcare Services and Covered California, they will be transitioning the oversight and management of the CalHEERS program from Accenture to Deloitte. Mr. Lee said that Accenture has done incredible work and Covered California is very grateful. Mr. Lee said Covered California looks forward to working with Deloitte.

Executive Director's Update (Discussion)

Mr. Lee provided a brief review of the board agenda. He said the 2019–2020 budget would be presented for adoption with a few revisions. Mr. Lee said the meeting would

also cover the advisory group charter and regulations. There would also be some discussion regarding Covered California's contract refresh with plans for 2020–2021.

Navigator Program 2019–2022 Grant Awardees (Discussion)

Mr. Lee said the Navigator Grant Program awards were announced. Navigators have been part of what has made California work since day one. Covered California is excited by the 106 organizations that will be enrolling Californians in more than 500 enrollment locations across the state. Mr. Lee explained how geo mapping is used to ensure that 85% of Californians are within a fifteen-minute drive to a Navigator.

State and Federal Policy Update (Discussion)

Mr. Lee said that two days prior to the board meeting, President Trump issued an Executive Order on transparency and other matters. Mr. Lee said that at the next board meeting, Covered California will report on the implications. Many of those require regulations which are going to be coming out in anywhere from 60 days, 90 days, 120 days, depending on the issues. This is an issue that will potentially touch Californians. Covered California already has transparency requirements for price and quality written into plan contracts.

The Department of Labor and Treasury issued final regulations on the use of health reimbursement accounts (HRAs). These have implications for Covered California as of the 2020 plan year. Under these regulations, employers can provide HRAs to consumers who can then take those HRA funds and buy coverage in the individual market. This is new. This will be difficult and will not be perfect by January 2020. Revisions will be needed and will be built in over time.

Mr. Lee said that Covered California provided comments to the Office of Management and Budget which requested comments on standards to index official poverty measures. He said the comments are complex. He encouraged everyone to read the comments, which are posted online. Mr. Lee said that he is concerned that depending on how these metrics are changed, it could mean that, taken with other actions, advanced premium tax credits could go down. Covered California will continue to monitor and weigh in as new details are provided.

Mr. Lee said that in terms of State policy, a penalty and a subsidy were the two biggest issues. If someone can afford coverage and they do not have coverage, they should be subject to a penalty. Subsidies should be available for people above the federal cliff (400% of the federal poverty level).

Mr. Lee mentioned that Chairman Ghaly will be chairing the new Healthy California for All Commission. Covered California is one of the ex officio members added to the thirteen members appointed by the Governor, Senate, and Assembly. Other ex officio members are the Department of Health Care Services, CalPERS, and the Chairs of the Senate and Assembly Health Committees.

Mr. Lee next reported on the 2020 Bronze high-deductible health plans, noting that the current plan designs could potentially be out of compliance with state actuarial value requirements. Senate Bill 78 would authorize the AV of the Bronze plan to range from +4/-2%. This is one of the examples of why the indexing measures make a difference and matter. Part of the reason for this being out of sync with the Federal standard is different indexing standards used by the Internal Revenue Services (IRS) versus Health and Human Services (HHS). Covered California is very appreciative for advocates in the Legislature recognizing the need to sync this up so we can move ahead for consumers that need this plan.

Board Comment: None

Public Comment:

Doreena Wong, Asian American Advancing Justice, L.A., thanked the board for supporting the Navigator Program saying they are one of the grantees. She said they are committed to working with Covered California for the next three years and especially this next open enrollment period to see how all these changes will improve enrollment for in the community.

Agenda Item VI: Covered California Policy and Action Items

Potential State Based Subsidy Structures (Action)

Mr. Lee introduced Katie Ravel, Director of the Policy, Eligibility and Research Division.

Ms. Ravel reported that the Legislature has passed budget and trailer bills that, if signed by the Governor, will bring back the individual mandate and penalty for 2020 and establish a state subsidy program. Notably, the proposal would provide state subsidies for individuals between 200–600 percent of the federal poverty level (FPL), but the program also changed from the May revision proposal to add people with incomes at or below 138% of the FPL.

Ms. Ravel next shared elements of the state subsidy program, noting that the proposed individual mandate and penalty would closely mirror the federal structure that was in place prior to the penalty being “zeroed out” by Congress. The proposed budget bill appropriates \$428,629,000 for plan year 2020 for state premium subsidies for consumers at or below 138 percent of FPL and above 200 and at or below 600 percent FPL. The budget bill directs Covered California to allocate approximately 17 percent of funding to individuals above 200 and at or below 400 percent FPL and the remaining 83 percent to individuals at or below 138 percent FPL and above 400 and at or below 600 percent FPL. To receive state subsidies, individuals must purchase coverage through Covered California and otherwise meet eligibility requirements for federal premium subsidies, except for the income requirements for the 400 to 600 percent FPL population. Subsidies would be advanceable and would be reconciled at year-end through the Franchise Tax Board. The California penalty would be permanent but the

amount of the penalty would be offset if the federal penalty was reinstated. The state financial assistance program would sunset December 31, 2022.

Ms. Ravel said the process was similar to what was described in May which is approving a Program Design Document every year using the required funding that will be set out in the budget bill, the appropriation and the allocation above and below 400% of the Federal Poverty Level. The Covered California Board is to adopt a program design each year within those budget targets. Once that happens, that will be sent to the Director of the Department of Finance for approval of the program following notification to the Joint Legislative Budget Committee.

Ms. Ravel said she would talk about how the appropriation has changed the Program design since May. In May there were three key areas that were discussed. She said they discussed those points at 200% and 400% where were flagged -- that the program design might have very small values for state subsidy at that point. After that, she said they discussed the curve, particularly for 400% to 600%, where, under that appropriation amount, they thought that the required contribution would end at about 25% for people at 600% of the Federal Poverty Level. This is the change that she said they were proposing for adoption based on the budget Bill. So, with the additional appropriation, she said they are showing 0% required contribution for individuals under 138% of the Federal Poverty Level. They were able to make adjustments at those points of 200% and 400% so that consumers will get on average about \$5 of state subsidy so that they won't have tiny values. In general, between 200% and 400% is very similar to what was presented in May. She said they were quite pleased to be able to reduce the required contribution between 10%, growing to 18%, for those individuals above 400% of the Federal Poverty Level.

Ms. Ravel showed a slide displaying some of the modeling provided by Dr. Wes Yin from the University of California, Los Angeles and Dr. Nicholas Tilipman from the University of Illinois. The total number of individuals eligible to receive a subsidy, is estimated at about 922,000. The slide shows how they break above and below the 400 percent.

The premium subsidy will be reconciled very similar to the Federal Tax Credit. Covered California is charged with presenting reconciliation repayment limits. This was discussed a little bit in May and will be brought back to the board in August and September. More study is needed over the summer. The AB 1810 Advisory Group will likely be called upon to engage on this over the summer.

Ms. Ravel presented slides on the Individual Mandate saying they have not changed much since they were presented in May. Covered California's two main roles here are granting exemptions and, starting in 2021, using data provided by the Franchise Tax Board to perform outreach to individuals to pay the penalty or receive exemptions so that Covered California can inform them of affordable insurance options.

Ms. Ravel then presented a slide on the Program Design Document. The Administration's proposal requires Covered California's Board to adopt an annual program design document. For the 2020 benefit year, the program design document must establish eligibility levels and reconciliation caps designed to meet budget targets and required funding allocation to direct 83 percent of the funding to individuals at or below 138 percent FPL and above 400 percent FPL. Staff is requesting board adoption of the 2020 program design without reconciliation caps; however, in August, staff will return with an amended program design detailing the reconciliation caps for board discussion.

Ms. Ravel then presented a slide titled "Overview of the Program Design Document." She noted that the slide was very similar to what was presented the previous month.

The next slide covered "Implementation Considerations." Ms. Ravel said that 2020 rates are under way and Covered California was looking to finalize those in the coming weeks. Regarding system development, Ms. Ravel said Covered California is working on all of their plans to launch October 2020 and will make sure that there are carrier payment systems in place. Regarding Reconciliation, Covered California will be monitoring expenditures during the benefit year.

Ms. Ravel then presented a slide on the timeline.

Board Comment:

Chairman Ghaly thanked Ms. Ravel for her presentation and said he had one question. He asked, of the five million allocated below 138%, how many individuals will actually receive a subsidy and actually come down to zero share?

Ms. Ravel responded that Covered California has a little more than 20,000 individuals in this group today. That said, Covered California might have new enrollees who are off-exchange or are not purchasing today. So those are the ones that Covered California knows about. The five million is just an estimate.

Mr. Lee thanked Ms. Ravel, her team, members of the Legislature, the Department of Finance, and the advocates working with the advisory committee. Mr. Lee noted that he can guarantee the actual number will not be exactly the projection. He said that is a reflection of the budget coming up. It's important to recognize that what we are adopting or seeking adoption of today in terms of the proposed structure. This will not be set in stone.

Mr. Lee said that regarding the key milestones, the big milestone for consumers will be seeing their rates go down substantially effective January 1, 2020. Prior to this, a key milestone is programmatic. Covered California looks forward to announcing rates in early July. Knowing there will be penalty, health plans recognize there will be a healthier risk mix. Those lower premiums benefit everyone in California. They benefit people that get no subsidies.

Mr. Lee said that Covered California looks forward to working with the Franchise Tax Board. He said Ms. Ravel ran through Covered California's obligations and they are very much oriented around a certain class of exemptions. Covered California looks forward to working with the Franchise Tax Board to make sure Californians are aware of their obligations and understand there is a penalty. Recognizing that penalty wouldn't be for another year, but it takes effect as of January 1, 2020.

Dr. Hernandez thanked Ms. Ravel for a great job. She said there are a lot of inputs into this and it is never perfect but she thought this was an amazing job at getting some meaningful subsidies in place. Dr. Hernandez said she had a question about the Tax Board and their resources. She said that in essence, Covered California will be somewhat be co-branded with them as they move towards implementation. She doesn't have any visibility into their resources. She asked, how comfortable is Covered California in working with them as a partner?

Mr. Lee said that the Franchise Tax Board did get an augmentation to manage and operate the penalty for this next year. He said it was his understanding they did not get resources to do marketing or outreach specifically. Covered California will be working and talking with them about how to make sure Californians are as well-informed as possible. Covered California believes that marketing matters. The Franchise Tax Board absolutely does have an augmentation to manage the penalty. It is part of the budget process. Mr. Lee said he understands that does not include any specific marketing component. However, they always have had, as sort of a core function, how to communicate with Californians as part of the tax process. Mr. Lee noted that Covered California has been working incredibly well with the Franchise Tax Board, with the Department of Finance, with others. Just as we've often worked shoulder-to-shoulder with the Department of Healthcare Services on other matters, we're seeing that continue in this area.

Mr. Fleming commented on the timeline listing CalHEERS system testing in July and September. He said this seemed to be a fairly major set of system changes and it seemed to be a very fast pace. He said he remembered how hard changes were the first time around with the Affordable Care Act. He commented this is a more complex subsidy arrangement with the feds and the state. He asked if this was on schedule. He asked if testing has already begun.

Ms. Ravel responded that it is very complex. Development work began several months ago. Covered California was fortunate that we're able to use a lot of the federal rules and leverage that. She said it is a significant build. Covered California is working very closely with system partners and carriers to make sure that they have the best testing plan and they can mitigate any risks.

Mr. Fleming asked that at a future board meeting, Covered California could present the major milestones through the fall.

Mr. Lee said Covered California would be happy to bring that to a future board meeting. Mr. Lee said that Mr. Fleming was correct in that this must be done soon in order to be up and running in October for when people will be renewing. Mr. Lee said there would be another update in August.

Mr. Fleming said there is some sort of a flowchart about how the money moves a bit here in terms of plans and where they used to get paid and where they now will get paid and some of those kinds of things. Just to understand a little bit about the flows of the thing.

Public Comment:

Beth Capell prepared to speak at the podium. Chairman Ghaly said to Ms. Capell, watching this over the last few months go through both the Governor's office and the legislative process before many of our partners from the public speak, he thinks they have an enormous impact on what is seen today and he appreciates the collaboration.

Beth Capell, Health Access California thanked Chairman Ghaly. She said she was there to support the staff recommendation and also to very much appreciate the actions of this Governor and this Legislature in enhancing the proposal that was before you in May. She said they were very troubled at the idea that we would be asking Californians to pay as much as 25% of their income on premiums alone, with thousands more for deductibles. She said she never thought she would speak in support of people spending 18% of their income. Ms. Capell said that they are not quite done yet in terms of helping people get more affordable coverage but they appreciate the progress. They also appreciate zeroing out or getting down to a dollar the premiums for those below 138% of poverty. It's a small group of people, but they should not be paying any more than they would pay in Medi-Cal. Ms. Capell said they recognize that there is some help for people 200% to 400%. She said they want to improve cost-sharing, particularly for those for whom the current cost-sharing reductions are not very helpful and they all too often buy Bronze, when we know very well people making \$25 to \$30,000 do not have \$6,000 in the bank to cover a deductible.

Ms. Capell said they appreciate the work of the AB 1810 Task Force and their ability to assure skeptical legislators that there is a tradition of collaboration. Ms. Capell said they were able to assure those who had doubts that in fact a budget that was passed on June 15th could be acted on by July 1st by the Covered California Board. There is more to do but they are very pleased by the progress is being made today.

Jen Flory, Western Center on Law and Poverty, said she would echo a lot of Ms. Capell's comments particularly those relating to the AB 1810 Work Group. The fact that that was in existence with research and staff, consumer advocates, did make making adjustments to what was proposed in January possible so that those projections could be done again and we could actually have a plan design document now. She said that they are thrilled that people below 130% of the Federal Poverty Level were added in the

final design. Ms. Flory said they still have a concern, particularly with the reinstatement of the individual mandate, of folks between 138% to 200% of the Federal Poverty Level. She said they understand that there's been a request to track who is actually paying the individual mandate. They are aware there will likely be a two-year delay on having that information. Ms. Flory said she would like to put a request to Covered California that this year during open enrollment Covered California may have opportunity to see this. If there's a way that we could see who is signing up but not completing that enrollment, not fully effectuating their plan, that's often a good proxy of the people who think it's not affordable. Ms. Flory said that if we can start tracking this early-on, it would help their efforts going into the next legislative and budget cycle to make sure that there is additional assistance for other people. These people are, in many cases, families with kids on Medi-Cal. There's not a lot of extra money to go around. So, 3% to 6 1/2% of income looks like a lot less than 17% or 18%, but it's for people who just don't have anything extra. Ms. Flory said they agree with the design document that's been put forward, including the part to keep the reconciliation discussion open a little longer. There may be some people eligible for subsidies that weren't signed up for additional state subsidies and we need to think through how that's all going to be operationalized.

Mark Herbert, Small Business Majority thanked the administration for this initiative to ensure that more small business owners have access to quality, affordable insurance. He said they appreciate the work that Covered California has put in to make this analysis possible, to do the hard work to make sure that that cost curve is as effective as possible for folks who are just over the 400% cliff. By some estimates, roughly half the folks in the individual marketplace are either small business owners, self-employed, or work for a small business. He said they know that the individual market is critical to entrepreneurs in California. He said he was recently speaking with to a small business owner in Chula Vista who is having to make a choice. She's just over 400% of the federal poverty. She is having to make a choice between keeping health insurance or really putting that money into her business. He said they are thrilled that this proposal and this enactment and this work through the Administration, the Legislature, and Covered California is going to make sure that they don't have to ask entrepreneurs to choose between their business and their entrepreneurial dreams. He said they look forward to continuing to support this. He said they hope that there's more affordability support coming in the future, and they will continue to work with the Legislature and the Administration to make that possible.

Alicia Kauk on behalf of the National Health Law Program thanked Covered California for their role in getting the state subsidy program up and running on such a short turnaround. They were happy to participate in the AB 1810 Workgroup. They were thrilled to see that the premiums have been zeroed out for the 138% and below population. They are supportive of the proposal before the board today. They hope that the work continues. She said they are one of the organizations that regularly comes up to Sacramento and tests the CalHEERS system and they do hope that they will be included in that to make sure that everything is up and running as smooth as possible.

Doreena Wong, Asian-American's Advancing Justice, L.A. said she wanted to support the comments made by many of her fellow consumer advocates. She thanked the board for changing and improving the Program design that was proposed in May. She said they work with a lot of the population that is between -- below 138%, and especially between 138% to 200%. She said that they support the Program design that's proposed today, but they hope that Covered California will consider supporting that particular group because they are the ones that they deal with and affordability and cost has always been one of the main barriers for them. She said they would be happy to work with and provide information to Covered California on what the impact may be about not providing subsidies for that particular population. Ms. Wong said that it's going to be complicated for consumers to understand what these state subsidies mean, and in particular, how it applies to different categories. It's important to provide the outreach and education to the community, as well as to provide training to Navigators, Agents, and others so they can understand it and provide the needed information to the population on the new state mandate and how it will affect their taxes and state taxes.

Bill Wehrle, Kaiser Permanente congratulated Chairman Ghaly on his appointment. Mr. Wehrle applauded the staff at Covered California for the work that they have done working with the carrier community. This is a very heavy lift in a short period of time and we really couldn't ask for better partnership. He said that adding to Dr. Hernandez' comment, they believe the Franchise Tax Board outreach is going to be crucial to the success of bringing in a lot of folks. He suggested Covered California bring FTB there to talk about their plans for that sort of outreach at some future point if that's appropriate. He said they are not worried at all about the marketing outreach that Covered California will do. He said they know it will be terrific. He said they would like to make sure it is really well done on the Franchise Tax Board side.

Mr. Lee said he would echo Chairman Ghaly and Beth Capell's point about the history of collaboration. This has marked Covered California from day one. There are now six/seven years of advocates sitting down with health plans, sitting down with actuaries to understand the intricacies and pain of Actuarial Values. This has led to better discussions and hard discussions.

Mr. Lee said that reconciliation is a very meaningful issue. Being thoughtful about reconciliation is complicated. It is meaningful to look at reconciliation both for people who are getting a federal tax credit and go above 400, and people that get a tax credit and go above 600 to the state tax credit. This isn't just an abstract technical term. It has real significance for Californians' lives.

One reason Covered California is able to do this quickly is because of the very good working relationship with health plans. Many consumers will not necessarily know on the surface that their subsidy is now partially federal and partially state. Health plans are going to know because health plans will have new income streams covering parts of the premium.

Mr. Lee said that Covered California will think about bringing the Franchise Tax Board. Mr. Lee noted that the money Covered California spends on marketing does not come from the health plans. It comes from consumers. The money that comes out of premium dollars to promote enrollment and acquisition of a good risk pool is money that Covered California spends, or health plans spend out of the better risk pool. Covered California spending and health plans' spending money on marketing to get people in the door, means that people that on the margin get insured. It lowers cost to everybody.

Motion/Action: Mr. Torres moved for approval. Dr. Hernandez seconded.

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

Covered California's Proposed Fiscal Year 2019-2020 Budget (Action)

Mr. Lee introduced Karen Johnson, Chief Deputy for Administration.

Karen Johnson reviewed the Budget items that were presented at the previous board meeting. Since the May meeting, legislation was passed that will enact the state subsidy program and the individual mandate. Ms. Johnson noted the key amounts of 429 million in 2020, 479 million in 2021, and then 547 million in 2022. The appropriation does not increase Covered California's operating budget, augment, the California Healthcare Trust Fund, or change the agency status in terms of our independent entity or impede the board's authority.

Ms. Johnson stated that in preparing the forecast, Covered California models for uncertainty. They model at the high estimate, the base estimate, and the low estimate. This is helpful as it informs them of what they can expect in the current year and also what we can perhaps expect in the out-years. Ms. Johnson displayed a slide with a chart detailing these estimates. She highlighted Fiscal Year 2019-20, saying they were looking at the high of being 1.678, the base being 1.595, and then the low being 1.46. In terms of Covered California's plan assessments on a cash basis, for Fiscal Year 2019-20, at the high, we're looking at 402 million. At the base is 394 million. And a low of 384.

Ms. Johnson said that they used the estimates to prepare a multi-year outlook. They expect future premiums will escalate in line with medical cost trends at 7%, along with an increase of about 1.6% of the health insurance providers' fees. They expect enrollment gains to dampen premium increases by 4 percentage points. Plan assessment rate is going to be 3.5%. This is a reduction from our current year at 3.75. They expect to begin with 347 million, or nearly 11 months of reserves, and this allows for them to adapt and be flexible for any changes with federal or state policy. They expect to end the current year also with about 40 million in Capital Project Reserve account to handle any of our future facility needs.

Overall, the proposed operating budget to carry out Covered California's mission is 379 million. The budget will fund investments and marketing, outreach, sales and customer

service, that are needed to promote a stable market with a good risk mix to keep premiums as low as possible.

Ms. Johnson showed a chart that highlighted the changes from the May proposed budget. The new budget accounts for an increase of 17.7 million. There is an increase over the three years for enhancements to the CalHEERS system to support the state subsidy activities. There is also an increase in marketing activities to educate consumers about the individual mandate and promote enhanced state subsidy assistance of about 10 million. There are also some small, minor, technical adjustments. There was a reduction of 1.5. Part of that was transferred over to the Capital Project Reserve. Overall, Covered California's proposed budget is 399 million, which includes an operating budget of 379, with 1,386 positions, and funding for our Capital Project Reserve of 20 million. There is a proposed reduction in assessment rates of 3.75 from the current year, which is 3.75. The 3.5 includes dental plans for the benefit year 2020, with an average rate of 2.3%, when those enrolled in mirror products off-exchange. The recommended rate for our small business policy remains at 5.2% of premium.

Ms. Johnson said that they were respectfully requesting board approval to approve Covered California's budget of 379 million. Also, Capital Project Reserves which appropriates 20 million from unspent operating funds in Fiscal Year 2018-2019. And also 20 million for Fiscal Year 2019 to 2020. She said they were asking that the board grant authority to the Executive Director to adjust the operating budget, as long as expenditures remain at or below the level of expenditure authority. She said they were also asking the board to approve for the Plan Year 2020, charge a Per Member, Per Month assessment of 3.5% on qualified health plans, including dental plans sold through the individual exchange and 5.2% of premiums of such plans sold through Covered California's small business.

Mr. Lee said he had a couple of notes. He noted that a couple of key factors go into the revenue side of the budget. Number one is the number of people. Another is the premium. Mr. Lee said that Covered California will be announcing what the premiums are likely to be, in July. The numbers here were developed over the last month. They are not specific or predictors of what exactly they're going to be. But if you look at the detail, they have high, mediums and lows of range of what they're going to be. Covered California anticipates that the effect of increased enrollment, the penalty, will be a substantial reduction of what the premiums would have been.

Mr. Lee then spoke about the changes highlighted by Karen Johnson. These were brought on by some requests from board members. Further analysis showed more money was needed for IT. It is now double the original estimate.

Marketing and outreach developed a plan to spend an additional ten million. Some of the elements of where that would be spent is on longer ads. These are more complex issues. Having 60 seconds may not sound like a lot of time compared to 30 seconds, but these are complex issues.

Another issue, which is before the legislation now, is a return to a January 31st close of open enrollment. Two and half million dollars was needed for the additional two weeks of marketing. There is also expanded search and digital marketing.

Mr. Lee said that Covered California is always analyzing their investments to ensure they are well-spent. Covered California's marketing team is really remarkable. This additional funding will likely not be needed in future years. This is a big year. This is a different year. It's one of the first big shifts in a while.

Karen Johnson said regarding the IT spend of nearly twenty million, the total spend for this year would be a little over thirteen million.

Motion/Action: Mr. Torres moved for approval. Dr. Sandra Hernandez seconded.

Board Comment:

Dr. Hernandez said she appreciated the deeper dive on the IT portion given the complexity. She asked, beyond money, are there other competing interests that CalHEERS has on its plate associated with other functions that CalHEERS does that quite important as well?

Mr. Lee said that long and short, yes. Every open enrollment period is sort of cued up to be more of Covered California's desired design changes and Medi-Cal has really said we'll do changes through the rest of the year. Some things will be pushed back. There's only so much pipeline of what you can do. Having these new subsidies means other programs that would have been up and running, or other preferred system changes, will take longer. Some of the things related to county needs, etc., will likely be affected because there is only so much design capacity that will be taken up with these new demands for the subsidies.

Dr. Hernandez if the board has historically given Mr. Lee the authority to move within the budget. She asked if this is something that is done annually or if it is a one-time thing?

Mr. Lee said that this has been done every year. Covered California reports where there have been changes. Covered California has generally been under-budget in most areas. There has been some need to shift money between areas during the year but it's been used sparingly. It has been a standard authority granted in every budget year.

Mr. Fleming asked for the percentage increase in marketing year-over-year?

Karen Johnson answered that Covered California has been relatively steady over the last couple of years.

Mr. Lee said it could be confusing because looking at the pie chart, they combined marketing and outreach activities. People often think about advertising when thinking about marketing. There has been an increase of about twenty-five percent on advertising. There is another ten percent increase in the overall bucket of marketing. Covered California will be spending a little more on the Service Center, which also relates to sales, having ability to answer phones quickly, etc. That is about a ten million increase which is virtually all paid marketing will all other areas remaining basically flat.

Mr. Fleming asked if the need to manage additional calls and such in call centers had been considered.

Mr. Lee said that it absolutely had been considered. Mr. Lee said Covered California's believes this funding is sufficient. Covered California will need to see if by having an increase in enrollment, does that increase our ongoing service capacity? But that's less about open enrollment than the ongoing needs that can be adjusted over time.

Mr. Fleming said that given the revision, we're talking about a spend level that's around eleven percent budget over budget and around eighteen percent budget over actual. He said this is an extraordinary year and the opportunity to have real impact is there. Covered California needs to be able to spend the money to build the systems and they need to spend the money to effectively market it. Mr. Fleming said that his concern was that some of these expenses are one-time expenses. The pattern of the expense is going to be more and then less on the IT side. In terms of when it looks at the subsequent year here, it is basically assumed that Covered California would take this base, this new base, and increase it by six percent. This is the year to do this, but this is the kind of increase that he said he doesn't think Covered California in good conscience can have year over year for many, many years. Covered California wants to be putting money into healthcare, not necessarily into healthcare administration, health plan administration.

Karen Johnson said this was a very good point. He said that even though the multi-year outlook actually does include that five percent increase; Covered California does take into consideration the one-time expenditures.

Chairman Ghaly said that the theme of Covered California always pushing the envelope nationally and what has made Covered California unique to other states is the spend on outreach or advertising. How will Covered California measure this additional investment in targeting populations that haven't been quick to enroll and really to complement the penalty and the subsidies move, to determine collectively how this comes together to really be an effective strategy that others across the nation can adopt? He said this is important to track over the next year.

Karen Johnson said that Covered California will bring back their plans in terms of how to spend the ten million, milestones, and potential goals.

Chairman Ghaly said that regarding the Capital Project Reserve for twenty million, what will that bring the reserve account up to?

Karen Johnson responded that it would be about sixty million.

Mr. Lee said he did not wish to overpromise on the ability to very granularly identify what an incremental two million spent on longer ads would mean. The best thing Covered California has are more aggregate measures of overall enrollment, risk mix, etc. and how it is paying off. Covered California seeks to measure efficacy of every aspect of every campaign, but it is hard. Covered California will provide, in aggregate and seek to drill-down.

Mr. Lee said that a lot went into the budget. Chairman Ghaly's note on being a proving ground and seeking to be a lead nationally is absolute on marketing. But as much as that, it's also what we do in holding plans to account and analyzing what we do. The two areas that got substantial incremental increases were in the area of plan management and in the area of research, evaluation areas. These had been, relatively speaking, under-resourced. Most areas throughout the organization added zero staff. We aren't an organization that says let's grow because we can.

Public Comment:

Beth Capell, Health Access California said they support the additional resources for marketing and outreach. They trust that it's not just ten million to do outreach about state subsidies and the individual mandate, that those new California opportunities and requirements will infuse our marketing budget and throughout. She said they appreciate Peter's non-verbal agreement with that observation, which she said they could not tell from the material before them.

Mr. Lee agreed.

Ms. Capell said they would recognize that Covered California has a tradition of being prudent in its budget. Although this is a year in which it's right to spend money, those of us who went through the implementation in the ACA know it took more than a year to get us to where we are. She said it may be necessary to enhance spending in the second year as well.

Jen Flory, Western Center on Law and Poverty, said she agreed with Ms. Capell's comments. She said they completely agree with the additional money being spent on marketing. Some people are just now finding out that the mandate penalty went away. There is always a lag.

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

Revision to Group Charters (Action)

Mr. Lee introduced Doug McKeever, the Executive Deputy Director for Programs. Mr. McKeever said he would recap information presented to the board in May. Mr. McKeever said he would present a final recommendation based on feedback received from the stakeholder community.

The feedback suggested a transfer of the Small Group Advisory function into the Plan Management Advisory Group. Many of the same members are present in both. The groups agreed that it would be beneficial and prudent to have that group address both of those issues.

The Marketing Outreach and Enrollment Assistance Advisory Group would maintain its current status with the caveat that that particular advisory group seek to establish its charter, which will be approved by the Executive Director of Covered California, that it's consistent with the scope in the membership composition that was established by the board, and that it meets at least twice per year.

Board Comment: None

Public Comment:

Alicia Kauk on behalf of the National Health Law Program expressed thanks to Covered California for working with the stakeholders on some of the proposed revisions. In terms of the additional marketing budget, she said they wanted to voice that they are ready and willing to help in any decision-making on that front.

Phone Comment:

Michael Lujan congratulated Chairman Ghaly on his appointment to the board. He said he forgot to press the prompt on the phone to make a comment earlier. Mr. Lujan said he wanted to restate their enthusiastic support of the board decisions at this meeting and the ongoing work for implementation. Mr. Lujan said they were especially grateful to Ms. Ravel and her helpful board presentation. He said they agreed with previous commenters on the importance of effective marketing, the key important changes mainly being the extension of the subsidy and the new mandate. He said they are working on refining their plan and communication strategies for brokers, navigators, etc. He said they are grateful for Covered California's partnership with Qualified Health Plans. They look forward to sharing their progress and are ready to provide their thoughts to the appropriate workgroups. Mr. Lujan said they support the change to the Workgroups and support the proposed budget. Mr. Lujan said Covered California has done heroic work to make this complex work look easy. He said they are proud to do their small part in the effort to serve all Californians.

George Balteria, Quote Selection Insurance Services and Chair of the Marketing Outreach Advisory Group. Mr. Balteria echoed the comments made by Alicia Kauk. They appreciate the openness and the feedback experienced with Covered California's staff. They are happy to see the changes to the groups are moving forward.

Motion/Action: Mr. Fleming moved for approval. Mr. Fearer seconded.

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

Covered California Regulations

Covered California for Small Business (CCSB) Changes to Eligibility and Enrollment Regulations (Action)

Mr. Lee introduced Andrea Rosen, Office of Legal Affairs. Andrea Rosen stated she was presenting at the request of Covered California for Small Business. The item was previously presented for discussion at the May board meeting. The current regulations limit the recovery for charge for a non-sufficient fund to \$25. This does not cover our actual cost, according to the Financial Management Division, of processing such a request. Covered California would like to take advantage of the state law that allows them to recover their actual costs for non-sufficient funds fee. The regulatory change is to 6532(e). The Financial Management Division would determine what that amount is on an annual basis. It would be properly noticed to Covered California for small business employers through the premium billing statement every month.

In addition, an employer who bounces two checks in a row would be required to submit payment via a cashier's check or money order for the 12-month period following the two bounced checks.

The Financial Management Division has yet to determine the amount needed to recover actual costs, but it would be competitive. The fee would not be too high.

Mr. Fleming said there may be a market standard for other carriers who have small groups.

Ms. Rosen said the amendment was taken to the carriers by the managers of Covered California for Small Business. This is something that the Financial Management Division would keep in mind.

Dr. Hernandez asked, if we had any idea of the amount of increase.

Mr. Lee said that while we do not have a number, it will not be a huge scale. The action would be consistent with the market.

Doug McKeever stated that Covered California would bring a number in August. He suggested the board move for approval of the recommendation and noted that as it goes through the rule-making process, it will be subject to public comment.

Chairman Ghaly asked if it was critical to make the decision at this board meeting.

Ms. Rosen stated that a decision would allow them to file the emergency regulation with the Office of Administrative Law.

Doug McKeever said the decision could wait until August.

The board decided to wait until the August board meeting.

Dr. Sandra alerted Chairman Ghaly that she would be leaving the meeting early.

Identity Verification Regulations — Authorization to Submit Permanent Rulemaking Package to the Office of Administrative Law (Discussion)

Mr. Lee introduced Crystal Hirst from the Office of Legal Affairs. Ms. Hirst stated that the Office of Legal Affairs does require board approval to complete the permanent rulemaking process for identity verification regulations. They are currently emergency regulations and Covered California wishes to make those emergency regulations permanent. The board did previously approve those regulations on October 27th, 2016. Covered California commenced the permanent rulemaking process on May 3rd, 2019, by providing notice to all the interested parties. The 45-day public comment period did run from May 3rd to June 21st and Covered California received no comments on these regulations. This rulemaking package doesn't make any major changes to the emergency rulemaking. The changes were mainly grammatical updates and the incorporation of some federal regulations by reference. Ms. Hirst said Covered California requires the board to discuss the proposed regulations at a properly noticed board meeting and they intend to return to the board to request final approval in August.

Motion/Action: Mr. Fleming made the motion. Mr. Torres seconded.

Board Comment: None

Public Comment: None

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

Health Plan Contractual Update: Attachment 7 Review:

Mr. Lee introduced James DeBenedetti, Director of Plan Management. Mr. Lee noted that Covered California was in the midst of negotiations for Plan Year 2020. Both the penalty and the enrollment impact of new subsidies bode well for what rates are and for Covered California's active plan engagement.

James DeBenedetti stated that is preparing to refresh the Qualified Health Plan and Qualified Dental Plan Issuer Model Contract for the 2021–2023 contract period. Mr. DeBenedetti said they expect to update the contractual expectations of issuers, refresh the performance guarantees, and define terms for public reporting on individual issuer performance. In the slides, he provided a link to the current Attachment 7.

Mr. DeBenedetti went over the guiding principles for developing expectations of health plans 2021-2023. Mr. DeBenedetti said that they would like to get alignment with other purchasers and want to focus much more on outcomes versus process.

Mr. DeBenedetti presented a timeline for the development of the contract. He said the expectation is to obtain final approval in January of next year.

Mr. DeBenedetti said there were several approaches taken in development the strategy. The first was expert review. PricewaterhouseCoopers was involved in reviewing benchmarks and measurements. Health Management Associates, reviewed the best evidence on what value enhancement strategies worked.

Another strategy approach was a Covered California Experience Report. This was the experience to-date of all of Covered California's carriers with the requirements in Attachment 7 that helped guide Covered California's decision-making process. Feedback from the request for input questionnaire that was posted in the January board meeting proved helpful. Ten of the eleven health plans responded. There was also feedback from the provider community, stakeholders, academics, and institutions interested in measurement.

Mr. DeBenedetti provided a slide with a summary of PricewaterhouseCoopers response. The following slide provided additional detail on PricewaterhouseCoopers review of benchmarking and measurements. Mr. DeBenedetti then showed a slide that described the recommendations made by PricewaterhouseCoopers.

Mr. DeBenedetti moved on to Health Management Associates' recommendations. He showed a slide on their seven overarching recommendations. Mr. DeBenedetti said these recommendations point to the fact that Covered California is going in the right direction. The next slide covered Health Management Associates' five key driver observations.

Mr. DeBenedetti said Health Management Associates' report largely reinforced the focus areas and priorities with the Attachment 7 that Covered California already had. He said they expect some areas will require more changes than others. Health Management Associates and PricewaterhouseCoopers both recommend that Covered California could track additional measures and promote greater integration of behavioral health with physical health care to ensure QHP issuers are providing sufficient mental health and substance use disorder treatment. Mr. DeBenedetti said that in order to address disparities more comprehensively, Covered California concludes that they

should promote “individualized equitable care” as consistent with the six domains of health care quality – safe, timely, effective, efficient, equitable, and patient-centered (STEEEP) identified by the Institute of Medicine.

Mr. Torres, James DeBenedetti, and Mr. Lee discussed an Institute of Medicine Report from approximately fourteen years ago titled “Crossing the Quality Chasm.” They were unsure of who funded the report but said it held signature reference points for health reform delivery for the last fifteen years. They were unsure as to who funded the report. Mr. Lee said they would find out.

Mr. DeBenedetti discussed a slide titled Covered California’s Quality Care and Delivery Reform Framework. The following slide showed the process for updating Covered California’s expectations. He then provided an example of updating Covered California’s expectations. The slide showed both continuing requirements and potential new requirements. Mr. DeBenedetti said the goal is not to say that you have to implement any one specific model. The goal is to find the results or outcomes of the various models that are out there.

Mr. DeBenedetti reviewed two slides on Expectations Development Next Steps. He said they encourage all of Covered California’s stakeholders to review the documents that will be published the week of July 8. They will be posted on the board website. He invited the public to submit comments to QHP@covered.ca.gov.

Mr. Lee said that everyone would have some time to review the materials. He said Health Management Associates and PricewaterhouseCoopers would be available to answer questions at the August board meeting.

Mr. Fleming stated that in the presentation, he did not see an answer to how Covered California should structure the choice process for potential members among plans and among providers. He said an important question is what is required to move the needle on quality?

Chairman Ghaly agreed with Mr. Fleming. He expanded their question by asking how do you move the providers in a consistent direction to increase quality, investments at the provider level and the IT systems, the assessments, the staffing? Chairman Ghaly said this is exciting work and he looks forward to reading the reports.

Public Comment:

Beth Capell, Health Access California said she looks forward to reading the full report as well as any summaries prepared by staff. Ms. Capell agreed with Mr. Fleming and Chairman Ghaly’s comments on moving the needle on quality, equity, and disparities and Covered California using its presence as a purchaser and a state agency to accomplish this. She said they do not believe that simply having an Accountable care organization is a guarantee that there will be more cost-effective care. She said they look forward to further discussions.

Mr. Lee said he appreciated Ms. Capell's comment on higher cost issues. Covered California needs to look at care that is safe, timely, equitable, efficient, and patient-centered. These issues are about the underlying price as well as what we're getting for them.

Mr. Lee noted that Covered California is not releasing summaries of the reports but is combining them. Covered California will edit the reports and will also make the full reports available.

Mr. Lee noted that the report "Crossing the Quality Chasm" was from the year 2000 and was funded by Robert Wood Johnson, California Healthcare Foundation.

Chairman Ghaly then adjourned to a second closed session but reminded everyone that the board would return for open session shortly.

Agenda Item VII: Closed Session Continued from Morning Session

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).

At 2:10 p.m., Chairman Ghaly returned to open session to report on closed session activities.

Agenda Item VIII: Announcement of Closed Session Actions (Discussion)

Mr. Lee said that there was nothing to report from closed session. They discussed contract and personnel matters.

Chairman Ghaly adjourned the meeting at 2:11 p.m.