

COVERED CALIFORNIA BOARD MINUTES  
Thursday, May 21, 2020  
Covered California  
1601 Exposition Blvd.  
Sacramento, CA 95815

Please Note: Covered California hosted its June 25<sup>st</sup> board meeting remotely. Per Executive Order N-25-20 and N-35-20, certain provisions of the Government Code pertaining to open meeting requirements were temporarily waived to mitigate the effects of the COVID-19 pandemic. As such, Covered California board members participated remotely by way of teleconference.

Additionally, consistent with the Governor's Executive Order N-33-20 regarding the statewide stay-at-home directive to preserve the public health and safety throughout the entire State of California, public participation was limited to remote participation only.

**Agenda Item I: Call to Order, Roll Call, and Welcome**

Vice Chairman Paul Fearer called the meeting to order at 9:30 a.m.

**Board Members Present During Roll Call:**

Dr. Sandra Hernandez  
Art Torres  
Jerry Fleming  
Paul Fearer

Vice Chairman Fearer said that Chairman Mark Ghaly would possibly join the meeting in the afternoon.

Vice Chairman Fearer explained that both open and closed session would take place virtually pursuant to an executive order providing for public meetings to be held virtually during the COVID-19 pandemic.

**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).

Vice Chairman Paul Fearer called open session to order at 12:18 p.m.

**Agenda Item III: Approval of Board Meeting Minutes**

No action was taken on the March 26, 2020 Meeting Minutes. The item was deferred to the next Board meeting.

## **Agenda Item IV: Executive Director's Report**

Peter V. Lee, Executive Director, explained the technical difficulty with the phone number originally provided for public comments. The new number was provided along with an email address, [boardcomments@covered.ca.gov](mailto:boardcomments@covered.ca.gov), for public comments.

### **Discussion: Announcement of Closed Session Actions**

Mr. Lee stated the Board discussed a range of contracting matters and personnel issues. Mr. Lee noted four transitions:

1. Vishaal Pegany, from Covered California's Policy, Eligibility and Reporting Unit has obtained the Assistant Secretary position at the California Health and Human Services Agency.
2. Julissa De Gonzales, from Covered California's External Affairs Unit, received a gubernational appointment as the Director of Legislation and Policy for the Department of Pesticide Regulation.
3. Dr. Lance Lang, Covered California's Chief Medical Officer, is retiring after helping craft and launch Covered California's quality agenda.
4. Amy Palmer, Covered California's Director of Communications and Public Relations received a gubernational appointment as the Deputy Secretary of Communications for the Government Operations Agency.

Mr. Lee congratulated these individuals on their transitions and noted three prominent Covered California recruitments: Chief Medical Officer, Chief Information Officer, and Director of Communications and Public Affairs. Mr. Lee noted that he would speak more about the Chief Information Officer position, and the departure of the current Chief Information Officer in June.

### **Discussion: Executive Director's Update**

#### **Press and Media / Reports and Research**

Mr. Lee said that since the March Board meeting, Covered California had five press releases addressing enrollment, advertisements, and changes related to COVID-19. At the March meeting, Covered California had just released the first report in the nation on the cost of the COVID-19 pandemic for commercial care in America. Since then, news suggests that if the nation had reacted more quickly to the pandemic, tens of thousands of fewer people would have died. California acted quickly and lives in California were saved due to this swift action. Reports posted in this month's materials include economic analysis of the broader impacts to the health care system and the economy at large. Mr. Lee encouraged attendees to review the reports and consider the impact of COVID-19 on the recession and the Affordable Care Act in general.

### **Discussion: Coronavirus Disease 2019 (COVID-19) Update**

Mr. Lee introduced Dr. Ashrith (Ash) Amarnath, Covered California's Medical Consultant to present updates on COVID-19, particularly in relation to Covered California.

Dr. Amarnath said that cases continue to increase though the growth rate decreased tenfold from 20% at the beginning down to just 2%. Testing capacity has increased from 1,100 to 1.4 million. About 40,000 tests are processed per day. California has an enhanced surge capacity with the former St. Vincent Medical Center in Los Angeles and the Sleep Train Arena in Sacramento converted into surge facilities.

Dr. Amarnath said testing needs to be scaled up. The goal is 60,000 per day. Contract tracing, isolation, physical distancing, and quarantine abilities need to be enhanced. The ability to develop therapeutics to meet the demand needs to be improved.

Dr. Amarnath highlighted responses taken by Covered California. Covered California is supporting the shift to virtual health care delivery via telehealth; seeing large growth in services being provided. Multiple Covered California plans are waiving cost-sharing for not only testing but also the treatment of COVID-19. Covered California is providing active community support through outbound calls to vulnerable members, donation of personal protective equipment (PPE) and funds. Covered California is offering financial support to health care providers and hospitals. Covered California is working to improve capacity and turnaround times for COVID-19 testing. Some Covered California plans are extending time for members to pay premiums without fear of termination.

Covered California is also considering opportunities to help prepare primary care practices and others to do COVID-19 testing and contact tracing. They are considering financial support beyond advanced payments for primary care.

### **Board Comment:**

Mr. Torres thanked Covered California for the COVID-19 Report. Mr. Torres said that the California Stem Cell Agency has approved two clinical trials for COVID-19. One at the City of Hope for convalescent plasma and one at UCSF. Another round of applications for potential vaccine research will also be opened.

Mr. Lee reported that the estimated cost of the COVID-19 pandemic to Covered California at \$25 million dollars. Direct costs account for \$14.7 million while allocated/redirected costs account for \$10.1 million. The efficiency impact is difficult to measure but estimated to be a decrease in efficiency of 10-20%.

### **Special Enrollment Period 2020 COVID-19 Campaign • Marketing Update**

Mr. Lee thanked Campbell Ewald for their marketing work over the past five years. He welcomed Duncan Channon stating they would now be working with Covered California's marketing team.

Covered California has new marketing material targeting general market segments and targeted segments. Marketing is distributed in multiple languages. Unemployment

checks in California are sent with an insert from Covered California. There are new ads running across California.

Enrollment has surged more than 2.5 times the enrollment of the same period last year. Over 23,000 people enrolled in a two-month period. The special enrollment period (SEP) for COVID-19 runs through June.

Covered California for Small Business (CCSB) implemented a program to help small businesses having trouble paying bills. They developed an additional grace period and a premium deferral program which allows them to spread out the payments over future months.

Mr. Lee praised the efforts of Covered California Service Center staff. These staff members are working from home and, on average, 86.5% of consumers are saying they are very satisfied with the support they are receiving. Two-thirds of the callers reported resolved issues in just one call.

### **Public Comment:**

Beth Capell, Health Access California said that they have enjoyed working with Dr. Lance Lang over the years and will miss him. She commended Covered California more broadly for their work in responding to COVID-19. She appreciated the efforts needed to respond including transitions to telework and transitions in marketing.

Mr. Lee thanked Ms. Capell for her comment and stated that the \$9 million Covered California spent due to COVID-19 was not anticipated. Mr. Lee said the money was better spent than kept in reserve.

### **Discussion: Covered California Data and Research**

#### **COVID-19 Special Enrollment Demographics**

Mr. Lee restated that enrollment for the COVID-19 SEP has been 2.5 times higher than the same period the previous year. 123,000 Californians signed up for Covered California. Covered California helped many more get enrolled in Medi-Cal.

Prior to the pandemic, Covered California's marketing focused on awareness of the penalty. Governor Newsom's announcement of the State of Emergency due to COVID-19 led Covered California to change their marketing and announce a COVID-19 SEP. Mr. Lee noted that more people in the 400-600% of the federal poverty level (FPL) have signed up this year. The rate of our enrollment in that income category is about double although Covered California had predicted it would be more. Some consumers in this income category purchased off-exchange. Covered California had planned targeted marketing focused on encouraging off-exchange people to move to on-exchange and get subsidies. That marketing was planned for April, a month when people get their tax notices. That marketing did not occur due to the shift in marketing to COVID-19.

There was a 6% increase of enrollments in Bronze plans during open enrollment and continuing into the COVID-19 SEP. About 26% of enrollees are enrolling in Bronze plans. Covered California believes there are two contributing factors. First, consumers who have lost employer-based coverage are looking for the lowest cost product available. Second, the economic nudge provided by the state penalty.

Mr. Lee discussed other data stating that they did not see dramatic shifts when analyzing the data on race, ethnicity, and other factors. There was a slight increase in the Latino enrollments compared to the prior year. Data shows consistency in the mix by race and ethnicity and rating region. There was an increase in older enrollments between the ages of 45 and 64. Covered California is analyzing the data to determine if this is related to income in the 400-600% of the FPL range.

### **Board Comment:**

Mr. Fleming asked about individuals who have lost coverage and did not sign up for Medi-Cal or Covered California. He asked if there is an idea of where they are going for health insurance or if they are going without health insurance.

Mr. Lee said that Covered California is analyzing this question. Many individuals who have filed for unemployment will continue to receive health insurance for a month or two. This lag means there may be an increase in the enrollment numbers in June as the unemployment rate increase was recent. Covered California is working with the Department of Health Care Services to track how many consumers are going into Medi-Cal. Covered California believes that, as we head into a recession, quite a few people will be newly eligible for Covered California. Medi-Cal is estimating 2 million in growth in the Medi-Cal program. Covered California anticipates 1 out of 10 individuals will join Covered California.

### **Public Comment:**

Beth Capell, Health Access California commented on the report from UC Berkeley Labor Center titled *Health Coverage of California Workers Most at Risk of Job Loss Due to COVID-19*. This report is in the Reports and Research meeting materials.

Ms. Capell said the report estimates that 2.5 to 3 million people are losing their health insurance due to COVID-19. When this will happen is still a question. Ms. Capell noted that many employers hoped their employees would be able to return quickly. Some employers may have continued employee health insurance as an incentive for employee return after the pandemic. Ms. Capell wondered why enrollment numbers were lower than expected for Medi-Cal and Covered California. She said they worried that consumers were unaware of the safety-net that is available to them. This is the first recession since the implementation of the Affordable Care Act. She emphasized that Californians will benefit from increased messaging regarding health insurance in California.

Jen Flory on behalf Western Center on Law and Poverty and Health Consumer Alliance congratulated Dr. Lance Lang on his retirement and voiced her appreciation for his work

on quality improvement and reduction of health disparities. Ms. Flory noted that many consumers they speak with are unaware of the Affordable Care Act. She said they appreciate the work Covered California does to educate consumers. Ms. Flory said that with COBRA, an employee would have to pay both the employee and the employer portion of the health insurance to continue coverage. This is not feasible for individuals who have just been laid off. Educating people that there is free or heavily subsidized care available is very important. Ms. Flory stressed the importance of marketing and outreach in reaching these individuals.

### **Discussion: State and Federal Policy / Legislative Update**

Mr. Lee said California has been an exemplar of putting facts, evidence, and the community first in a whole range of ways, including developing steps for re-opening. The SEP for COVID-19 goes through June 30, 2020. Covered California will evaluate if, under the law and special circumstances, the SEP can be or should be extended. Mr. Lee agreed with previous comments saying extension of the SEP makes sense given that some individuals only recently lost coverage.

Mr. Lee noted there have been many issues in terms of the stimulus. Regarding health plans, there is a new set of benefit and payment parameters.

On a federal note, the Centers for Medicare and Medicaid Services (CMS) announced it would not collect the Healthcare Effectiveness Data and Information Set (HEDIS) and the Consumer Assessment of Healthcare Providers and Systems (CAHPS) data for 2019. They advised state-based marketplaces to do the same. Covered California uses this data rigorously to understand how plans are doing in terms of quality and how to improve.

The Department of Health Care Services for Medi-Cal is still doing collection for 2019 and will use a process for Medi-Cal using one of the best of measurement year 2018 or 2019. Covered California has adopted a similar approach. On May 14<sup>th</sup>, Covered California issued a policy in which plans will continue to close out the collection for 2019 data for HEDIS. This will make sure that data collection can be done without either increasing the risk to data collectors to COVID-19 or burden that would distract our plans or providers from engaging the COVID pandemic. Mr. Lee noted that while the data for 2019 is expected to be bad, the data collected for 2020 will likely be worse. Those differences should be measured. The impact of COVID-19 should be measured. Covered California will continue to collect CAHPS and HEDIS data.

Covered California is tracking a number of state legislative initiatives. Some of them have significant import to us such as issues as simple as meetings requiring agendas and materials ten days in advance. This would include potentially things like our Advisory Committee meetings. Having meeting materials can be a challenge in terms of a ten days in advance rule, especially during COVID-19, but even on the day-to-day.

Another huge issue is the impact of COVID-19 both on California as a health care matter, but also as a financial matter. Governor Newsom announced a revised budget in May as California faces a \$54 billion deficit. There have been changes to important initiatives related to Medi-Cal expansion, the Office of Healthcare Affordability, and CalAIM. Reduced spending means there will be increased needs in some areas, including Medi-Cal in particular. Projections suggest Medi-Cal will grow by 2 million individuals.

The Bronze Actuarial Value trailer bill also has important implications for Covered California.

**Public Comment:**

Beth Capell, Health Access California said they are pleased Covered California is continuing the Quality Rating System. She said they recognize the data collected at this time will have an asterisk attached noting the start of the pandemic and hopefully the close of the pandemic. She said they are delighted to support the trailer bill that makes the adjustment to the Bronze Actuarial Value in order to allow those plans to continue to be offered in California.

Doreena Wong, Asian Resources Inc. congratulated Dr. Lance Lang on his retirement and the other transitions of Covered California staff. Ms. Wong said she could confirm that newly unemployed consumers enrolling through Navigators have been unaware of the different health care programs. She said they try to direct them to the appropriate programs, whether it be Medi-Cal or Covered California. They appreciate the need to increase marketing and continued outreach to vulnerable populations of immigrants, non-English speakers, and communities of color that have been disproportionately impacted by COVID-19. Navigators have been inundated with requests for services. The unemployment check insert was a wonderful idea. She said they appreciate the innovative methods Covered California is using. They are also trying to get the word out but there is a lack of education and awareness about the health coverage programs.

**Board Comment:**

Dr. Sandra Hernandez said it is important to be aware of the not-for-profit sector, such as the Navigators, that help with enrollment. It is important to ensure that these organizations remain viable during this period of time as we need them to continue to perform outreach and education.

Mr. Lee said that later in the meeting, Navigator goals would be discussed in further detail. Covered California is proud to fund about 100 organizations and is proposing to continue that funding.

## **Discussion: Presentations from Covered California Qualified Health Plan Issuers**

Mr. Lee noted that at a previous Board meeting, a Board member suggested they would appreciate hearing from the contracted health plans more frequently. Four health plans were invited to speak at the meeting with more scheduled for the future.

Mr. Lee noted that Chairman Ghaly would hopefully be joining the meeting shortly. Upon his arrival, the plans would pause their presentations to allow Chairman Ghaly to speak about the COVID-19 pandemic.

Each plan's presentation is in the context of the *First Five Years* report by Covered California. The report went into great detail on how the 11 plans are doing. Covered California asked the plans to speak to the following in their presentations:

- Plan Overview
  - Membership description
  - Covered California as part of their proportion of overall products
- Current successes and challenges in Covered California
- COVID-19 responses
- What's coming on the horizon?

### **Blue Shield of California**

Mr. Lee introduced Dr. Seth Glickman, Chief Health Officer at Blue Shield of California, and Robert Spector, Senior Director of State Public Programs for Blue Shield.

Mr. Spector said that he is responsible for Blue Shield's partnership with Covered California and currently serves as the Chair for the Plan Management and Delivery System Reform Advisory Group.

Mr. Spector said that Blue Shield has worked with Covered California since the launch in 2014. They have offered consistent coverage in every single county in every ZIP Code for Individual and Family Plans (IFP) and CCSB. They offer a PPO in all 58 counties and Trio HMO ACO in 24 counties. Combined on and off market membership in the individual market is a little over 700,000. Blue Shield participates in every market segment from Medi-Cal to Medicare. Blue Shield endeavors to help with the transition as people are losing employer coverage and moving into the Exchange and Medi-Cal.

They are a network model. Their ability to offer Californians access to high-quality affordable care is achieved through close work with their provider partners. Mr. Spector said they were thrilled to be able to bring their HMO product and make that available to the IFP population. They are making good progress on the PPO with the shift away from fee-for-service and driving consistent quality improvements, but it's harder and it's slower for the PPO to hit some of those expectations from Attachment 7 in the delivery form. It is important for Covered California to have a viable PPO product. There is strong consumer demand for the network and the choices of PPO. He said they don't



have a lot of the levers that are available, for example, in the employer space through benefit design.

Mr. Spector provided examples of what they are working on to drive access to high-quality affordable care. They are working on new physician payment models. The intent is to allow physicians and their teams greater flexibility in how they provide care and giving them the support, incentives, and tools to help transform their practices.

Dr. Glickman said that COVID-19 is a public health crisis that has impacted everyone. He characterized Blue Shield's response as moving with maximum speed and flexibility to support both their members and providers. Dr. Glickman said they are waiving cost-sharing for members whenever possible for treatment related to COVID-19. They are ensuring access to prescription drugs, including addressing longer supply and mail-order options. They are promoting telehealth, especially in regard to behavioral health, and waiving the out-of-pocket cost. Blue Shield has high-risk member outreach programs. They identified over 150,000 high risk members. Dr. Glickman said they learned a lot about their members, about how they are experiencing the COVID-19 related illness, and how Blue Shield can best support them.

Blue Shield supporting their providers. They are providing \$200 million in direct financial support to offset impacts on revenue streams. They've established loan guarantees, advance payments, value-based re-contracting, and have expanded services to fund member-liability obligations to providers. Blue Shield is streamlining prior authorizations and concurrent review for member care.

Blue Shield is supporting their local communities. Leadership in scaling up testing. Blue Shield's CEO is co-chairing Governor Gavin Newsom's COVID-19 Testing Taskforce. The Blue Shield of California Foundation is providing \$6.8 million in grants to affected communities. BlueSky mental health initiative is available for students who are sheltering in place.

Having a member centric approach is a big focus and effort right now in understanding the disproportionate impact of COVID on the most vulnerable populations. They will continue to support those members in the best way possible.

Mr. Spector praised the unique collaboration model with colleagues from other health plans. He said he was confident that together the necessary work to address COVID-19 could continue.

### **Board Comment:**

Mr. Fleming asked about lagging national standards on some metrics. He asked if there were ACOs performing above the 50<sup>th</sup> percentiles. He said he would like to understand the expectations on how fast the ratings would move.

Dr. Glickman said there is opportunity for improvement in key areas. They would continue to work with high-performing groups and try to figure out why some groups are lower performing. It will be a longer journey for the lower-performing groups.

Dr. Hernandez thanked Blue Shield for their presentation and ongoing partnership with Covered California. She said she would like some clarity regarding on versus off exchange membership. As the subsidies are important to affordability, Dr. Hernandez asked how Blue Shield looked at marketing in those two areas.

Mr. Spector replied that he is surprised at the number of off-exchange members. They have performed outreach during open enrollment and renewals to make them aware of the subsidies. They provided tools and encouraged consumers to shop and understand their eligibilities. They are analyzing the data to determine why some consumers have not taken advantage of the subsidies and are still looking into ways to address it.

Mr. Fleming said that the unpredictability for individuals is a significant issue and should give us even more reason to be active in getting people on to the Exchange rather than being outside.

### **L.A. Care**

Mr. Lee introduced Dr. Richard Seidman, the Chief Medical Officer at L.A. Care Health Plan. Dr. Seidman said that Cristina Inglese, their Executive Director of Commercial Products, was also on the line. Dr. Seidman expressed his thanks and admiration to Dr. Lance Lang.

L.A. Care Health Plan serves more than 2.1 million members in Los Angeles County. Their mission is to provide access to quality health care to low-income communities. They are the largest publicly-operated health plan in the country. L.A. Care offers a continuum of health care coverage all dedicated to being accountable and responsive to members. They offer 4 product lines including Medi-Cal, L.A. Care Covered, L.A. Care Cal MediConnect Plan, and PASC-SEIU Homecare Workers Health Care Plan. L.A. Care has been a participating plan in Covered CA since it began in 2013. They are the only public agency participating on the Covered California Exchange. Their premiums have been consistently affordable in L.A. County.

Some of their successes over the years have been a very strong retention at over 90% and strong member effectuation rates. They continually look to expand their network and were excited to add UCLA Health to their network in 2018. In January, they added two ways to get urgent care services through the retail clinics offered by CVS MinuteClinic and Teledoc, a national telehealth. During the pandemic, they saw a five-fold increase in utilization from ten calls a day to over fifty. They have seen an opportunity for increased enrollment due to changes in the economy.

Due to the pandemic, L.A. Care frequently hears from members facing financial hardships and are unable to make premium payments. In response, they extended the

grace period to the maximum amount. Over 1,000 members have benefited from that extension.

L.A. Care has provided \$70 million in accelerated payments to their network including advance payments to their hospitals and advance payments for their value-based incentive payments to their federally qualified health centers and their sole and small group private physicians. They made \$7 million in accelerated grant payments through their grants program and an additional \$5 plus million dollars to community-based organizations providing services needed in even greater amounts now due to the recession.

L.A. Care is leading collaborative response and recovery efforts across Los Angeles County. Dr. Seidman is hosting daily calls with the Chief Medical Officers and other Medical Directors from all of the Medi-Cal Managed Care Plans in Los Angeles County. L.A. Care CEO and CMO established a weekly call with the Los Angeles County Departments of Public Health, Health Services, and Emergency Management Services and all of the Medi-Cal Managed Care Plans in Los Angeles to coordinate efforts across the County. Issues include managing facility transfers to assure surge capacity, increasing access to PPE, lab testing, coordination of skilled nursing facility (SNF) admissions, transfers and control measures and recovery planning.

Dr. Seidman said that looking ahead, they will continue to sponsor practice transformation work through their own internal program, Transform L.A., where they provide technical assistance to practices to transform to improve their outcomes and be better prepared to participate in value-based pay. They collaborate extensively with the L.A. Quality Collaborative. They are working on building a direct contract provider network. They are increasing support for Virtual Care Services, not only what is provided at the plan level, but by supporting practices to adopt virtual care within their own practices. They are committed to reducing disparities and have a multicultural health distinction through Managed Care Quality Assurance (MCQA). They have an internal health equity committee and are in the middle of an outreach campaign making live phone calls to their African American members. They plan to follow that effort up with efforts targeting Latinx, Native American, and Pacific Islander members. They will soon implement a new population health management system that should help them be even more effective in improving outcomes.

### **Board Comment:**

Dr. Hernandez thanked Dr. Seidman for the presentation and for working with Covered California. She thanked them for their ongoing partnership. She said that there are many primary care providers that are independent in L.A. and in this environment, seem to be very vulnerable. Regarding plans for the future, she asked if they have any specific plans with regard to how to make sure those practices remain viable in the primary care space?

Dr. Seidman said the sole and small group private practices are absolutely on their radar. He said they have had conversations with the Los Angeles County Medical Association with an intention to join them on a town hall meeting to talk with their doctors about feedback received and to consider some various options to support the sole and small group private docs. It is concerning that especially, in the Medi-Cal space, one of their constant challenges is attracting physicians to participate. The May revised proposed budget cuts to redirect the Prop 56 funds is certainly understandable but adds increasing challenge and financial pressure for the private doctors. He said they will continue to collaborate with the medical association and the private doctors in their network and believe that by giving them an option to contract with us directly, as opposed through the IPAs, it is a more cost-effective model with fewer layers of administrative overhead. They expect to have more dollars left to increase payment to contract with more solo doctors and keep their practices healthy.

### **Kaiser**

Mr. Lee introduced Dr. Mary Alice Ambrose, from the Permanente Medical Group and John Newman, the Executive Director of CA Exchange Operations. Dr. Ambrose said she is a neurologist with the Permanente Medical Group and the Northern California Director of employer group customer relations.

Kaiser Permanente (KP) is a multi-regional medical group and health plan caring for patients in eight states and the District of Columbia. They have multiple business lines and care for a broad array of patients across the State of California. All of the care they provide is based in their integrated care delivery system where they fully integrate care and coverage. Covered California membership is about 9% of their total membership. Dr. Ambrose said they have many accolades in the marketplace and are proud to be a five-star rated health plan for 2020. This summer, the Kaiser Permanente Bernard J. Tyson School of Medicine will welcome its inaugural class. KP continues to optimize the balance between face-to-face and virtual care while continuing to meet customer expectations and promote affordability. They are working to maintain high levels of quality performance despite the challenges of COVID-19.

In addition to their usual operations, they are heavily focused on helping members and staff through the COVID-19 pandemic. Dr. Ambrose said they are approaching the pandemic with great care and planning. They have prepared for many possible scenarios. They are preparing for the surge and trying to plan to flatten the curve. California has been able to flatten the curve and surge has been delayed, or possibly, minimized. They have moved into a phase of viral suppression in which they are managing communities and care until there is a viable vaccine or the there is control of the pandemic. Dr. Ambrose said that their integrated health system proved its value and they were able to accomplish new things due to this integration. These things are based on primarily on their existing patient care delivery systems, implementing new care based on their existing playbook, and improving efficiency and effectiveness as they leverage their large geographic footprint and internal services.

Telehealth has played a large role. At KP, 100% of their providers offer telehealth appointments where it's clinically appropriate. They shifted from around 15% to 80% of their appointment occurring virtually during the first couple weeks of the shelter-in-place orders. Patients shifted to receiving prescriptions by mail. They set up appointment-based drive through testing. Their medical centers set up a greeting system with a single-point of entry. They established limitations on visitors at medical centers. They continue to assess these policies to determine the next steps. They are proud that 100% of KP's COVID-19 testing throughout California is internalized and results are back within 24 hours. There are no backlogged tests and they are in the process of acquiring and validating new testing techniques and options. They have determined that they need to increase testing capacity and are opening their Berkeley laboratory which has the capacity to do 10,000 tests per day. Dr. Ambrose said they have relied heavily on data analytics and population management as a health plan for years and they've transformed those tools to manage their COVID-19 response. Calls to call centers for flu-like systems precede surges in hospitals by about two weeks. The same is proving true for COVID-19 patients. This allows for predictions of which hospitals will see surges.

KP's culturally responsive care principles have been applied in new ways to COVID-19 patients. Their membership comprises 40% people of color with a linguistic diversity exceeding 130 languages. Their workforce composition reflects, and at times exceeds, the diversity of the communities they serve. Dr. Ambrose said they are ideally positioned to lead the nation in providing culturally responsive care to reduce and mitigate health disparities. During the pandemic, KP has expended testing to include high-risk groups. They've increased awareness and education for physicians, staff, and employees regarding COVID-19 stigma, disparities, and mitigation strategies. KP is using culturally appropriate virtual platforms to ensure their patients and employees are able to connect in appropriate ways.

KP's focus now is entering the viral suppression phase prepared. They are developing tools to assess patients and weigh their relative risks to continue or to delay procedures. They are redesigning clinic spaces in consideration of social distancing disease containment. They are monitoring their communities and using those data analytics to make sure that they are prepared for any surges.

Mr. Lee commended KP saying that in terms of quality, they are in the 90<sup>th</sup> percentile nationally. He said that Covered California appreciates the partnership with KP.

Mr. Lee said he received a message from Chairman Ghaly stating that he would not be able to join the meeting.

## **Health Net**

Peggy Haines, Vice President of Quality Management said that she and Dr. Todd May, the Sr. Medical Director at Health Net would present. Centene is the parent company of Health Net of California. Ms. Haines displayed a slide of their national and local

footprint. Health Net has over 7,000 employees and 2.7 million members. Approximately 273,000 of these are members through Covered California. As they offer Medi-Cal, Exchange, and senior products, they offer support to members as they age through the insurance world and as their economic status changes.

Ms. Haines reviewed their successes. They have had the National Committee for Quality Assurance (NCQA) distinction in multicultural health care which has been renewed 4 times in the past 10 years. This improves their processes enabling them to more effectively manage diversity in membership. They've looked at care gaps in their HEDIS rates to determine disparities in different ethnic groups. They've analyzed formative research to determine how groups are likely to access care. They've improved their communication to those members and set up cultural competency training for providers. They have clear health disparities intervention for African American and Latino members for improved diabetes and hypertension management. Their Strokes and Heart Attack Prevention Everyday (SHAPE) program has seen a 43% improvement in medication adherence, reduced CV events, and ED use.

Ms. Haines said they are not happy with some of their results so they are trying to improve. They are using a multi-model approach to reach consumers. They are examining their access survey results and matching them up with care gaps. They are trying to improve care coordination with members and also providing them with self-tools.

Dr. May said that communication is one of their core focus areas during the pandemic. He said he was impressed at how quickly Health Net equipped thousands of staff members for remote work within a matter of days. Communication channels range from email and text deployment and outbound calls, to call center talking points and webinars. They are continuing to provide updates about COVID-19 care, testing, and treatment coverage, access to telehealth, and mental health benefits, making sure they have online access, and self-service options. They are grateful for the extended Covered California SEP. They have regular FAQs that are updated for stakeholders. There are FAQs on job loss income changes. They are calling members with late payments to remind them to report income changes and see if they are eligible for larger subsidies. They have contacted non-Exchange members inviting them to consider the Exchange and informing them on the subsidy. They conducted a small business webinar on the CARES Act.

Dr. May said they contacted more than 300,000 of their most vulnerable members and have had close contact with members under case management. They have contacted every member who tested positive for COVID-19, members receiving at-home care, and the pharmacy team has targeted members with asthma and COPD. Non-clinical members are outreaching at-risk members not in case management programs using predictive analytics. Their call-center is equipped with information and support regarding COVID-19.

Dr. May said they have extended medical and behavioral telehealth services to all Health Net members. They have awarded \$13.4 million in grants to their various 38 Medi-Cal providers across the State. The grant is to specifically establish or expand their capacity to provide telehealth services. They have also shared tools and resources that are HIPPA-compliant and geared for practices at free or low-cost to assist their providers in providing direct telehealth services to their patients.

Ms. Haines said their main goal is to have stronger engagement with members and providers through technology. Key member and provider initiatives include (1) a web-enabled referral and care coordination platform designed to improve the integration of physical and behavioral health. (2) An app-based wellness promotion and CM/DM self-support tool fostering real-time communication between Health Net and its members. (3) Value-based care operating system with reporting and analytics functionality to track and trend performance of PPG providers to better monitor, understand and take action on performance care gaps.

### **Board Comment:**

Dr. Hernandez thanked Health Net for their presentation and said she had two comments. First, she noted with appreciation the investment they have made in telehealth for the Medi-Cal and Medicare populations. Second, she said she thinks it is really important for all the plans to gather as much knowledge as possible about what works to try to reduce the disproportionate and disparate rates of mortality that are seen in the black and Latino community.

### **Public Comment:**

Alicia Emanuel with the National Health Law Program thanked plans, like Blue Shield, who have waived cost-sharing for COVID-19 treatment. She hoped other plans would follow suit. They are concerned that in the months and years ahead, there will be consumers saddled with a high-cost burden and medical debt. California does not currently require plans to cover cost-sharing for COVID-19 treatment. She commented on the 8.4 increase in Bronze enrollment saying it demonstrates that consumers are not fully aware of what they are enrolling in and what costs are associated with their plans. Marketing in that area needs to continue.

Beth Capell, Health Access California agreed with Board members regarding the importance of assisting consumers who would be eligible for subsidies but are off-exchange. She also agreed with the comments on helping consumers whose incomes have changed. They may be eligible for Medi-Cal or subsidies. Ms. Capell commented on Mr. Fleming's question on working with plans and providers to improve. She said that they were taken aback when they saw the five-year report by the number of plans that did poorly on basic things. These are challenges that need to be worked on moving forward.

Cary Sanders, California Pan-Ethnic Health Network congratulated Dr. Lang on his work on Covered California quality and disparity initiatives. She said he would be missed.

She thanked the plans for sharing what they are doing regarding disparities work and COVID-19 work. She said they would love to hear more presentations like this on a regular basis to gain a better understanding about how plans are doing, how they are handling disparities and diverse communities, and how they are meeting the Attachment 7 disparities goals.

## **Agenda Item V: Covered California Policy and Action Items**

### **Discussion: State Subsidy Program Design for Plan Year 2021**

Isaac Menashe, Deputy Director, Policy, Eligibility & Research said that in 2020, California implemented a new state advanced premium subsidy and implemented a state mandate penalty. The new state subsidies followed the framework set by the Affordable Care Act and provided more support to those consumers who earn under 400% of the FPL, and new support to between 400% and 600% of FPL. While the legislation identified the amount of funding available for the new program and the share of the funding that is meant to go to those above and below 400% of FPL, the legislation delegated authority to Covered California's Board to set the exact eligibility requirements for the new subsidies. For the 2020 program year, Covered California adopted a program design regulation that included key program design elements, including the eligibility definitions for the program, the "required contribution" curve that determines the benefit amounts under the program, and the caps on reconciliation of state subsidies upon filing of final tax returns with the Franchise Tax Board.

Covered California has been providing technical assistance to the Department of Finance to inform the budget process with projected costs of what the state subsidy program might look like now considering the actual enrollment data. Mr. Menashe said that Covered California anticipates that the new budget will provide for an appropriation for the required uses for the funding. The same as last year, this year Covered California anticipates the allocation of funding that is designed to go above and below 400% of FPL. Last year, the legislation delegated to the Board the responsibility to design the exact eligibility requirements under the program and to determine what the required contribution curve would look like.

Mr. Menashe showed a chart displaying how the Affordable Care Act limits a consumer and how much they have to spend to purchase insurance as a share of their income on a sliding scale. Under the ACA, financial assistance is provided to limit the share of income a consumer must spend on premiums for the benchmark second-lowest Silver plan. For example, the ACA caps premiums for a consumer earning 300% of FPL to 9.78% of income. California's new state subsidies offer new help to two groups: (1) Many consumers below 400% of FPL see their required contribution reduced (for example, the consumer at 300% of FPL will receive a state credit to reduce the share of income spent on premiums from 9.78% to 8.90% of income. (2) For consumers from 400 to 600% of FPL, which saw no financial protection under the ACA, new state caps



limit premiums to the percentages shown in Figure 3, so that a consumer at 450% of FPL spends no more than 14% of their income on premiums.

Covered California had a very successful open enrollment on the heels of two major policy implementations; the implementation of the mandate and the availability of new financial help leading to that dramatic increase in new enrollment. The state subsidy program was a critical ingredient to that success. Mr. Menashe noted that enrollment in the 400 to 600% FPL group ended up being quite a bit less than what was originally forecast. There were two reasons for this. First, where the curve was set. Many consumers, due to their age or where they lived, even though their income was between 400 and 600% of FPL, they were already considered to have coverage that costed less than the required contribution of income. The second reason, fewer off-exchange consumers made the switch to on-exchange. The design assumed that many would join the exchange to avail themselves of the new, often significant, financial help. This did not materialize during open enrollment. Marketing on this topic is on hold due to COVID-19. In 2021, it will again be a large part of the strategy.

Technical assistance for the state subsidy program involves (1) reviewing estimates of the cost of the 2020 State Subsidy program based on the latest enrollment data available and (2) estimating cost for 2021 State Subsidy program holding under 2020 program design rules (baseline), with preliminary estimates for COVID-19 rates. The models for this analysis were performed in time to meet the timing requirements for the budget process. They include estimates about enrollment and premiums that were the best available at the time that the analysis was being developed in early April. Mr. Menashe noted that the assumptions are slightly different from those that will follow in Jim Watkins' presentation about the Covered California budget.

In the discussions for the 2020 program design, an original 3-year program was envisioned using only the anticipated revenue from the new mandate penalty and was estimated to bring in approximately \$1 billion over the three years. However, following input from the legislature, the 2020 program enacted was designed to enhance affordability with additional funds beyond the penalty revenue, to create a proposed 3-year program total of \$1.5 billion. Covered California currently estimates that the 2020 State Subsidy program design, coupled with observed and anticipated enrollment for 2020, will lead to total spending to be well below what was planned for the program.

The Governor's May Revision maintains the current level of state subsidies as adopted in the 2020 state subsidy program design, based on the estimated cost of extending the current program design into 2021. Mr. Menashe said that, for the Board's reference, in conducting its own analysis of the state subsidy program, Covered California also reviewed several program design options which would have expanded subsidies but stayed within the original program budget. Those options can be seen in the "Background Items" slides.

The proposal for the May Revise is keeping the same program design from last year. Under the May Revise proposal, the 2020 State Subsidy program design would be maintained for 2021. With the enrollment experience from 2020, Covered California estimates that if maintained through 2022, this program design would have a cumulative cost of \$938 million. Mr. Menashe noted that Covered California still anticipates enrollment growth in the 400 to 600% FPL group that are receiving state subsidies for 2021.

At the June 2020 Board meeting, staff will return to the Board with its final proposed 2021 State Subsidy Program Design for action. For the June 2020 Board meeting, should the final appropriation differ from what has been proposed in the May Revise, Covered California staff will bring back a final proposed curve for 2021 that is (1) consistent with the appropriation passed by the legislature; and (2) integrates any new adjustments to COVID-19 related premium or enrollment impacts.

In addition to setting the required contribution curve for the 2021 plan year, the draft program design document proposes technical updates, including a clarification that the definition of eligible consumers in the program design includes both those who apply through the single, streamlined application *or* transition from another Insurance Affordability Program.

Mr. Lee reminded everyone that the state subsidy program was married with bringing back a penalty. There was a substantial drop in enrollment in 2019 that was likely caused by the federal action to set the penalty to zero. Bringing the penalty was married with new subsidies both for people who are already eligible for federal subsidies, but for the first in the nation, subsidies for people 400 to 600% of FPL. Legislation directed Covered California to have 75% of resources for people over 400% of the FPL. Mr. Lee noted that there are many more eligible individuals that can and should get this benefit. He said this is a 3-year program and it will need to be “re-upped” to go beyond another 2 years. It will need another adjustment next year for the third year of the program.

### **Public Comment:**

Beth Capell, Health Access California said they are delighted that California enacted first ever in the nation subsidies for those in the 400 to 600% of the FPL and actually, she believes, for those 200 to 400% of FPL as well. They will continue their advocacy in the legislative process as they are not done helping people. The legislature set aside a billion and a half dollars to help people. They look forward to working with Covered California on whatever choices the legislature and the governor make. They were pleased that Covered California was able to get the subsidy program operational quickly. Ms. Capell provided examples on how this saves individuals money and said they are disappointed that more people haven't taken advantage of the program.

Jen Flory on behalf Western Center on Law and Poverty and Health Consumer Alliance said they were thankful to see the program continue into the May revise. The day the revise was issued was hard for the health world because a lot of other programs,

including Medi-Cal, saw cuts. Ms. Flory said they are glad this program will continue and thankful that the modeling appears to be based on higher assumptions for premiums than are expected going forward. She said that should there be extra money, they would like to see the gap between the 138% of FPL and 200% close. There is more work to be done. Regarding the lower than expected number of people switching from off to on Exchange, she said it is a testament that more outreach is needed.

Alicia Emanuel with the National Health Law Program expressed appreciation to Covered California's speed in implementing the state subsidy program. The rest of the country is really looking to California and the great strides that we're making. She is pleased the state subsidy is in the May revise. She agreed that if additional subsidies are available, they should go to the under 200% population. These are the individuals and families that are hit hardest by the economic downturn.

### **Discussion: Covered California's Proposed Fiscal Year 2020-2021 Budget**

Mr. Lee praised the work of Jim Watkins, Covered California's Chief Financial Officer. He noted that due to changes caused by COVID-19, the full detailed draft budget was not complete. Mr. Lee said that slides would be presented and the full annual report and budget would be posted May 29<sup>th</sup>. A public Finance Committee meeting would be held and Mr. Fleming and Dr. Hernandez would attend. Comments from the public would also be accepted. Written comments would be received through June 5<sup>th</sup>. All comments would be reviewed and the final budget would be presented for Action at the June 25<sup>th</sup> Board meeting.

Mr. Lee noted that the scope and pace of the economic crises caused by the COVID-19 pandemic are historic. This is a time of great uncertainty. Mr. Watkins and his team have modeled different projections regarding the length and shape of the coming recession. Planning is difficult and the impacts of COVID-19 are big in California. This is the first test of Covered California stepping up in the time of a recession. This is the first test of the Affordable Care Act in a recession.

This is an election year. A year from now there will be changes in the Congress, Senate, House, and maybe in the Presidency. Whatever these changes may be, Covered California has a critical role to play to help inform policy discussions which will, hopefully, build on the Affordable Care Act and move us toward universal coverage in California and nation-wide.

Prior to COVID-19, Covered California had a good year. Open enrollment went well and a SEP was launched for the new policies. COVID-19 changed things dramatically. Covered California reacted with a \$9 million spend. Covered California reacted because it was the right thing to do. It was consumer centric and financially prudent. The budget that has been developed is not a conservative budget. It is a budget that reflects a \$61 million increase in spending over the previous year.

Before the Affordable Care Act, on average health plans were spending somewhere between 6 and 7% just on agent commissions. Covered California's 2.5% is leveraging resources to sponsor enrollment and coverage. There is a proposal to change Covered California's contract with the health plans to require them to spend at least .4% of their premium, in addition to the assessment they pay to Covered California, on direct response marketing. Mr. Lee said that every plan needs to step up and be responsible and no plan should be riding on the coattails of other plan's efforts or on the coattails of just Covered California's efforts. Covered California's hope and expectation is that plans will spend it themselves. To the extent plans don't and plan not to, it would increase Covered California's spend on marketing.

Mr. Lee noted that the budget does not reflect any changes that may come about because of required actions under the state budget regarding state personnel.

Jim Watkins, Covered California's Chief Financial Officer began with a slide with an overview of the 2019-2020 Covered California budget. The estimate used actual data for the previous nine months and forecasted data for the last three months of the fiscal year. Mr. Watkins said Covered California would end the 2019-2020 year with a strong \$399 million in cash which will fund approximately 11 months of the next year's operation.

FY 2019-2020, total operating expenses were \$68K less than budgeted. Enrollment was 94% of the base budget forecast, resulting in revenues/income of \$25.5 million less than budgeted. Personnel expenses exceeded the budget by \$8.4 million, primarily related to reduced vacancy rates and funding of retiree health care. Other expenses reflect major shifts with over \$14 million moved to increase marketing during open enrollment and SEPs and \$10 million in service center costs.

The proposed FY 2020-21 budget totals \$440.2 million and provides 1,419 authorized positions. This represents a \$61.1 million (16%) increase above FY 2019-20's actual/forecasted operating expenses of \$379.1 million. The FY 2020-21 Covered California proposed budget reflects anticipated growth in enrollment due to many Californians losing employer-based coverage, resulting in increased revenue. During this time of economic insecurity, Covered California proposes to step up and spend beyond the new revenues generated, by using some of the cash reserves it has built up over the past seven years to enhance its spending in a number of key areas that are central to its mission.

Mr. Watkins addressed Covered California's areas of priority focus. Covered California is responding to the recession by ramping up outreach, marketing, and helping consumers needing assistance to meet Californians' needs (with about \$30 million of the increased spending targeted to marketing and \$13 million directed at expanding and upgrading service center and customer support operations). Covered California is reprioritizing workplans and deliverables impacted by the COVID-19 pandemic. Covered California is informing national and state policy through prudent investments (with about

\$2 million targeted to building the capacity of the policy, evaluation and plan management functions that help drive performance and frame Covered California's lessons for state and federal policy-makers). Mr. Watkins said they are Managing to meet Covered California's mission with prudence and excellence (with about \$6 million focused on information technology capacity that supports the entire organization to be more effective).

Mr. Watkins said that for the 2020-2021 fiscal year, Covered California is budgeting \$440.2 million. There are 1,419 positions which is up 28 positions, or 2%, from what was forecasted in 2019-2020. About 2/3 of the budget is marketing, outreach, sales, service center, and customer experience. There is an increase of 17.5% in personnel expenses driven by benefits, raises, and a lower vacancy rate. Operational expenditures will increase by 11.9%. About 90% of this is related to marketing and customer service. Overall, the budget will increase from \$379 to \$440 million which is 16% or about \$61 million.

The proposed budget shows Covered California expects \$417 million in revenues and other income, which includes interest income. Operating expenses will be \$440 million, which results in a decrease in the net position by about \$22.5 million. At the end of the year, Covered California will have cash reserves of \$356 million, which will fund about ten months of operations based on the 21-22 budget. For fiscal years 2021-2022 and 2022-2023, Covered California expects the net position to increase by \$11.9 million and \$18.2 million.

Forecasting was complex because of the recession at the state level and the national level. The model incorporated an analysis of the California labor market over time and forecasted the slowdown in the economy and the loss of jobs and reduced hours. The forecasts reflect modeling of three potential slow-downs.

1. V-Shaped Recession: features a sharp decline in employment followed by a stronger, faster recovery. Under this scenario unemployment rises to 22% during the second and third quarter of 2020 and then drops to 10%-11% over the next 6 months, where it remains throughout 2021.
2. W-shaped Recession: The second scenario we modeled assumed a more pessimistic recovery featuring a sharp economic decline, followed by a weaker partial recovery and then another decline with high and only gradually declining unemployment.
3. Forecast Consensus Recession: The third scenario consolidated forecasts from major economic forecasting groups to develop labor market assumptions through 2022. This scenario forecasts an economic decline and recovery more visually resembling a Nike-Swoosh, with a very sharp decline featuring unemployment rates in the 22-23% range in the second quarter of 2020, followed by a steadily improving economy during 2021, dropping the unemployment rate to the 10%-11% range by the end of 2021.

Mr. Watkins shared graphs on the unemployment rate predictions and the recession impacts to enrollment forecasts.

Mr. Lee said that the budget on the multi-year basis keeps Covered California in very prudent shape. Covered California is in good shape at 9-10 months of operating costs. It is likely that Covered California will come in with more, rather than less. Mr. Lee noted that the multi-year forecasts assume that in 2022, Covered California will lower the assessment again from 3.25 to 3. In addition, Mr. Lee noted that Covered California forecasts that they will end the fiscal year with almost \$50 million in the capital reserve. Covered California spends out and adds to this reserve keeping around \$50 to \$60 million in the capital reserve account. This is prudent and it meets California and Californian's needs.

### **Board Comment:**

Mr. Fleming thanked Covered California for the first set of numbers. He said they will be looking at them in more detail in the Finance Committee but they looked very clear. He said it illustrates the choices they were planning to make in response to the times we live in today.

Mr. Lee thanked Mr. Fleming for the comment and agreed that the plans need to be responsive. He noted that the federal government is not doing any marketing. Covered California is leaning in as a state in marketing, outreach and promotion.

### **Public Comment:**

Beth Capell, Health Access California said they appreciate the work it must take to assemble a budget in this difficult and unpredictable time. They appreciate the close attention the Board members are paying to the budget and count on them to examine it closely. Ms. Capell suggested that there is significant discussion at the federal level about the possibility of the federal government subsidizing COBRA. Without getting into the policy merits of that one way or another, if the federal governments chose to subsidize COBRA for newly unemployed workers, that would certainly have impacts on your budget forecasting. She said they would just suggest Covered California consider this as another contingency that Covered California should look at as the discussions continue about federal relief.

Mr. Lee said this is on Covered California's radar and they have been tracking and engaging in discussions in Washington about the levels and types of support for consumers. Many of the discussions framed around COBRA are political in that they would rather discuss COBRA than the subsidies of the Affordable Care Act.

### **Board Comment:**

Dr. Hernandez said that modeling and projections are hard given the current situation. There are a lot of unknowns in the policy environment and in health care utilization. She said she appreciates Covered California leaning into this. She looks forward to being part of the committee. If there are changes that need to be made, they will consider them in due time. She said she looks forward to the detailed review.

## **Discussion: Fiscal Year 2020-2021 Navigator Enrollment Goals**

Terri Convey, Director, Outreach and Sales Division said that her presentation would cover three things:

1. Covered California's recommendation to continue today's Navigator Program funding level of \$6.5 million for the upcoming fiscal year.
2. Review Navigator Program's effectuated enrollment goals for next year.
3. Covered California's recommendation to discontinue the Targeted Area Pilot and reassign funding to the core Navigator Program.

Ms. Convey said that this year was the first year of the new performance-based funding model that the Board approved in March 2019. First year results exceeded expectations with 93 organizations participating in the program extending Covered California's reach to California's Latino, Asian, African American and other diverse communities.

After ten months into the new contract, the Navigator Program has exceeded its annual enrollment goal by 42%. Most of the participating Navigator organizations are projected to meet or exceed their individual funding goals; and more than half are likely to receive a bonus for every member over the stretch goal. One-third of the Navigators reported outreach activities aligned with the expectation for their funding level. The Targeted Area Pilot which allocated additional funds to four rural areas in the state did not measurably improve effectuated enrollment from those areas.

Funding has been steady at \$6.5 million and enrollment is trending up. There is year-over-year engagement from 42 lead partner organizations and 51 subcontractors. There are more than 500 locations within a 15-minute drive time for 85% of all Californians with reach to California's most vulnerable and underserved populations.

The Navigator enrollment goal for 2019-2020 was about 36,000 and funded \$6.3 million to their entities. With 10 months reporting in, the actual enrollments are at 51,134. Covered California used this information with growth expectations of low, medium, and high for the 2020-2021 fiscal year. The middle option is what they suggest with core program funding of \$6,400,000 and an enrollment goal of 51,200. Most Navigator entities would be eligible for the same funding level they receive today.

Ms. Convey presented a timeline. Over the next ten days, they will discuss with Navigators (1) the proposal, (2) their performance, and (3) give them an opportunity to respond to the recommendation to the Board. Covered California will see Board approval at the June Board meeting for the final 2020-2021 grant cycle funding. The 2019-2020 grant cycle contract period ends on June 30, 2020. July 1, 2020 is the start of grant cycle 2020-2021 contract period.

At the next Board meeting, they will ask for (1) approval to continue today's annual funding \$6,500,000 for the upcoming fiscal year. (2) Approval to reassign funding from

the Targeted Area Pilot to the core Navigator Program. (3) Approval of next year's effectuated enrollment goal for the Navigator program. Comments can be sent to [CommunityPartners@covered.ca.gov](mailto:CommunityPartners@covered.ca.gov).

Mr. Lee said that one of the big changes with this performance-based payment is to count both renewals and new sign-ups. Navigators do not need to enroll 51,000 new people as renewals are included.

Mr. Lee also recognized that the Navigators also had to respond to COVID-19. The contract talked about in-person presentations. Covered California adjusted expectations and adjusted contractual work to reflect a step-back from in-person meeting and stepping into virtual meetings. Navigators are in 500 location and 85% of Californians are only a 15-minute drive away, but now they can call.

**Board Comment:** None

**Public Comment:** None

### **Discussion: 2021 Qualified Health Plan Issuer Contracting Updates**

James DeBenedetti, Director, Plan Management Division said that some of the material had been seen before and he would try to move quickly. Covered California is proposing the following changes to the 2021 QHP Issuer Model Contract: (1) Beginning with Open Enrollment 2021, issuers will be required to spend a minimum of 0.4% of premium on direct response marketing or fund Covered California marketing with any amount less than that minimum. (2) Potential removal of multiple elements from Attachment 14 Performance Standards to reduce the administrative burden on QHP issuers in alignment with the transition towards a more financially significant Quality Transformation Fund approach. A more developed proposal will be brought to the Board following additional stakeholder engagement on this topic.

Mr. DeBenedetti said he would focus on marketing expenditures and those by Covered California health plans. California's experience shows that a stable individual insurance market does not just happen on its own — investments in marketing and outreach are key factors in attracting and retaining a healthier risk pool, lower premiums, and encourage health insurance companies to participate in the market with greater certainty and potential returns. Covered California's experience is that 40% of its enrollees leave the marketplace each year, which is a "natural" part of the individual market. This churn means continual outreach is necessary to retain enrollment and to newly enroll people who lose employer-based insurance, parental coverage, or coverage from public programs.

Covered California spends a lot on marketing but note that some issuers spend more than others. Covered California has an issue with issuers spending an inadequate amount on marketing. It is important that not just Covered California market this Program, but all of our carriers, as well. For several years, Covered California has



expressly called on – without formally requiring – health plans to spend an amount equal to 0.6% of premium on marketing. The majority of that spend (65%) is supposed to be “Direct Response” marketing with call to action to consumers to enroll in open enrollment, get subsidies or go to Covered California.

The reality is most plans have sought credit for “brand” marketing that is often focused on “selling the plan” and promoting the brand for all consumers and all lines of business.

Covered California wants to have an explicit contract requirement that carriers spend at least, an amount equal to 0.4% of their premiums on direct response marketing. The target removes the overall marketing requirement equal to 0.6% of premium and continues the direct response target of the past four years. It allows issuers to make any investment decisions they see fit relative to brand marketing. Issuers spending would be audited annually and reconciled with the target investment. To the extent plans do not spend the target amount, the underspending would be paid to Covered California for it to use in marketing in the next plan years.

To meet the direct response (DR) requirement, marketing materials should include:

1. A call to action to generate immediate sales, leads, or drive traffic. DR marketing assets/materials, including TV, radio, collateral, digital, social, out-of-home, print must clearly promote the Individual Market and should include messaging about open enrollment, open enrollment deadlines, and/or the availability of financial help.
2. Co-branded materials that clearly include both Covered California’s logo and website.

Covered California currently has no requirement concerning the amount issuers must spend on commission payments to agents and brokers. In 2019, Covered California agreed to not establish a “minimum commission” for two years while it researched and assessed the issue. This decision was based, in part, on the three issuers with the lowest commission levels agreeing to not reduce commissions through 2021. Covered California is actively considering establishing minimum commissions effective 2022 based on the belief that the independent agent community is a vital source of support, enrollment and retention for California’s consumers and that the differences in agent commissions runs the risk of either the Tragedy of the Commons or of free-riders in some plans benefiting from the agent services that would not be possible if all paid the lowest of commissions.

Mr. Lee noted that since Covered California’s inception, every one of the plans has worked well with Covered California and in particular, with the marketing team, and shared very detailed marketing plans. Covered California shares market research and survey work with plans. Mr. Lee said that Covered California doesn’t think plans should win by avoiding investing in getting people to sign-up to have a better risk mix that serves all consumers.

Mr. Fleming noted that direct response advertising seemed to be focused on the open enrollment period. He asked if there was direct response advertising to people having a qualifying event.

Mr. Lee said that direct response marketing is a call to action alerting people that they could get financial help if they have lost coverage. It is a generic message that is relevant whether it is Medicaid, Medicare, employer-based coverage, or Covered California.

Dr. Hernandez said that although they are not discussing commission to brokers yet, she believes it is a question of leveling the playing field among all the plan partners. She said she is supportive of Covered California working with plans to figure out how to do it in a way that continues get people enrolled, continue outreach, and ensure plans are participating in an equitable way. She looks forward to plans working with Covered California to get this done.

Mr. Lee said that leveling the playing field is important. Covered California has heard this from agents especially in light of the recession. Covered California is appreciative of the contractual requirements to assist consumer in their enrollment into Medi-Cal. They don't get paid for these enrollments. During a recession, many enrollees will end up in Medi-Cal.

Mr. Lee said that some callers may have had trouble getting through to comment regarding the Navigator program and they were welcome to make those comments now.

**Board Comment:** None

**Public Comment:**

Cary Sanders, California Pan-Ethnic Health Network said that she appreciates Ms. Convey's presentation on the Navigator Program and the \$6.5 million that was proposed in the budget. They have concerns regarding asking for increased numbers, specifically that they will enroll at a lower rate. The difference in rate could be problematic. She said they would appreciate more of a conversation around the enrollment numbers and effectuation rates.

Doreena Wong, with Asian Resources Inc, one of the subcontractor Navigator partners. She said they are glad enrollments are up this year. She said their Navigators have been working overtime to address the huge need. Given that this is a health crisis and an economic recession, it is impressive that goals have been met. She said they appreciate that Covered California recognized the need to expand the SEP twice and believe a lot of the increase was due to the extended SEP. They expect next year will be similar to previous years. The open enrollment period will be shorter. Asking Navigators to increase goals means decreased reimbursement or cost of enrollment of their enrollments and renewals. She said they are getting less funding to do more work.

Covered California Board Minutes  
May 21, 2020 Meeting

She said it does not make sense to cut the Navigator Program while increasing marketing. Ms. Wong said they don't believe it's fair to increase the effectuated enrollment and renewal goals by 40%, especially, since they will have less than three months next year to do the enrollment, not the eight months that they had this year. She said they recommend enrollment goals be the same next year and look forward to working with Ms. Convey and her staff to develop a revised proposal for the next meeting.

Jen Flory on behalf Western Center on Law and Poverty and Health Consumer Alliance said they align comments with those of Doreena Wong and Cary Sanders regarding the Navigator Program. They want to ensure they are not asking for more work for less money. Many of these same Navigators just saw the May revised proposal that proposed to cut their funding. They want to sensitive and recognize the challenges. Ms. Flory said they agree on the proposed marketing requirements. Marketing needs to be more direct to consumers.

Christina Wu, Director of Regulatory Affairs with California Association of Health Plans said they represent 46 public and private health care service plans including all of the issuers that participate in the Exchange. They recognize Covered California's marketing efforts and are pleased to see increased enrollment during this SEP. She asked Covered California to carefully consider the proposed changes to the marketing spend requirement. Each carrier has different considerations and strategies when it coming to marketing spend to ensure that this is done efficiently. Requiring additional marketing spend will affect the rate as marketing costs vary considerably by statewide and by product, and each carrier uses a different combination of direct response in brand marketing to maximize overall marketing effort. She said this proposal may not be the most efficient way of spending marketing dollars overall and they are looking forward to a more thoughtful discussion on this topic and working with Plan Management on this proposal.

Beth Capell, Health Access California said that they have a strong preference that all marketing for Covered California be done by Covered California. They have always regarded it as a compromise that marketing by individual plans was allowed at all. She said they look forward to the discussion.

Mr. Lee said that Covered California is readjusting with the new baseline based on experience over the last year. He reminded everyone that the new plan allows Navigators to be paid for renewals, even if they do nothing. This is a new model.

Mr. Lee noted that, even though it is hard, Covered California cannot be responsible to address the budget issues of other organizations. Covered California is being responsive in getting enrollment in Covered California and the ripple effects that may have on Medi-Cal. This is not a cut in funding. This is maintaining funding with grant amounts at similar amounts and at similar levels of effort. Covered California is proposing to maintain the level of funding next year, which resulted this year in 52,000

people. Covered California has given a lot of thoughtfulness to the considerations of health plan's obligations to spend money on marketing. Covered California will continue to be thoughtful and engage all stakeholders.

### **Discussion: 2022 Qualified Health Plan Issuer Contracting Issues**

Mr. DeBenedetti said Covered California is proposing to delay the Model Contract and Attachment 7 refresh to 2023-2025 and implement an amendment to the Model Contract and Attachment 7 for 2022. The 2022 Attachment 7 amendment will focus on continuing progress in the foundational elements of the refresh. Mr. DeBenedetti said he would focus on how Covered California will go about implementing changes in 2022 and how they will move into 2023.

Mr. DeBenedetti said they are proposing suspending the Attachment 7 refresh workgroup until the fall or winter of 2020. The Plan Management Advisory Workgroup will be utilized to discuss all of the 2020 amendments. 2022 is a transitional year to focus on a narrowed set of QHP issuer requirements to lay the foundation for more transformational requirements in 2023. The 2022 Attachment 7 Amendment will be developed using the criteria of reducing burden, focusing on priorities, considering feasibility, and implementing foundational elements in preparation for 2023 and beyond. These criteria will guide adding requirements, enhancing current requirements and removing other requirements. Covered California will develop the measures and methodology for the Quality Transformation Fund (QTF) to pilot in 2022 with no funds at risk and implement the first year of money at risk in 2023. Covered California staff will continue to engage issuers and stakeholders in the development of the 2022 Attachment 7 amendment through the Plan Management Advisory group.

Mr. DeBenedetti said that in looking at the framework, they realized that there are a lot of recommendations that cut across multiple domains and strategies. For 2022, they came up with data sharing and analytics, measurement for improvement choice and accountability, access to high-value care, and patient and consumer engagement.

They will look at what elements make sense for 2022, engage with stakeholders in Plan Management Advisory meetings and other ad hoc meetings. They will have recommendations for 2022 based on feasibility, minimizing burden, and focusing priorities in developing foundational elements for 2023 and the 10-year vision.

Mr. DeBenedetti provided examples of Potential Cross-cutting Recommendations For data sharing and analytics there will be increased use of Health Evidence Initiative data (IBM Watson) for monitoring issuer progress and compliance. They will require issuer participation in IHA and require issuers to share IHA reports with Covered California. There will be enhanced use of QRS measures to conduct analysis and track issuer progress. They will develop process for requiring use of and reporting on priority HEDIS measures not collected through QRS (e.g. behavioral health measures). They will require enhanced reporting and monitoring of behavioral health access They will

require the use of and promotion of telehealth. They will be strengthening of primary care payment reform requirements. They will require enhanced member communication and education on the availability of telehealth, behavioral health services, and preventive services.

Mr. DeBenedetti shared a timeline and said it is similar to timelines seen previously. Covered California will engage with stakeholders about through August with a draft amendment ready for public comment in September. Comments from the public will be accepted. They hope to have a more formal draft available at the November Board meeting. Following any additional feedback from the Board and stakeholders, the final draft would be ready for Board approval in January 2021.

Mr. Lee asked Mr. DeBenedetti to speak about the Vision Statements for 2022 prior to Board and Public Comments.

## **Adjusting for Major Qualified Health Plan Issuer Contract Revisions to 2023**

### **Visioning for Health Care in 2030**

Mr. Lee said that the work that the team is doing on the 2022 and 2023 vision statements was found to be very helpful by framing where Covered California is trying to be ten years out. To help achieve their goals, Covered California's believes it is important to know what they are trying to achieve. The process began with an initial draft vision for what the future health system would have to look like to meet those goals from the perspectives of each of these major constituencies: Consumers and patients, Clinicians and hospitals, Health plans, Purchasers, and Communities. Mr. Lee said that they would not be talking through them today but instead, ask for comments, including red-line. Covered California has posted a Word document of the Vision Statements with the Board materials. Comments are due by June 5, 2020.

### **Board Comment: None**

### **Public Comment:**

Cary Sanders, California Pan-Ethnic Health Network thanked Mr. DeBenedetti and staff for the opportunity to provide red-line comments on the vision statement. They look forward to meeting with staff to get more details on the Quality Transformation Fund. They are supportive of working with plans and providing incentives to achieve quality goals.

Beth Capell, Health Access California said she agrees with Ms. Sanders comments and looks forward to submitting their comments in writing.

Jen Flory on behalf Western Center on Law and Poverty and Health Consumer Alliance said she concurs with Ms. Sanders and Ms. Capell and looks forward to working with Covered California.

### **Proposed Quality Transformation Fund**

Mr. DeBenedetti said Covered California would be meeting with individual stakeholders at request and also in the Plan Management Advisory Workgroup to go over the proposed Quality Transformation Fund. Covered California is modeling the Quality Transformation Fund after the risk adjustment program in that it is a zero-sum game. There are no additional funds from any external source in order to fund this quality transformation approach. It will involve an assessment of plans with inadequate quality ratings or other metrics. The idea is that up to 4% of premium phased in at the rate of 1% per year will be assessed on low performing plans. The original concept was that Covered California would provide that funding to the higher quality plans and this would allow plans that perform better on quality to have a competitive advantage in pricing over plans that don't perform as well on quality. Another option is to invest the funds in quality improvement programs for the provider community at large, particularly in regions where there appear to be quality deficits.

There are 13 metrics used to determine high-quality and low-quality plans. These were included in the experience report that was published months ago. Covered California is looking for input from others as to which metrics are best. They would like to use metrics that are widely accepted within the industry and not unique to Covered California. They would like to gain alignment with carriers and purchasers. New measures may add to or replace old measures based on better data collection methods or increased industry acceptance of a new metric. Mr. DeBenedetti presented a list of questions and said Covered California is interested in receiving comments.

Mr. Lee said that the intent behind this is that there is a financial incentive for quality. High performing plans would be rewarded by being in a better price position. Even with a mechanism of having money go to a fund for quality improvement, this would be a financial reward for good performing plans because of their better price position and in essence, a cost to lower performing plans to give them an economic motivation to do a better job.

**Board Comment: None**

**Public Comment: None**

### **Adjournment**

Vice Chairman Fearer adjourned the meeting at 4:05 p.m.