COVERED CALIFORNIA BOARD MINUTES
Thursday, March 26, 2020
Covered California
1601 Exposition Blvd.
Sacramento, CA 95815

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

Vice Chairman Paul Fearer called the meeting to order at 10:00 a.m.

Board Members Present During Roll Call:

Dr. Sandra Hernandez
Art Torres
Jerry Fleming
Paul Fearer

Chairman Mark Ghaly did not attend due to scheduling conflicts.

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 1:05 p.m.

Agenda Item III: Approval of Board Meeting Minutes

Presentation: January 16, 2020 Meeting Minutes

Discussion: None

Motion/Action: Dr. Hernandez moved to approve the January 16, 2020 Meeting Minutes. The motion was seconded by Mr. Torres.

Public Comment: None

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

Agenda Item IV: Executive Director's Report

Announcement of Closed Session Actions

Peter V. Lee, Executive Director, stated the Board discussed a range of contracting matters but there was nothing to report publicly.

Executive Director's Update

Mr. Lee noted that a budget action item was listed on the agenda in the event an amendment was required for the current year in response to COVID-19. However, he reported there were currently no action items relating to the budget. If necessary, budget items would be brought to the May board meeting.

He noted that the next meeting is tentatively scheduled for April 16, 2020. Notice will be provided by at least ten days prior to the meeting date.

The agenda items on health plan contracting and visioning for 2030 are scheduled to be brought back for lengthy discussion at the May Board meeting. Public comments/red-line comments on these issues are welcome.

The meetings action items are related benefit designs, plan certification, and emergency re-adoption of hardship and religious conscious exemptions. These have been very widely and deeply vetted. Mr. Lee said that open enrollment data and "lessons learned" would be shared later in the meeting.

Discussion: Press and Media / Reports and Research

On February 18th, Covered California reported a 41 percent increase in new enrollment and a Special Enrollment Period (SEP) from February 18th through April 30th. The SEP added two new qualifying life events to the normal SEPs which is there for qualifying events such as losing your job and insurance when you lost your job. The new SEP events include consumers being unaware of (1) the penalty or (2) the new state subsidies. These new qualifying events made enrollment virtually an open door. However, the nation changed. Life throughout California changed with the enormity of the Coronavirus COVID-19 emergency. On March 20th, Covered California announced a new SEP that took effect that day and will carry through to June 30th with the potential to be extended.

Mr. Lee said that on March 23rd, Covered California released the first national study on projections of what the Coronavirus pandemic might cost in the commercial market.

Due to COVID-19, Mr. Lee confessed that he had not studied all of the items in the meeting's posted Reports and Research. He noted that many of the reports were related to the ten-year anniversary of the Affordable Care Act on March 23rd. The planned celebration was overshadowed by COVID-19. Covered California issued a press release and report on how a new pandemic could lead to health care costs

increasing 20 to 40 percent. In these challenging times, it is important to note how Americans are better off because of the Affordable Care Act.

Board Comment:
Dr. Hernandez encouraged attendees to read the report that Covered California released on the potential national costs of the COVID-19 pandemic. The pandemic has tremendous ramifications for the cost of health care, for hospitals in the State, and for health plans. The Board will remain committed to the mission and will work as closely as possible with plan partners as they work with their networks in trying to manage the COVID-19 pandemic.

Mr. Torres applauded Mr. Lee and Covered California staff on their tremendous efforts. He recognized the work involved in preparing reports that ensure the patients are the first priority. Mr. Torres recognized the historic nature of the Affordable Care Act and California's role in being a leader of the nation. The number one commitment is to ensure that Californians have access to health care. The second commitment is to work to find a cure or vaccine for COVID-19. Mr. Torres commended the leadership provided by Mr. Lee and Governor Gavin Newsom.

Vice Chairman Fearer expressed appreciation and amazement at Mr. Lee and Covered California's ability to respond quickly in operations and in production of the report on the potential national costs of the COVID-19 pandemic.

Public Comment:
Beth Capell, Health Access California stated that when the Affordable Care Act was signed into law ten years ago, they did not envision a challenge in the nature of a pandemic. Ms. Capell said they were glad that Covered California, Governor Newsom, and his administration have responded quickly and forcefully. Unlike the 2008-2009 recession, Californians have the opportunity to have health insurance even if they lose their jobs.

Coronavirus Disease 2019 (COVID-19)

Discussion: Update

Mr. Lee reminded everyone on how swiftly COVID-19 swept the world. As of the January Board meeting, there were no known cases of COVID-19 in California. It had only been two weeks since the virus was first detected in Wuhan. Open enrollment was announced in mid-February along with the SEP. The tone was excitement and optimism. There were visible positive effects in California due to the implementation of a state penalty and the addition of subsidies to make health care more affordable. The SEP was scheduled to run February 18th through the end of April to coincide with the April 15th tax filing deadline.

Everything changed in one month. Covered California switched the marketing focus from advertisements that informed Californians of the penalty to the new COVID-19

SEP. Covered California's SEP will run through June 30, 2020 with the possibility to be extended.

The difference between COVID-19 and the flu is that there is no vaccine for COVID-19. There is no herd immunity. There is no treatment. The virus is easy to spread and there is a high mortality rate particularly for high-risk individuals. The mortality is far higher than the flu.

Places that did not respond well/quickly will see a spike in the number of patients requiring hospitalization. Hospitals will be overwhelmed and will not have enough beds or ventilators. In California, Governor Newsom has shown phenomenal leadership. He has taken bold action in the implementation of the home quarantine. By having people stay home, the epidemic may last longer in California, but we are far less likely to see the peak overwhelm our hospitals. We are doing our best to flatten the curve.

On March 4th, the date of the first death in California, Governor Newsom declared a State of Emergency. On March 5th, the Department of Managed Health Care directed all plans to enact zero cost-sharing for medically necessary testing for COVID-19. On March 19th, Governor Newsom issued the "stay-at-home" order. On March 22nd, the Governor requested, and was granted, a presidential major disaster declaration. This declaration provides federal assistance. California has $500 million from the General Fund appropriated to this state of emergency declaration.

Harry Truman said, "a pessimist is one who makes difficulties of his opportunities and an optimist is one who makes opportunities of his difficulties." Mr. Lee said that we are in a time of great difficulty but there is an opportunity to respond as the best citizens, the best community members, the best family members, and for Covered California, the best organization we can be. Covered California's response to COVID-19 is framed by three things: stick to the science, stick to the facts, and stick together. We are a community.

Covered California is focusing on four things:

1. Enroll Californians needing coverage,
2. Assuring those with coverage get access to care,
3. Model the best of our vision – demonstrating that we are here for ALL Californians, and
4. Putting our staff first as we meet our mission.

Five years ago, Covered California's contracts asked all of their health plans to offer telehealth. Every Covered California plan offers telehealth today. All Covered California plans cover COVID-19 related testing and visits at no-cost to consumers. The plans' customer service staff are also transitioning to working from home.

Mr. Lee shared that a close friend of his is a physician in quarantine and awaiting results of a COVID-19 test. He asked that if you have friends, family, neighbors who

are doctors and nurses on the frontlines of this epidemic right now and putting themselves at-risk….say thank you to them; appreciate what they do.

Covered California's website landing page offers information relevant to COVID-19 and financial help. Covered California's core values of being consumer focused, thinking about affordability, working with integrity, being a catalyst, working with others, and focusing on results have never been more important.

On March 13th, President Trump declared a national emergency regarding COVID-19. In Federal legislation, there is a proposed bill on round three of a two trillion-dollar stimulus package. Mr. Lee noted that this package does not address the costs borne by individuals, by small businesses, by insurers, or by large businesses.

On March 23, 2020, Covered California shared with Washington policymakers a draft document titled *The Potential National Health Cost Impacts to Consumers, Employers and Insurers Due to the Coronavirus (COVID-19*). The intent of this report is to inform policy-makers in California and nationally. The analysis, authored by Chief Actuary John Bertko, outlines the severity of the potential impacts of the Coronavirus (COVID-19) on health care costs. The report is available at: https://hbex.coveredca.com/data-research/library/COVID-19-NationalCost-Impacts03-21-20.pdf.

The one-year projected costs in the national commercial market range from $34 billion to $251 billion for testing, treatment and care specifically related to COVID-19 — with the potential that costs could be higher than the high end of the range. Potential COVID-19 costs for 2020 could range from about 2 percent of premium to over 21 percent of premium if the full first-year costs of the epidemic had been priced into the premium. Health carriers are in the process of setting rates for 2021. If carriers must recoup 2020 costs, price for the same level of costs next year, and protect their solvency, 2021 premium increases to individuals and employers from COVID-19 alone could range from 4 percent to more than 40 percent.

As detailed in the Covered California's Policy/Actuarial Brief, the projected first year costs of COVID-19 and what those costs would be if they had been reflected in 2020 premiums reflect a wide range between the low and high estimates: the Low Estimate reflects potential costs of self-quarantine and social distancing policies are widely adopted and prove highly effective: the Medium Estimate reflects the "best estimate of what will likely occur"; and the High Estimate reflects somewhat higher infection rates and rates of hospitalization, but is NOT a "worst case."

Given that the cost projections detailed in Covered California's Policy/Actuarial Brief and the fact that such costs unaddressed could lead to consumers and employers to drop or be priced out of coverage, the analysis was sent to federal policymakers and staff with the following suggestions:

1. Establish a temporary reinsurance program to limit the costs of COVID-19 for health insurers, self-insured employers and those they cover

2. Enhance the federal financial assistance provided in the individual market to increase the level of tax credits for those earning under 400 percent of the federal poverty level (FPL) and expand subsidies to those earning more than 400 percent FPL.
3. Establish a national special-enrollment period for the individual market, as has been done in 12 marketplaces so far.

Mr. Lee noted that he was forwarded an email from OneShare Health. The email suggested agents enroll consumers in their program in order to earn a 16 percent commission. This program may not provide coverage for consumers if they get the Coronavirus. Mr. Lee shamed OneShare Health for this action.

Mr. Lee said he has spoken with executive directors and CEOs of marketplaces that do have short-term limited health plans. They said consumers have been told their short-term plans don't cover the costs of testing for COVID-19. Short-term plans are not compliant with the Affordable Care Act.

Board Comment:
Dr. Hernandez said that hospitals are facing an enormous hunger for capital in California. Health plans are in a position of sustaining hospitals through the pandemic. She complimented Covered California for working with plans during this time while also looking forward to 2021 and 2022. It is important to ensure plans, hospitals, and delivery systems remain solvent through the pandemic. The nature of this pandemic is severe. This is what Covered California was set-up to do and has done well since inception.

Mr. Fleming complimented Mr. Lee and the Covered California staff for their leadership during the pandemic. Covered California is a leader and very influential on the national level. Mr. Fleming said health plans are at risk. The impact of the solvency of plans must be examined. Health plans did not prepare reserves consistent with a pandemic. Covered California will lead and advocate at the national level to have health plans that can operate.

Mr. Torres said he worked hard with President Obama and Speaker Pelosi in passing the Affordable Care Act but he never anticipated a challenge such as this pandemic. The health infrastructure and third-party payers are the most vulnerable. He applauded Mr. Lee and Covered California in their efforts to protect patients and coverage. Cooperation and solidarity with third-party payers and health plans is essential. Future steps should be practical yet optimistic. Covered California must take on a national role as a model agency/a model plan in working with others including the federal government. More help will be needed than what is offered today.

Mr. Lee strongly echoed Dr. Hernandez' comment that job number one is making sure those on the frontlines/hospitals have the resources, doctors, and helping our plans help them. The pandemic will affect every health plan and every line of business. The

questions about solvency are the right questions. The nation must focus on making sure that resources are there for the consumers and employers that need those services. Covered California will bring items to the Board and public for reassessments of the next steps. Items may be delayed as Covered California stays consistently anchored to the facts, science, and the mission.

Public Comment:
Jen Flory on behalf Western Center on Law and Poverty and Health Consumer Alliance praised Covered California on their quick transition to telework and dedication to ensuring consumers could continue to sign up for coverage. Ms. Flory said that Covered California's marketing assists not only Covered California consumers but consumers who apply for Medi-Cal. There are a record number of unemployment claims some with zero income reported. Basic access to care is an issue as providers shift their resources due to the pandemic. State regulators have told plans to go out-of-network when necessary. Coordination amongst all plans may be necessary.

Beth Capell, Health Access California said that financial solvency among the plans is one of the most basic consumer protections. They insist on financial solvency precisely so that plans can have the capacity to pay for care. She agreed with Mr. Lee that while we do think about this moment, we also look forward to a future with a vaccine and treatment. Ms. Capell agreed with Ms. Flory's observation and praise of Covered California's quick adaptation to the circumstances. Ms. Capell anticipated many consumers would be put in the income range of qualifying for Covered California coverage once they receive the federal assistance. Ms. Capell agreed with Mr. Fleming's observation that the pandemic will affect all plans and all lines of business and we must think broadly.

George Balteria with Collective Choice Insurance Solutions said they are part of the certified agent program with Covered California. Since 2014 they have processed over 60,000 applications. About 30 percent of their applicants are enrolled into Medi-Cal. The agents enroll these consumers for free and with no compensation. There has been a surge in the number of Medi-Cal applications. Mr. Balteria said that his organization will continue to enroll consumers in Medi-Cal or Covered California with or without compensation. Mr. Balteria requested the Board consider emergency funds for uncompensated enrollers into the Medi-Cal program to help at this time of need.

Cary Sanders, California Pan-Ethnic Health Network thanked Covered California and the Board for their incredible work to ensure consumers can access coverage, get enrolled, and for their new advertising regarding the Special Enrollment Period and the reality of unemployment. She said many of their clients have reported difficulties accessing the Employment Development Department website due to language barriers. She asked if Covered California could provide additional information on how Covered California is providing information to non-English speakers.

Alicia Emanuel with the National Health Law Program expressed her gratitude to Covered California in their swift action to protect the health and safety of all Californians and to join other states and the District of Columbia in implementing an SEP specific to COVID-19. The SEP may need to be extended. She thanked Covered California for their shift in marketing. They are concerned about the ability of consumers to access care. She urged Covered California to continue to work with plans and to clarify how consumers with pressing health needs can access care now. Consumers need to be clear on the processes they should take to access care while ensuring the safety of health professionals. She noted that it is critical to allow applicants to self-attest their income directly in CalHEERS as there will be drops in income that will be hard to verify. This will help expedite applications which is critical during this time of reduced capacity at county offices.

Doreena Wong, Asian-Americans Advancing Justice Los Angeles thanked Covered California and the Board for the swift action and informing the public of the subsidy and the COVID-19 SEP. She thanked Covered California for the support provided to Navigators and other enrollers in the form of webinars and tools to educate consumers. While their offices are closed, they are committed to assisting and enrolling consumers online and by phone. They have seen surges in Medi-Cal applications and said that any support would be appreciated.

Mr. Lee said that unemployment checks received in April will have an insert from Covered California. The insert includes information on Medi-Cal.

Mr. Lee said that Covered California marketing during this time is in multiple Asian Pacific Islander languages.

Mr. Lee said that the contract with Navigators is changing. It will no longer be anchored on in-person assistance. The Covered California website offers a help-on-demand feature which allows consumers to get a call back from one of 10,000 certified agents.

Mr. Lee said that Agents do enroll consumers in Medi-Cal without compensation. Reduced commissions from health plans mean they are paid less than they were years ago. Covered California is doing everything possible to support agents. Last year, Covered California had the largest health plans agree not to lower commission. Covered California is looking at compensation. Mr. Lee was unsure if, legally, Covered California could pay for enrollment in Medicaid. Covered California resources are dedicated to supporting people eligible for the Advanced Premium Tax Credit. Mr. Lee recognized the good work of agents and said Covered California would review the issue.

Covered California Data and Research

Discussion: Report on Results of Open Enrollment 2020

Mr. Lee said that the State of California took the lead for the 2020 open enrollment period by saying there should be a penalty to encourage people to obtain coverage and the state should provide new state subsidies. The new subsidies helped drive over 418,000 new enrollments in California. The subsidies lowered the cost for over 600,000 Californians. California was the first in the nation to subsidize over 32,000 middle-income consumers earing from 400-600 percent of the federal poverty level (FPL). Those average middle-income consumers received and average subsidy of over $500 per month per household. New enrollment increased 41 percent over the previous year.

Renewals were down due to the drop in new enrollments the previous year. There were not as many people eligible for renewals. Net enrollment grew by about 2 percent.

Mr. Lee reviewed the enrollment numbers over time and concluded that changes at the federal level, marketing, and the availability of bad programs changes enrollment. He called out short-term programs as misleading consumers into believing they have coverage. Covered California puts consumers first. Consumers can rely on Covered California to follow the rules established by the Affordable Care Act. While the Federally Facilitated Marketplace has shown significant drops in enrollment year-over-year, Covered California has rebounded to the same incredible on-exchange enrollments numbers seen in 2016.

Off-exchange, in unsubsidized markets, many middle-income Americans have been priced out of health coverage because of actions taken at the federal level to undercut the Affordable Care Act. In California hundreds of thousands of unsubsidized people have health insurance because Covered California leaned into enroll people with and without subsidies to encourage a healthy risk pool. Mr. Lee estimated that 600,000 to 700,000 more Californian’s without subsidies have insurance during the pandemic than if California had followed the path made by the Federally Facilitated Marketplace.

Of the Californians between 400 and 600 percent FPL, 15 percent of them received subsidies of less than $100 per household and 13 percent received subsidies of more than $1,000 per household. These subsidies did not make middle-class people rich. The subsides made health care affordable for people spending a significant portion of their income on premiums.

A recent survey showed that 64 percent of Californians said they were more likely to obtain health coverage to avoid a penalty. Seventy percent of insurance agencies said that the penalty is a motivator. Hundreds of thousands of Californians have insurance during the pandemic because they were motivated to get insurance.

Bronze Plans:
Mr. Lee explained that Bronze plans have proven to be an important indicator for Covered California. In 2018, 34 percent of enrollment was in Bronze plans. When the penalty was eliminated, Bronze enrollment dropped to 31 percent. The main hypothesis is that individuals on the margin of a penalty may pick the lowest-cost plan (Bronze). In

2020, 36 percent of new enrollments were enrolled in Bronze. The Bronze plan offers three office visits per year without paying a deductible. Estimates from actuary John Bertko show that those with mild COVID-19 concerns are likely to see a doctor 2 to 3 times. Those hospitalized with COVID-19 are likely to have a stay of 12 days with an average commercial bill of $72,000. With the Bronze plan, the maximum out-of-pocket amount is around $8,000.

Enrollment by Race and Ethnicity:
The percentage of enrollments in the Asian communities representing Korean, Chinese, Vietnamese is larger this year at almost 23 percent than the last two years. Latino enrollment is larger this year than the last two years. Covered California was concerned last year that there would be a drop of enrollment in new immigrant communities out of fear of public charge. Last year, non-English native speakers had a bigger drop in enrollment than English speakers. That did not happen this year. Covered California is a fact-based and evidence-based organization. Covered California shares data because they understand that they don't have all the answers.

Board Comment: Dr. Hernandez said that enrollment by race and ethnicity albeit small increases in the Latino and Asian Pacific Islander communities is hugely important in the face of public charge and there were many organizations across the State, those that are working on enrollment, those who are working on immigration issues have all leaned into public charge in a very, very effective way. The challenge is to figure out how to sustain this environment. Dr. Hernandez congratulated the team and the community partners that overcame the anti-immigrant noise and reached member of the Latino and Asian Pacific Islander communities.

Mr. Torres echoed Dr. Hernandez' remarks saying this is particularly impressive in light of the Trump policies into immigration and spear heading into the Coronavirus anti-Chinese sentiment. Reaching out to those two communities would be very, very beneficial in the long-term and historic given our past history of prejudice in these areas.

Public Comment:
Beth Capell, Health Access California expressed her gratitude to Covered California in moving swiftly to implement the additional affordability help and the California individual mandate penalty. She praised Newsom's leadership and said they were delighted to see the surge in new enrollments in the Latino and Asian Pacific Islander communities especially given the history of xenophobia in California.

Doreena Wong, Asian Americans Advancing Justice Los Angeles voiced appreciation to Covered California in their outreach, education, and marketing materials in different languages. Public Charge is still an issue but Navigators and community partners have done a lot of education around this issue. Ms. Wong appreciated Covered California's work with the Department of Health Care Services and the Department of Social Services on guidance regarding Public Charge. The Public Charge rule was

implemented February 23, 2020. Ms. Wong expressed her worry that there would be pushback in communities. They have received calls with concerns.

Cary Sanders, California Pan-Ethnic Health Network said that a 41 percent increase in enrollment is incredible given the current times. She said she was pleased with the numbers of Asian Pacific Islanders and Latino community enrollments. She agreed that Public Charge is still and issue and looks forward to seeing additional analysis.

Discussion: State and Federal Policy / Legislative Update

Mr. Lee opted to skip this discussion item in the interest of time.

Agenda Item V: Covered California Policy and Action Items

Health Plan Contracting

2021 Qualified Health Plan Contracting

Action: Benefit Design
Jan Falzarano, Deputy Director of Plan Management said she would provide some updates to the standard benefit design that was presented in January. The final AV Calculator (AVC) was released on March 6, 2020. The Proposed Notice of Benefit and Payment Parameters (NBPP) was released in late January 2020. The final NBPP has not been released. The plan designs will likely be finalized after the Board meeting due to the later timeline for finalizing the NBPP.

Plan design changes since the January Board meeting include:

- They made various cost share changes to the Covered California for Small Business (CCSB) Platinum, Gold, and Silver plans in response to stakeholder feedback.
- They increased the maximum out-of-pocket (MOOP) in several plans to the maximum-allowed amount in 2021 (per the Proposed NBPP, released on January 31st).
- They removed some cost-share increases in lieu of the higher-than-expected MOOP limit (e.g. Bronze, Silver 87, Gold plans).
- They changed the medical transportation cost share in the CCSB Gold Coinsurance and CCSB Silver plans from a copay to coinsurance to align with the ED facility fee cost share.
- They changed the home health cost share in the CCSB Gold Coinsurance plan from a copay to coinsurance to align with the convention for copay and coinsurance plans.
- They updated actuarial values (AV) based on review by Milliman.
- There were no changes to the dental plan designs.

Covered California is working towards a legislative solution, likely through the budget process, to address the Bronze AV de minimis range (+5/-2 percent). Endnote #31 addresses the Bronze AV issue: “The Bronze and Bronze HDHP are contingent upon meeting the actuarial value requirements in state law.” Covered California will continue to provide updates on this.

The plan designs presented to the Board for action are draft versions until the NBPP is released. AV Certification will be completed once the NBPP is available. In the event the IRS maximum out-of-pocket limit is less than Covered California’s projections, the plan designs will go before the Board again in June.

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

Public Comment:
Beth Capell with Health Access said they support the Board adopting the benefit designs recognizing there may be future adjustments when the final AV calculator is available. Ms. Capell said they support the changes to the Bronze plan to come into compliance with state law. She noted the deductible for inpatient care on the Silver plan is high but better than Bronze.

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

Action: Plan Certification
Jan Falzarano, Deputy Director of Plan Management said that the applications have not had any material changes since the January Board meeting. Individual and Small Business Certification Applications went live on March 2, 2020 and are due on May 1, 2020. Ms. Falzarano reviewed some changes to the timeline and major deliverables due over the next several months. Qualified Health Plan and Qualified Dental Plan application responses are due May 1, 2020.

There is one addition. Covered California is asking carriers to submit two sets of rates. This is due to COVID-19, the uncertainties of cost related to the virus, and the uncertainties of federal policies to mitigate the potential costs. The first set of rates would be the original. The second set would include prices for services related to the COVID-2019. These items will be reviewed in May. Covered California will host negotiations in mid-June. Due to COVID-19, the Centers for Medicare & Medicaid Services issued a notice allowing more flexibility for issuers. The summer report on risk adjustment and the Risk Adjustment Transfer Report may be delayed two weeks, until July 16th. Covered California’s final rate submissions will be impacted and are likely to also be delayed. Covered California is working with regulators to determine the new rate. Rates and related certification templates must be uploaded into the CalHEERS system by August 24, 2020.

Mr. Lee said that the additional time will help plans enter 2021 with the best information and facts possible. There are two sets of data that will inform their rates. First, they need to know about the pandemic, how bad it is, how controlled, and treatment options. The second is federal action. Covered California's announcement on this issue will be a signal to federal policymakers, insurance regulators, and actuaries across the county. It will remind them how much we don't know and why this is better for those that pay the bills, the individuals, the families, the business, and the State and Federal government. It is better to price right and give everyone as much time as possible to accomplish this.

Motion/Action: Art Torres moved for approval. Dr. Hernandez seconded the motion.

Board Comment: Dr. Hernandez said she was comfortable with the proposal and thanked Ms. Falzarano.

Mr. Fleming said it sounds like a good plan. He said it will be very important for Covered California to continue to provide leadership in the country about how to deal with these issues. Having rates and numbers will allow people to focus on the problem more than they have previously.

Mr. Torres echoed previous Board member comments.

Public Comment: None.

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

Discussion: 2022 Health Plan Contracting and Refresh Update

Visioning for Health Care 2030

James DeBenedetti, Director of Plan Management explained why Covered California is looking so far into the future. When designing the contract for 2022 and 2024, it came to light that many things could not be accomplished within the timeframe. It is necessary to consider the long-term to ensure requirements that meet Covered California's goals.

Covered California realized the importance of viewing things from all possible perspectives. Mr. DeBenedetti used COVID-19 as an example. Different parts of the health care ecosystem view COVID-19 differently. Consumers and patients' biggest concern is access to care, even for non-COVID-19-related treatments. Clinicians and hospitals are worried about capacity. Plans are worried about solvency. Everyone has different perspectives. Covered California needs to ensure the contract requirements address the perspectives of all of the major players in the health care ecosystem.

Fundamental change can only be achieved by empowering and supporting meaningful improvement at five levels that require aligned action:

1. **Consumers and patients** – how they are engaged in maintaining good health and in getting best care when needed;
2. **Clinicians and hospitals** – where and how care is provided (physician practices, hospitals and other sites of care);
3. **Plans** – what they do on their own and with others to both improve care and improve the health of their members;
4. **Purchasers** – what they do on their own and with others to both improve care and improve the health of their employees; and
5. **Communities** – working collaboratively to improve the well-being of community members and address the social determinants of health.

Draft Quality Transformation Fund
Covered California wants to improve the value of health care people receive, not just lowering cost, but also improving the quality of care. Covered California wants to have a competitive marketplace where consumers have the opportunity to choose what works best for them; whether that's a focus on quality, or pricing, or other elements. The problem is, Covered California does not know what consumers really have. Covered California has made things easier to understand with the standard benefit design but there isn't always a good financial incentive for plans to pursue quality.

Mr. DeBenedetti explained the current approach, as well as limitations of the current approach. Penalties and credits are assessed based on Performance Standards in four different areas: customer service; operations; quality, network management and delivery system standards; Covered California customer service (credits can be applied to Quality Health Plan penalties). Examination led Covered California to believe this is not the best approach. The total amount at risk is 10 percent of Total Participation Fees, or 0.35 percent of Gross Premium. The amount at risk in 2018 was $34.8 million. The current methodology allows for credits for positive performance within a domain to offset penalties across all performance categories. It also allows for credits related to Covered California performance on service domains. Due to offsets, the total amount collected from 2015-2018 was only $101,000. The current approach does not meaningfully reward quality. Carriers already have strong self-interest to perform well at some tasks, even without penalties (e.g., call abandonment rates).

Covered California determined the most interesting approach also made the most sense: a program that that rewards high quality and functions similar to the way that risk adjustment works, in that it is a zero-sum game where plans that perform well on quality receive payments that come from plans that perform low on quality. The scope of this transformation fund is 4 percent of premium phased in over time. There may be tweaks to the plan. Covered California is looking to have robust feedback and discussion with stakeholders on this concept and will discuss further in May.

Mr. Lee said that the full description would be posted and Covered California welcomed comments. If Covered California implements this in 2022, the full four percent would not be in play until 2026. Four percent of the current average premium is about twenty

dollars. This is a price sensitive market. Twenty dollars could change a consumer's choice. Consumers would be discouraged to enroll in a plan that was doing poorly in quality because of these twenty dollars. They would be encouraged to enroll in higher quality plans. Covered California believes this is putting market incentives to use in a good way. Health plans will have a significant incentive because health plans care about premium. This differential sends the right signals for plans to invest in both their quality and the quality of those they contract with.

Board Comment: Dr. Hernandez said that in order for Covered California to be a valued based purchaser, the Board will have to do these kinds of things to be bold, to push the plans, to really, really lean in to quality. There is a wide variation in plan quality today, which tells us that there are plans that are doing very well in certain metrics and certain outcomes and there is no reason why others shouldn't get there. This is an important trajectory. Transparency is important to the consumer. This would begin in 2021. Dr. Hernandez said she thinks it is really important to recognize there are changes happening because of COVID-19. She wondered if it would be prudent to slow down or reassess this as the time approaches. She appreciated the opportunity for public comment and said this is bold, directional, and good.

Mr. Fleming agreed this is a good direction. He said he would like to be a potential patient in the world as described by this vision. It is bold and requires significant change at all levels. A lot of what happens today is driven by underlying incentives. Covered California must think about rather bold changes in the financial incentive, the cultures, and all of those kinds of elements. This is a very big change and the only way we're going to get there is if we do things very differently. Mr. Fleming said he was supportive of the transformation fund. They have reviewed the quality of results over the past few months and have not been thrilled by the variation that occurs. Something must change to make this an important element. This change will incentivize plans and providers to perform better on the basic quality expectations. It also incentivizes members to go to plans and providers who are performing better. He questioned if in settling up, it would be handled on a perspective basis or retrospective basis.
Mr. Fleming believes it should be prospective.

Vice Chairman Fearer said he agreed with much of what Dr. Hernandez and Mr. Fleming had said. The goals are consistent with what the Board wished and dreamed for from day one of the Exchange. In the early years the Board was focused on operational activities. In the last couple of few years, the Board has been struggling with changes in policy and direction from D.C. and trying to adapt. The dream has been not only to improve access and affordability, but also to improve quality. There is a pandemic to consider and there will be a balancing act. Even in the midst of the crisis, it is important to focus on the long-term objective.

Public Comment: Beth Capell, Health Access California said the advocates have already been discussing these ideas. They look forward to the conversations with staff and the Board. They hope to continue to move forward while considering the difficult

situation the plans and providers are currently experiencing. Whether it is 2030 or 2031 is an important part of the Attachment 7 work and the 5-year review Covered California already began. While looking at value, it is important to keep cost, quality, and disparity in mind.

Cary Sanders, California Pan-Ethnic Health Network voiced her appreciation for having a vision statement and guidance to help guide the work of planned management and quality improvement disparities reduction. She said they plan to comment on the vision and are in the process of setting up a meeting with Covered California to discuss the Attachment 14 financial incentive program in more detail. She said they would like to see mental health and substance abuse disorders elevated and discussed in more detail. They appreciate the focus on community health and would like to see more in-depth conversations around health plans and Covered California leveraging their role to impact changes in those areas. This could be integrated into the vision statement. She agreed with Dr. Hernandez and said they are excited to see Covered California taking a bold approach to innovation through inclusion of financial incentives. This action could have implications for other major purchasers in the state. She said she agrees it is important to consider all of this while still adjusting to the new realties of COVID-19.

Mr. Lee said Covered California recognizes the vision statement is absolutely aspirational. Covered California is sharing this vision statement with advocates, health plans, clinicians, and other major purchasers. This is a vision statement for purchasers, which is first and foremost, what Covered California is. The vision statement must align with the Department of Health Cares Services, with private employers, and with CalPERS. Mr. Lee said Covered California agrees with Dr. Hernandez' comments regarding timing. Before COVID-19, this was intended to take effect in 2022, meaning the negotiations would occur in 2021. Covered California will think about timing as this seems soon.

Mr. Lee said the materials include a list of sample quality metrics and scoring. The core philosophy is to have a set of standard measures that are widely aligned and adopted. There is an initial set of measures but they need improvement. There currently are not nationally standard measures that assess health equity.

Covered California Regulations

Action: Emergency Regulations Readoption For Hardship and Religious Conscience Exemptions

Bahara Hosseini from the Office of Legal Affairs said that there were several clarifying changes made to the exemptions regulations. Ms. Hosseini said she would review the top 4 changes.

1. The definition for qualified individual was altered to include an individual who meets the eligibility criteria for an exemption through the Exchange.

2. This new change clarifies the requirement that a general hardship must be granted for at least the month before, the month or months during, and the month after a specific event or circumstance does not apply to the hardship exemption granted to the non-federally AI/AN members.

3. This new change was specifying that Covered California must verify that the religious sect or division described in Section 6914(b)(1)(B) relies solely on a religious method of healing and that the acceptance of medical health services would be inconsistent with the religious beliefs of the applicant.

4. The last change is clarifying the inconsistency process if Covered California cannot verify the religious sect or division to which the applicant is attesting.

Those are all the new changes and that the Office of Legal Affairs requests the Board to formally adopt this regulation package, so it can be filed with Office of Administrative Law.

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

Board Comment: None

Public Comment: Jen Flory from the Western Center on Law and Poverty thanked the staff for working with stakeholders and making sure they were flagging all of the changes. Ms. Flory said there is still a piece they don't care for regarding how wellness programs are treated. They understand that the California legislature chose to align with federal law instead of California law and they do not hold Covered California staff accountable. They do appreciate the transparency.

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

Adjournment

Mr. Lee said that as this was the first virtual meeting, he asked attendees to send comments and suggestions to regulations@covered.ca.com. He thanked the team at Covered California for showing their consumer focus, their ability to be nimble in the face of very changing times. He thanked the advocates, health plans, and others that Covered California works with. He said everyone is being agile in trying times and improving as we learn more.

Vice Chairman Fearer adjourned the meeting at 3:38 p.m.