



COVERED CALIFORNIA POLICY AND ACTION ITEMS

May 21, 2020 Board Meeting

STATE SUBSIDY PROGRAM DESIGN FOR PLAN YEAR 2021

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BACKGROUND

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 Federal Poverty Level (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.

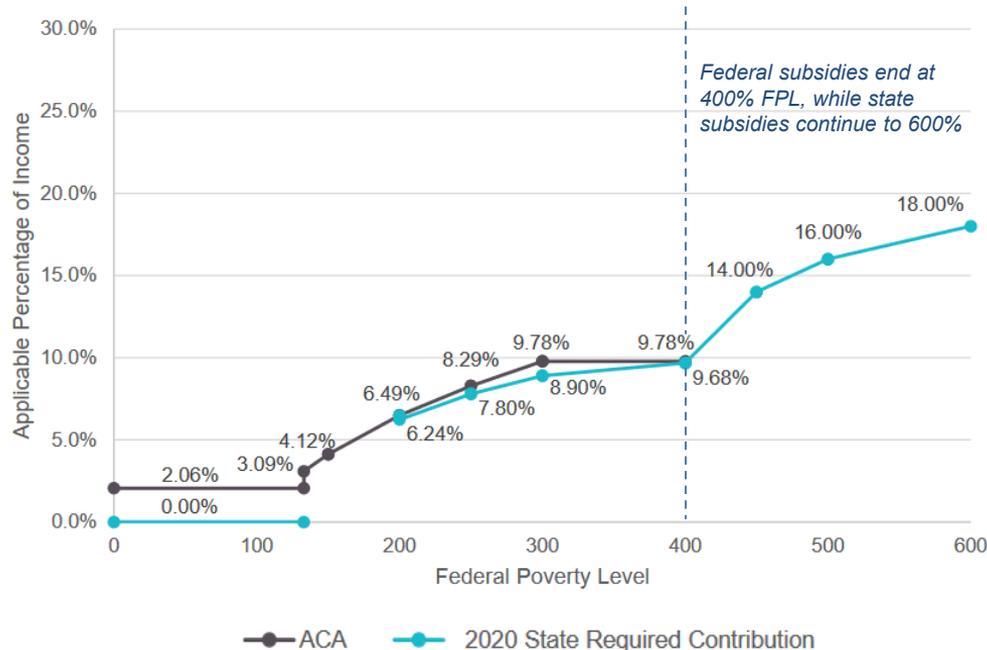
For the 2020 program year, Covered California adopted a program design regulation that included key program design elements, including the eligibility definitions for the program, the "required contribution" curve that determines the benefit amounts under the program, and the caps on reconciliation of state subsidies upon filing of final tax returns with the Franchise Tax Board.

ANNUAL SUBSIDY PROGRAM DESIGN CYCLE

- March to May: Covered California provides technical assistance to Department of Finance to identify the projected costs of the state subsidy program.
- June: The adopted state budget provides for: (1) required use(s) of funding, (2) subsidy spending target for budget year, (3) allocation of funding above and below 400 percent FPL.
- June: The Covered California Board to adopt annual program design in accordance with budget targets set by the appropriation.
- Director of the Department of Finance to provide approval of the program design following notification to the Joint Legislative Budget Committee.

NEW STATE SUBSIDIES FOLLOW ACA IN LIMITING PREMIUMS AS A SHARE OF INCOME

Figure 3: Required Contribution for Benchmark Silver Plan as a Percentage of Income Under ACA and California State Subsidy Program (2020)



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 (grey line). 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 (blue line):

- 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 2020 ENROLLMENT: HUGE REBOUND DUE TO MANDATE AND NEW SUBSIDIES

Table 1: Preliminary Analysis of Covered California 2020 Net Plan Selections

Category	2018	2019	Percent Change	2020	Percent Change
New Enrollment*	388,344	295,980	-23.8	418,052	41.2
Renewals	1,133,180	1,217,903	7.5	1,120,767	-8.0
Total	1,521,524	1,513,883	-0.5	1,538,819	1.6

* The new enrollment number includes consumers who had coverage off-exchange switched to on-exchange coverage to benefit from new subsidies. Even after subtracting the entire newly-enrolled 400 to 600 percent FPL population, Covered California's new sign-ups in 2020 would still be 36 percent higher than in 2019 and still the highest total since 2016.

- Overall enrollment is higher in 2020 than the past two years — driven by a huge increase in new-enrollments — as California replaced the federal penalty and made new state subsidies available.
- New enrollment in 2020 increased by more than 122,000 — over 41 percent higher — compared to 2019 and at its highest level since 2016.
- In 2020, renewals are down slightly compared to 2019, due primarily to the significant drop in new enrollment during 2019 open enrollment which meant fewer new enrollees eligible to keep coverage for 2020.

TECHNICAL ASSISTANCE FOR 2021 STATE SUBSIDY PROGRAM PLANNING

1. Review estimates of the cost of the 2020 State Subsidy program based on the latest enrollment data available.
2. Estimate cost for 2021 State Subsidy program holding under 2020 program design rules (baseline), with preliminary estimates for COVID-19 rates.

All models assume the “most likely” scenarios for 2021, which as of the time of the analysis were 14.7% rate increase and 1.502 million average monthly enrollment.*

* Analysis of both premium and enrollment impacts from COVID-19 and the recession are evolving very quickly. To meet the state budget process timelines, this analysis was completed in mid-April. Some of the assumptions are already “outdated” with respect to those being used by Covered California for its proposed FY 2020-21 budget model.

FUNDING AVAILABLE PER 2019 BUDGET PROCESS

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 – estimated to bring in approximately \$1 billion over the three years. The table below provides the original 2019 revenue estimates from the May Revise.

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. The table below provides the original estimates from last year’s budget process.

Plan Year	Penalty Revenue Estimate from 2019 May Revise	Estimated Cost for a \$1.0 Billion Program – 2019 Budget Act Estimate	Estimated Cost for a \$1.5 Billion Program – 2019 Budget Act Estimate
2020	\$317,200,000	\$295,300,000	\$428,629,000
2021	\$335,900,000	\$330,400,000	\$479,762,000
2022	\$352,800,000	\$379,900,000	\$547,195,000

ESTIMATE OF 3-YEAR PROGRAM COSTS

As detailed in the modeling appendix that follows, we currently estimate that 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.

Plan Year	Estimated Cost for a \$1.5 Billion Program – 2019 Budget Act	Anticipated Advanced State Subsidy Spending Under Baseline Program Design – 2020 May Revise	Variance
2020	\$428,629,000	\$217,006,000	\$211,623,000
2021	\$479,762,000	\$348,939,000	\$130,823,000
2022	\$547,195,000	\$372,451,000	\$174,744,000
TOTAL	\$1,455,586,000	\$938,396,000	\$517,190,000

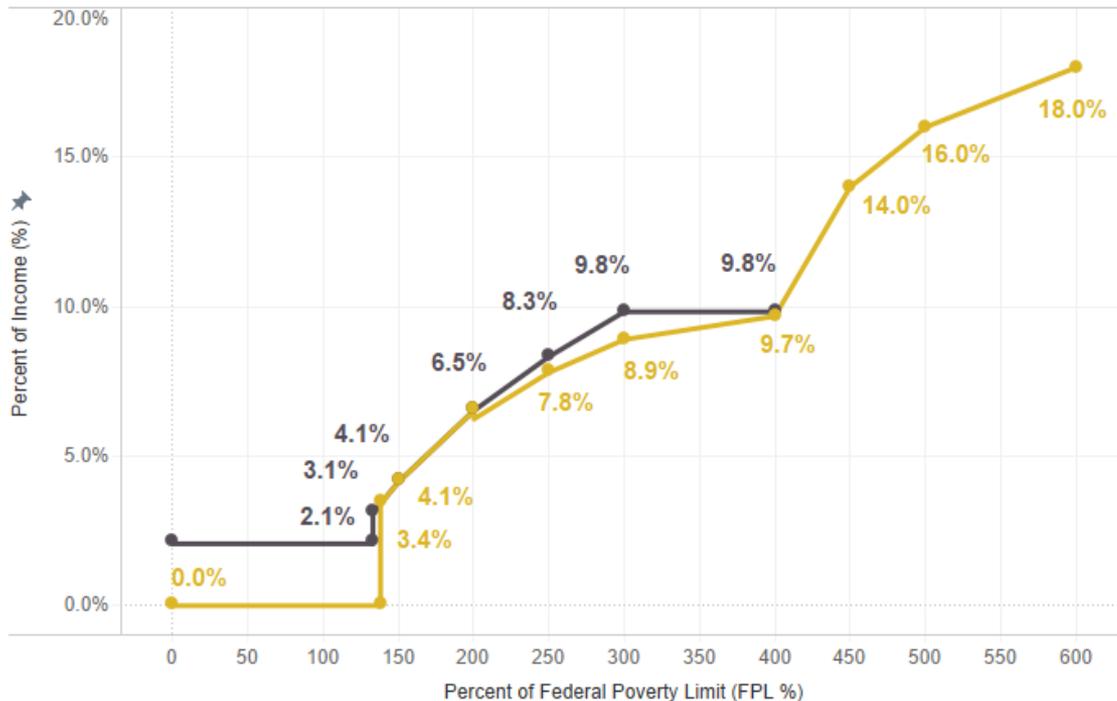
THE MAY REVISE PROPOSAL

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.

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 are presented in the appendix.

MAY REVISE – CONTINUE 2020 PROGRAM DESIGN REQUIRED CONTRIBUTION CURVE

Baseline (Mid)



■ CA Baseline
■ Federal 2021

Income as Percent of FPL bracket	Federal 2021		CA Baseline	
	Initial	Ending	Initial	Ending
0% to 133/138%	2.07		0.00	
133/138% to 150%	3.10		3.41	
150% to 200%	4.14	6.52	4.14	6.52
200% to 250%	6.52	8.33	6.24	7.80
250% to 300%	8.33	9.83	7.80	8.90
300% to 400%	9.83	9.83	8.90	9.68
400% to 450%			9.68	14.00
450% to 500%			14.00	16.00
500% to 600%			16.00	18.00

MAY REVISE – CONTINUE 2020 PROGRAM DESIGN

Under the May Revise proposal, the 2020 State Subsidy program design would be maintained for 2021. With the enrollment experience from 2020, we estimate that if maintained through 2022, this program design would have a cumulative cost of \$938 million.

Note that we still anticipate enrollment growth in the 400 to 600% FPL group that are receiving state subsidies for 2021.

Total Program Cost Over 3 Year

2020	\$217M
2021	\$349M
2022	\$372M
Grand Total	\$938M

Key Program Metrics for 2021

	2021
State Subsidy \$ (aggregate)	\$349M
State Subsidy \$ (% of spend to over 400 FPL)	72%
Enrollees	1,502,271
Enrollees between 400 and 600% FPL	98,984
Enrollees Receiving State Subsidy (400 to 600% FPL)	57,720
Share of Enrollees in 400 to 600% FPL Receiving >\$0	45%
State Subsidy \$ (avg PMPM) - receiving only	\$47
State Subsidy \$ (avg PMPM, 400-600% receiving only)	\$362
State Subsidy \$ (avg PMPM, 200-400% receiving only)	\$14

NEXT STEPS FOR FINAL PROGRAM DESIGN

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:

- a) consistent with the appropriation passed by the legislature; and
- b) 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.

PUBLIC COMMENT

CALL: (877) 692-8958

PARTICIPANT CODE: 4331773

- ❑ To request to make a comment, press 10; you will hear a tone indicating you are in the queue for comment. Please wait until the operator has introduced you before you make your comments.
- ❑ If watching via the live webcast, please mute your computer to eliminate audio feedback while calling in. Note, there is a delay in the webcast.
- ❑ The call-in instructions can also be found on page two of the Agenda.

EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM

NOTE: In addition to commenting live, the public is invited to submit comments that staff will consider in revising this discussion item in advance of making final recommendations at the June board meeting. If you want to submit written comments, please submit them by May 29th to BoardComments@covered.ca.gov.

BACKGROUND ITEMS

STATE SUBSIDY 2021

SCENARIO MODELING

2020 OPEN ENROLLMENT RESULTS

Considering the take-up of new state subsidies during Open Enrollment for 2020, several key observations include:

- Hundreds of thousands of consumers are benefitting from state subsidies
 - Nearly 600,000 consumers below 400% of FPL gaining increased affordability from new state subsidies, on top of federal assistance.
 - Nearly 32,000 consumers are benefitting from new middle-class subsidies for those earning between 400% and 600% of FPL.

- However, not all consumers within each income group are eligible for state subsidies
 - Some consumers below 400% FPL have chosen a plan that is fully paid for by the federal credits alone.
 - *Over half* of consumers in the 400 to 600% FPL range already can purchase a Silver benchmark plan for less than the “required contribution” curve set in the 2020 Program Design.

2020 OPEN ENROLLMENT RESULTS

The table below shows 2020 open enrollment results by FPL.

Enrollment by FPL, Showing Receipt of State Subsidies and Average Amounts

	Enrollees	Enrollees (col %)	Enrollees Receiving State Subsidies	Percentage in Group Receiving State Subsidies	State Subsidy Amount Per Month - Among Those Receiving (Household, avg)	State Subsidy Amount Per Month - Among Those Receiving (Individual, avg)	Average State Subsidy Amount Per Month - All Enrollees in Group (individual)
138% FPL or less	47,762	3%	9,554	20%	\$55	\$40	\$8
138% FPL to 200% FPL	623,684	41%	0	0%			\$0
200% FPL to 400% FPL	691,133	45%	576,601	83%	\$25	\$16	\$14
400% FPL to 600% FPL	68,238	4%	31,944	47%	\$504	\$291	\$136
600% FPL+ or Unsub App	98,358	6%	0	0%			\$0
FPL Unavailable	9,644	1%	7,553	78%	\$61	\$37	\$29
Grand Total	1,538,819	100%	625,652	41%	\$48	\$31	\$13

Note: These data are "net" plan selections through February 7, per CMS reporting requirements. FPL Unavailable is related to a reporting issue in the data used for statistical reporting these are cases that are *correctly* receiving state subsidy.

STATE SUBSIDIES FOR THE 400% TO 600% FPL GROUP

Two key trends about the 400% to 600% FPL group have emerged so far this year:

- 1) Take-up of on-exchange members was high, but off-exchange consumers did not switch.** Estimates indicate there may be 140,000 off-exchange consumers earning in this income range, many of whom would likely “switch” to possibly receive new financial assistance. Yet, *new* sign-ups with Covered California for this income bracket were just over 25,000.*
- 2) Average financial support among those receiving has been *much* greater than anticipated.** Those receiving subsidies in this group are receiving an average of \$500 per household per month, but the number of enrollees receiving the support is much lower than expected (~32,000). Before the program launched, we anticipated roughly \$160 per household per month.

* Survey data suggest that an even larger number of off-exchange enrollees may be eligible for Federal APTC, and as a result, Covered California was developing plans for an initiative during the new special enrollment period in March and April that would have combined marketing and new collaboration with carriers and agents to reach these off-exchange populations who may still be able to benefit from reduced premiums. This effort was put on hold due to the COVID-19 pandemic.

2020 OPEN ENROLLMENT RESULTS

The table below shows that “switching” from the off-exchange – which should present as “Open Enrollment” 400 to 600% FPL enrollment – did not materialize as expected, with less than a one quarter of the expected volume.

Enrollment by FPL and Renewal Cohort, Showing Receipt of State Subsidies (Enrollees)

	Enrollees		Enrollees (col %)		Enrollees Receiving State Subsidies		Enrollees Total	Enrollees (col % Total)	Enrollees Receiving State Subsidies Total
	Open Enrollment	Renewal	Open Enrollment	Renewal	Open Enrollment	Renewal			
138% FPL or less	7,532	40,230	2%	4%	2,482	7,072	47,762	3%	9,554
138% FPL to 200% FPL	163,139	460,545	39%	41%	0	0	623,684	41%	0
200% FPL to 400% FPL	192,811	498,322	46%	44%	166,512	410,089	691,133	45%	576,601
400% FPL to 600% FPL	25,183	43,055	6%	4%	14,260	17,684	68,238	4%	31,944
600% FPL+ or Unsub App	26,311	72,047	6%	6%	0	0	98,358	6%	0
FPL Unavailable	3,076	6,568	1%	1%	1,997	5,556	9,644	1%	7,553
Grand Total	418,052	1,120,767	100%	100%	185,251	440,401	1,538,819	100%	625,652

Note: These data are “net” plan selections through February 7, per CMS reporting requirements. FPL Unavailable is related to a reporting issue in the data used for statistical reporting these are cases that are *correctly* receiving state subsidy.

ESTIMATING 2020 STATE SUBSIDY TOTALS AND 2021 & 2022 ENROLLMENT AND PREMIUMS

The preceding slides covered the results of “net plan selections” from the 2020 plan year renewal and open enrollment period as reported publicly following the close of this year’s open enrollment, but do not yet factor in effectuations and the ongoing special enrollment periods.

To prepare for the 2021 State Subsidy Program Design, we first estimate how the remaining SEP in 2020 may impact total effectuated enrollment in the State Subsidies for 2020. Then, enrollment assumptions and premium increase assumptions are needed for 2021 and 2022.

A high level summary of the assumptions and methods used for 2021 State Subsidy Program Design technical assistance are described in the appendix below.

2021 PROGRAM DESIGN MODELING

For 2021, Covered California analyzed several options for subsidy program design that:

- Were consistent with original legislative intent to adjust the program design to provide maximum affordability consistent with the legislature's appropriation;
- Recognized the difficult budget horizon created by COVID-19, with projected budgets *below* the original \$1.5B;
- Included at least some additional supports across all incomes under 600% FPL, but showcase options with different additional support along the income spectrum.

2021 PROGRAM DESIGN MODELING - ASSUMPTIONS

- Analysis of both premium and enrollment impacts from COVID-19 and the recession are evolving *very* quickly.
- To meet the state budget process timelines, this analysis was completed in mid-April. Some of the assumptions are already “outdated” with respect to those being used by Covered California for its proposed FY 2020-21 budget model.
- All models assume the “most likely” scenarios for 2021, which as of the time of the analysis were 14.7% rate increase and 1.502 million average monthly enrollment.

ASSUMPTIONS – ENROLLMENT DURING COVID-19

Most modeling anticipates some growth to Marketplace enrollment during the recession, but the level depends on a range of factors, and depending on the balance, these factors *could* even lead to negative growth.

The most significant churn dynamics – which move in opposite directions for Marketplace impact – are:

1) Churn out:

- What volume of consumers transition to Medi-Cal based on new, lower income for the month?
- What volume of consumers drop coverage they purchase directly even though not eligible for Medi-Cal?

2) Churn in:

- What share of consumers lose job-based coverage (ESI), and of those, what portion *take-up* coverage on the exchange?

ASSUMPTIONS – ENROLLMENT DURING COVID-19

The enrollment assumptions for this analysis are presented in the table to the right, and are based on Covered California’s Financial Management Division’s modeling as of early-to-mid April.*

Given a range of reasonable assumptions based on available empirical evidence, the current enrollment forecast range is much wider than what would otherwise be expected for the marketplace. Despite this uncertainty, the range for the most likely estimates still hovers within 10-15% above or below the level of current enrollment.

Estimated 2020, 2021, and 2022 Enrollment under Mid enrollment scenarios

(Eligibility for state subsidy is based on current 2020 State Subsidy Program Design rules.)

		14.7% Rate Increase		
		Mid Enrollment		
		New	Renewal	Total
Enrollees	2020	419,917	1,015,407	1,435,324
	2021	422,409	1,079,862	1,502,271
	2022	422,984	1,079,287	1,502,271
Enrollees Receiving State Subsidy	2020	185,654	408,422	594,075
	2021	186,403	434,669	621,072
	2022	185,719	432,433	618,151
Enrollees between 400 and 600% FPL	2020	32,002	43,204	75,205
	2021	39,226	59,758	98,984
	2022	39,714	60,253	99,967
Enrollees Receiving State Subsidy (400 to 600% FPL)	2020	19,391	15,244	34,635
	2021	27,608	30,112	57,720
	2022	27,918	30,167	58,085

* These estimates will be updated to reflect the final enrollment model when the 2021 State Subsidy Program Design is brought back to the Board for final approval.

ASSUMPTIONS 2021 & 2022 – PREMIUM GROWTH

Based on input from Covered California’s Chief Actuary in early April, and following on Covered California’s analysis in [“The Potential National Health Cost Impacts to Consumers, Employers and Insurers in the Commercial Market Due to COVID-19”](#), this analysis used the following premium estimates:

	2021 Rate Impact	2022 Rate Impact	2022 Cumulative
Medium	14.7%	3.3%	18.5%

These estimates included not only increases in the cost of health care stemming from COVID-19, but a range of potential factors such as anticipated increased enrollment due to expanded subsidies, as well as uncertain market conditions.

As noted, the estimates used here were from mid-April and may differ from subsequent estimates (such as those used in the final Covered California budget forecasts) for how the pandemic and its economic consequences may impact premiums and enrollment.

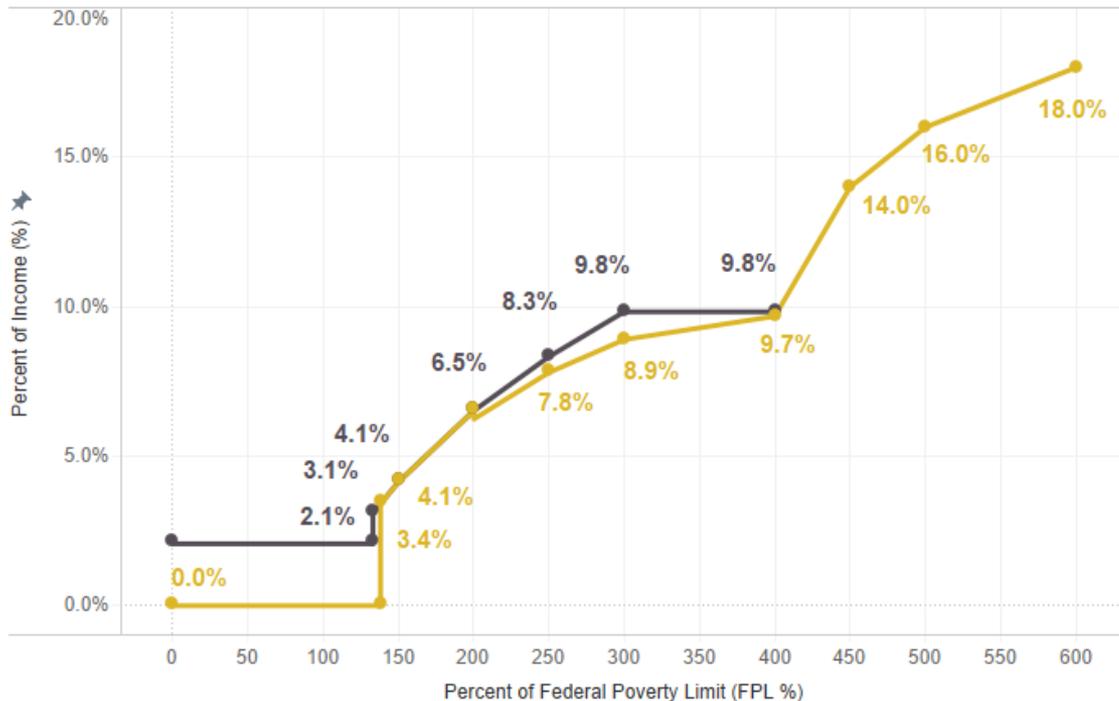
MODELS CONSIDERED FOR 2021 PROGRAM DESIGN

Model	Name	Description	Estimated 3 Year Budget
Baseline	Baseline (Mid)	Continues existing program design into 2021 and 2022	\$938 M
Option 1	Close the Gap	Improve affordability for all $\leq 600\%$ FPL with emphasis on consumers under 200% FPL who were not assisted in 2020.	\$1.371 Billion
Option 2	Enhance Support for Low Income	Improve affordability for all $\leq 600\%$ FPL with emphasis on consumers in the 200 to 400% FPL range.	\$1.360 Billion
Option 3	Expand Subsidies for 400 to 600% FPL	Improve affordability for all $\leq 600\%$ FPL with emphasis on consumers in the 400 to 600% FPL range.	\$1.322 Billion

** All models use 14.7% premium growth and the 'Mid' enrollment assumptions.*

BASELINE – CONTINUE 2020 PROGRAM DESIGN REQUIRED CONTRIBUTION CURVE

Baseline (Mid)

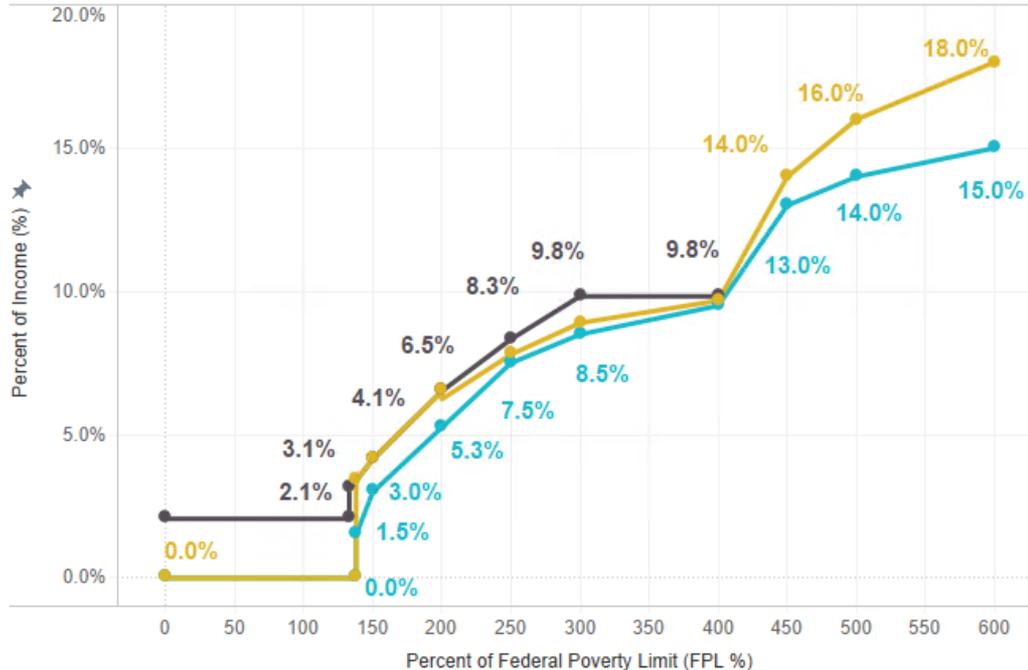


■ CA Baseline
■ Federal 2021

Income as Percent of FPL bracket	Federal 2021		CA Baseline	
	Initial	Ending	Initial	Ending
0% to 133/138%	2.07		0.00	
133/138% to 150%	3.10		3.41	
150% to 200%	4.14	6.52	4.14	6.52
200% to 250%	6.52	8.33	6.24	7.80
250% to 300%	8.33	9.83	7.80	8.90
300% to 400%	9.83	9.83	8.90	9.68
400% to 450%			9.68	14.00
450% to 500%			14.00	16.00
500% to 600%			16.00	18.00

OPTION 1 – CLOSE THE GAP REQUIRED CONTRIBUTION CURVE

Option 1 - Close the Gap



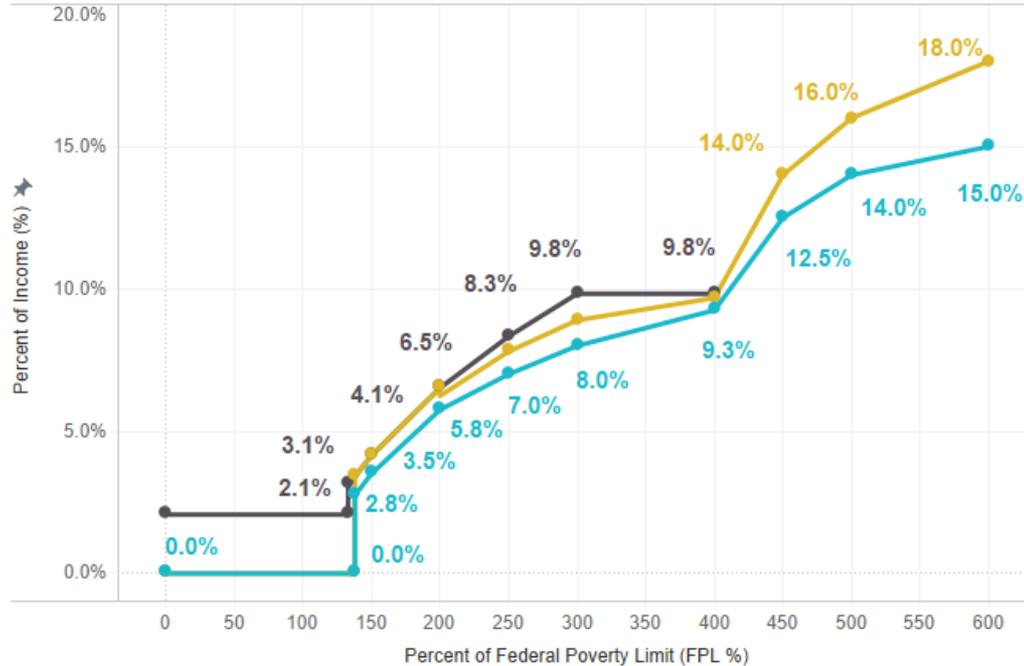
■ CA Baseline
■ Federal 2021
■ Option 1 - Close the Gap

Income as Percent of FPL bracket	Federal 2021		CA Baseline		Option 1 - Close the Gap	
	Initial	Ending	Initial	Ending	Initial	Ending
0% to 133/138%	2.07		0.00		0.00	
133/138% to 150%	3.10		3.41		1.50	
150% to 200%	4.14	6.52	4.14	6.52	3.00	5.25
200% to 250%	6.52	8.33	6.24	7.80	5.25	7.50
250% to 300%	8.33	9.83	7.80	8.90	7.50	8.50
300% to 400%	9.83	9.83	8.90	9.68	8.50	9.50
400% to 450%			9.68	14.00	9.50	13.00
450% to 500%			14.00	16.00	13.00	14.00
500% to 600%			16.00	18.00	14.00	15.00

* As of the time of this analysis, this scenario was still undergoing feasibility review implementation timeline, as it may require complex system changes.

OPTION 2 – ENHANCE SUPPORT FOR LOW-INCOME REQUIRED CONTRIBUTION CURVE

Option 2 - Enhanced Support for Low Income

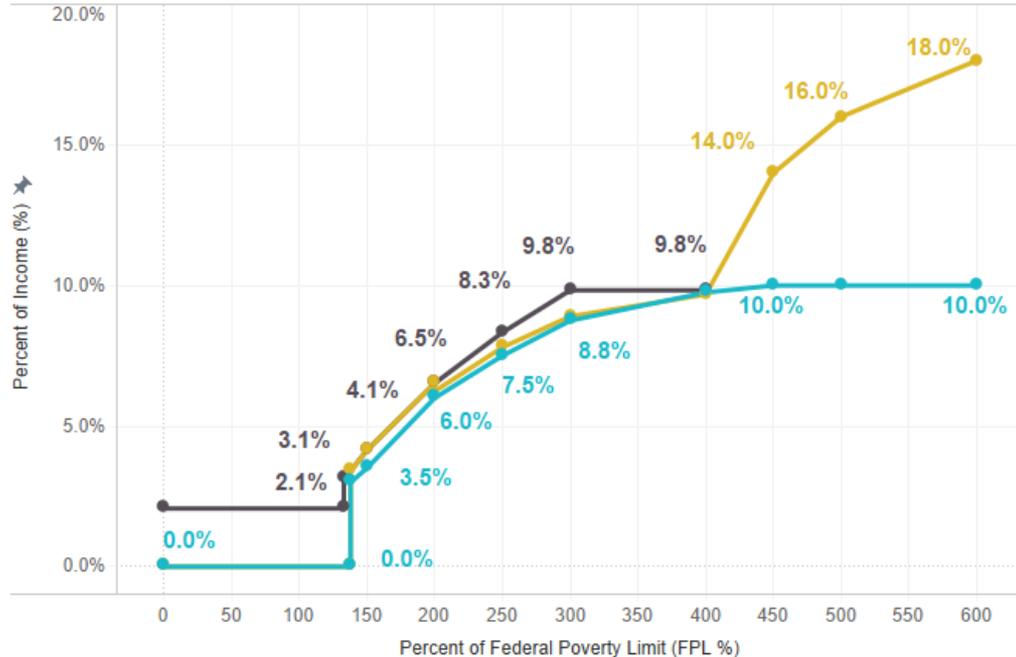


- Option 2 - Enhance Support Low Income
- CA Baseline
- Federal 2021

Income as Percent of FPL bracket	Federal 2021		CA Baseline		Enhance Support Low Income	
	Initial	Ending	Initial	Ending	Initial	Ending
0% to 133/138%	2.07		0.00		0.00	
133/138% to 150%	3.10		3.41		2.75	
150% to 200%	4.14	6.52	4.14	6.52	3.50	5.75
200% to 250%	6.52	8.33	6.24	7.80	5.75	7.00
250% to 300%	8.33	9.83	7.80	8.90	7.00	8.00
300% to 400%	9.83	9.83	8.90	9.68	8.00	9.25
400% to 450%			9.68	14.00	9.25	12.50
450% to 500%			14.00	16.00	12.50	14.00
500% to 600%			16.00	18.00	14.00	15.00

OPTION 3 – EXPAND SUBSIDIES FOR 400 TO 600% FPL REQUIRED CONTRIBUTION CURVE

Option 3 - Expand Subsidies for 400 to 600% FPL



- Option 3 - Expand Middle Class Subsidies
- CA Baseline
- Federal 2021

Income as Percent of FPL bracket	Federal 2021		CA Baseline		Expand Middle Class Subsidies	
	Initial	Ending	Initial	Ending	Initial	Ending
0% to 133/138%	2.07		0.00		0.00	
133/138% to 150%	3.10		3.41		3.00	
150% to 200%	4.14	6.52	4.14	6.52	3.50	6.00
200% to 250%	6.52	8.33	6.24	7.80	6.00	7.50
250% to 300%	8.33	9.83	7.80	8.90	7.50	8.75
300% to 400%	9.83	9.83	8.90	9.68	8.75	9.75
400% to 450%			9.68	14.00	9.75	10.00
450% to 500%			14.00	16.00	10.00	10.00
500% to 600%			16.00	18.00	10.00	10.00

ALL MODEL COMPARISONS

KEY METRICS

	14.7% Rate Increase				
	Mid Enrollment				
	Baseline	Option 1 - Close the Gap	Option 2 - Enhanced Support for Low Income	Option 3 - Expand Subsidies for 400 to 600% FPL	
	2021	2021	2021	2021	
State Subsidy \$ (aggregate)	\$349M	\$564M	\$558M	\$538M	
State Subsidy \$ (% of spend to over 400 FPL)	72%	50%	52%	67%	
Enrollees	1,502,271	1,503,338	1,503,641	1,507,342	
Enrollees between 400 and 600% FPL	98,984	100,051	100,355	104,056	
Enrollees Receiving State Subsidy (400 to 600% FPL)	57,720	62,232	64,053	78,699	
Share of Enrollees in 400 to 600% FPL Receiving >\$0	45%	48%	49%	59%	
State Subsidy \$ (avg PMPM) - receiving only	\$47	\$43	\$43	\$41	
State Subsidy \$ (avg PMPM, 400-600% receiving only)	\$362	\$376	\$374	\$381	
State Subsidy \$ (avg PMPM, 200-400% receiving only)	\$14	\$24	\$30	\$18	
State Subsidy \$ (avg PMPM, 138-200% receiving only)		\$21	\$11	\$9	
	2020	\$217M	\$217M	\$217M	\$217M
	2021	\$349M	\$564M	\$558M	\$538M
	2022	\$372M	\$591M	\$585M	\$567M
	Grand Total	\$938M	\$1,371M	\$1,360M	\$1,322M

COVERED CALIFORNIA CURRENT YEAR FINANCES AND PROPOSED FISCAL YEAR 2020-21 BUDGET

Peter Lee, Executive Director &
Jim Watkins, Chief Financial Officer

BUDGET AND ANNUAL REPORT – PUBLIC & BOARD REVIEW AND REVISION PROCESS

The presentation of the budget for the May 21st board meeting reflects the roll-up of all budget and rests upon detailed forecasting, every division developing revised deliverable and plans for a coming fiscal year in the context of great uncertainty. Due the challenges with having all staff teleworking, as well as divisions needing to focus on core consumer-facing initiatives, while the budget has been totally developed, reviewed and completed – the detailed draft of the **Covered California Annual Report and Fiscal Year 2020-21 Budget** is not complete in time to provide full review and consideration by the board or public at the May board meeting. To allow for full review and transparency, Covered California is presenting an overview of the budget at the May board meeting. The timeline allowing for detailed review, revision and adoption follows:

- May 21: Present Proposed Budget Overview to Board and Public
- May 29: Release Draft Proposed **Covered California Annual Report and Fiscal Year 2020-21 Budget**
- Week of June 1st:
 - Public Covered California Finance Committee – Review Draft Annual Report and Budget
 - Public comments/questions Requested to be submitted by June 5
- June 22: Release Revised Draft Proposed Annual Report and FY 2020-21 Budget
- June 25: Board Review/Revision and Adoption of Annual Report and FY 2020-21 Budget

COVERED CALIFORNIA PLANNING IN UNCERTAIN TIMES

- We enter the FY 2020-21 fiscal year with our nation and state are striving to contain the spread of the COVID-19 virus and dramatically changed economic environment.
- The nation has shed roughly 33 million jobs, while California has lost 3.8 million jobs. The national unemployment rate rose from 3.5% to 14.7%. Many displaced workers are facing loss of income and employee sponsored insurance.
- The state of California projects enrollment in Medi-Cal will increase by 2 million Californians, while it faces a \$54 billion budget deficit.
- The recession marks the first time for both the Affordable Care Act and Covered California will be tested in meeting consumers' needs in a down economy.
- Entering an election year – potential of changes in federal policy depending on Presidential and Congressional elections.

2019-20 PUTS COVERED CALIFORNIA IN A STRONG POSITION FOR THE COMING YEAR

- During plan year 2020, Covered California effectively implemented policies that launched a new state premium assistance and – and a state-level individual health insurance mandate
- These policies and Covered California’s effective implementation of them – with extensive marketing and close collaboration with California’s Franchise Tax Board – resulted in a 40% increase in new enrollment over 2019.
- Covered California launched a special enrollment period extending through April for Californians who may have not heard about the new state subsidies, and mandate/penalty
- Covered California announced a new blanket special enrollment period for any and all eligible consumers prompted by COVID-19 virus, running through at least June 30, 2020, with large increases in enrollment compared to prior years.

MAJOR POLICIES IN THE PROPOSED FY 2020-21 BUDGET

- The proposed budget reflects enhanced spending on priority areas to continue meeting the needs of Californians, reflecting an increase of about \$61 million over last year to get the word out and serve consumers. The budget projects that expenses will exceed projected revenue by \$22.5 million. But, most of those increases can be and are planned to be “dialed back” with the rebound of the economy. Covered California proposes to use its ample cash reserves to fund the one-year differential and will remain on fiscally sound footing for any economic eventuality.
- Covered California proposes to lower its plan assessment fee from 3.5 percent to 3.25 percent of on-exchange premium for the 2021 plan year (moving from an average of 2.7 to 2.5 percent on the combined on- and off-exchange Qualified Health Plan premium for Covered California products).
- This budget does not reflect either revenue or expenditures related to the proposal that health plans be required to spend 0.4% of the premium on direct response marketing or Covered California would assess the carrier for the difference and do additional marketing.
- This budget does not incorporate any budget reductions or other impacts that may be imposed on Covered California by Statewide recessionary budget actions.

COVERED CALIFORNIA

FISCAL YEAR 2019-20 BUDGET COMPARED TO ACTUAL/FORECASTED

	FY 2019-20 Approved <u>Budget</u>	FY 2019-20 <u>Actual/Forecasted</u>	<u>Variance</u>
Average Monthly Enrollment	1,458,936	1,372,134	\$ (86,803)
Per-Member-Per-Month FFS- Medical	\$ 21.16	\$ 20.92	\$ (0.24)
Plan Individual - Medical - Total Member Mo.	17,507,232	16,482,133	\$ (1,025,099)
Plan Individual - Dental - Total Member Mo.	2,422,177	2,279,292	\$ (142,885)
Plan CCSB - Medical & Dental - Total Member Mo.	691,639	698,896	\$ 7,257
Operating Revenues			
Plan Assessments Individual - Medical	\$370.4	\$344.7	(\$25.7)
Plan Assessments Individual - Dental	\$2.1	\$1.9	(\$0.2)
Plan Assessments CCSB - Medical & Dental	<u>\$17.4</u>	<u>\$17.7</u>	<u>\$0.3</u>
Total Operating Revenues	\$389.9	\$364.4	(\$25.5)
Non-Operating Income			
SMIF Interest	<u>\$0.0</u>	<u>\$6.9</u>	<u>\$6.9</u>
Total Revenues/Income-All Sources	\$389.9	\$371.3	(\$18.6)
Operating Expenses			
Personnel Services	\$121.2	\$129.6	(\$8.4)
Contracts >\$1M	\$183.1	\$177.0	\$6.1
Other OE&E	<u>\$74.8</u>	<u>\$72.5</u>	<u>\$2.3</u>
Total Operating Expenses	<u>\$379.1</u>	<u>\$379.1</u>	<u>\$0.1</u>
Overall Increase/(Decrease) In Net Position	<u>\$10.7</u>	<u>(\$7.8)</u>	<u>(\$18.6)</u>

- Total operating expenses were \$68K less than budgeted.
- Enrollment was 94% of the base budget forecast, resulting in revenues/income \$25.5 million less than budgeted.
- Personnel expenses exceeded 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 millions moved to increase marketing during open and special enrollment periods and \$10 million in service center costs.

FY 2020-21 PROPOSED BUDGET : MORE SPENDING TO MEET THE NEEDS OF CALIFORNIANS

- 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.

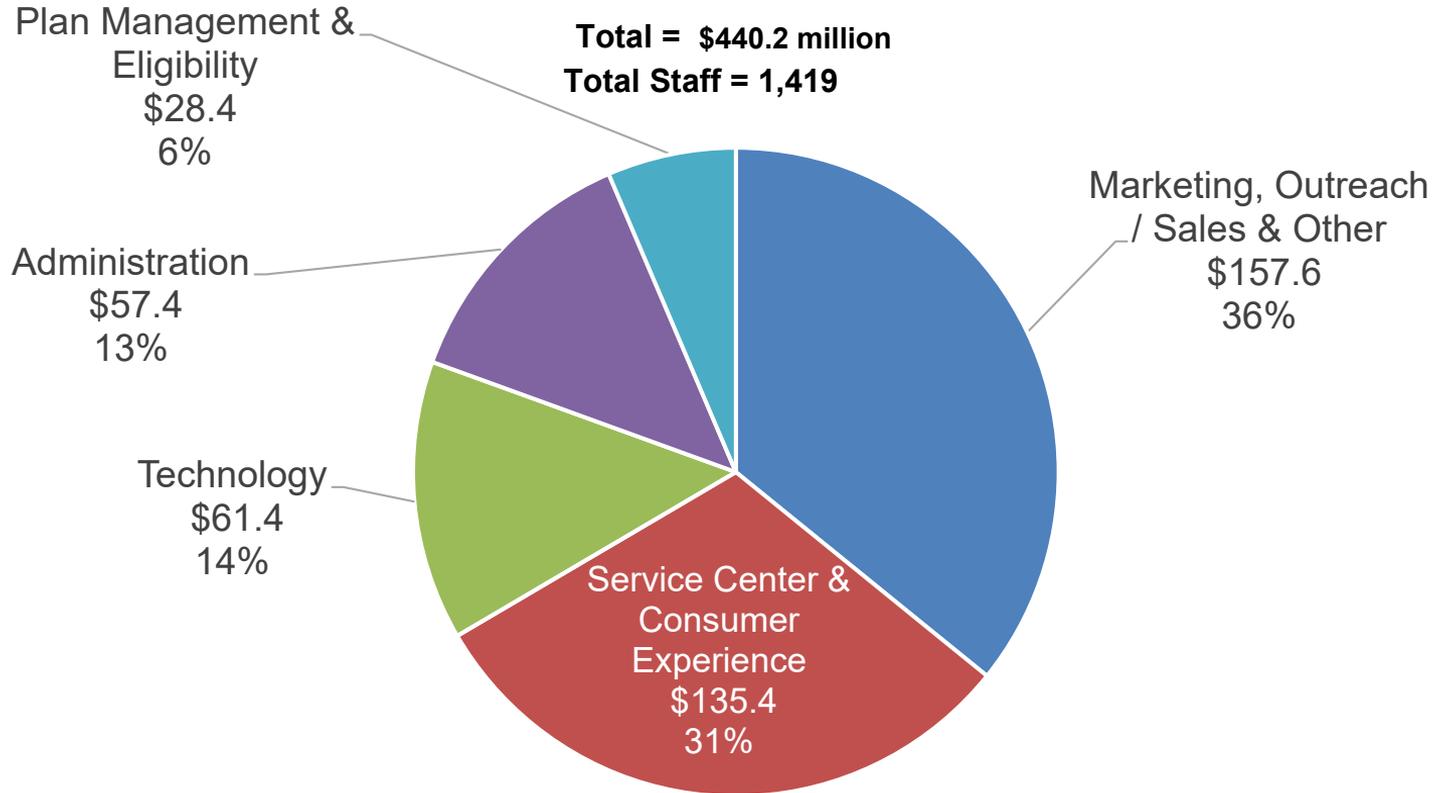
FY 2020-21 PROPOSED BUDGET ENHANCES SPENDING IN PRIORITY AREAS TO MEET COVERED CALIFORNIA'S MISSION.

Areas of priority focus include:

- **Responding to the recession by ramping up outreach, marketing, and helping consumers needing assistance** to meet Californian's 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),
- **Reprioritizing workplans and deliverables** impacted by the COVID-19 pandemic;
- **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), and
- **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).

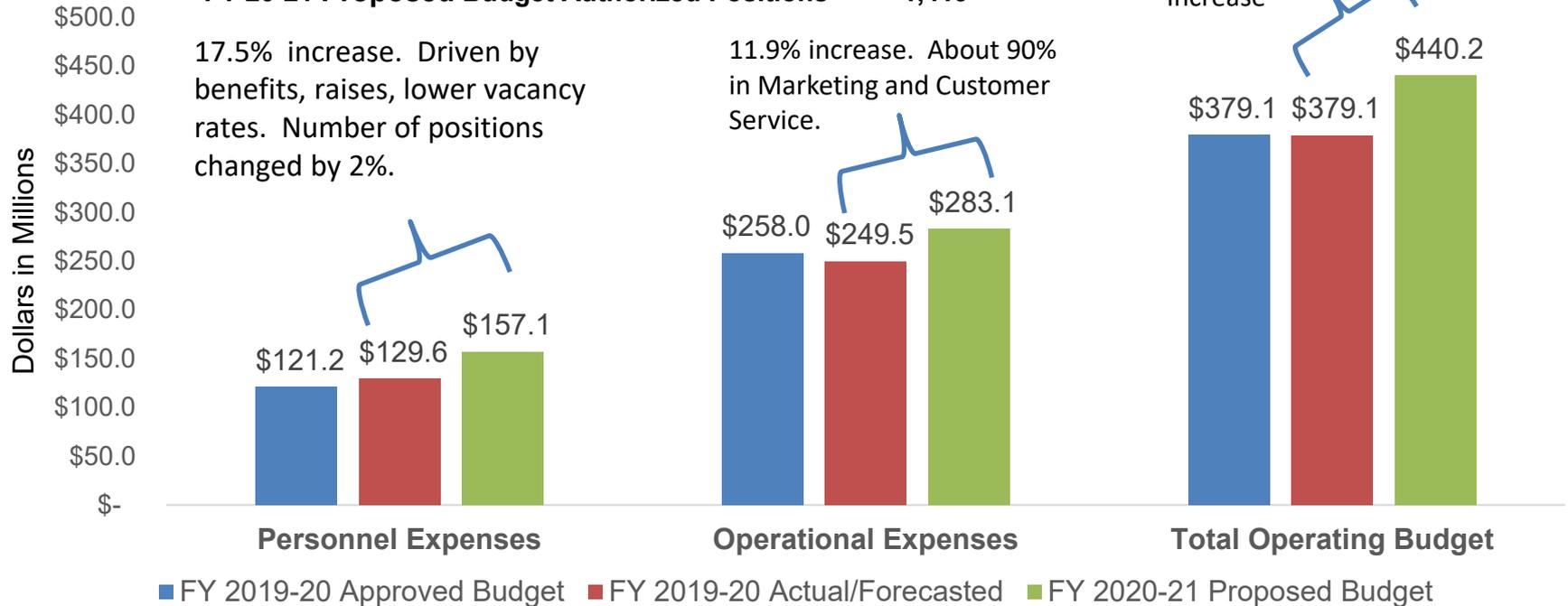
COVERED CALIFORNIA FY 2020-21 PROPOSED BUDGET BY PROGRAM AREA

Operating Expenses by Major Program Area



COMPARING COVERED CALIFORNIA'S FY 2019-20 TO FY 2020-21 PROPOSED BUDGET

FY 2019-20 Approved Budget Authorized Positions = 1,386
 FY 2019-20 Actual/Forecasted Authorized Positions = 1,391
FY 20-21 Proposed Budget Authorized Positions = 1,419



COVERED CALIFORNIA

MULTI-YEAR STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION BASE-MULTI-YEAR PROJECTION – BASE FORECAST

	FY 2019-20 <u>Actual/Forecasted</u>	FY 2020-21 <u>Proposed Budget</u>	FY 2021-22 <u>Projected</u>	FY 2022-23 <u>Projected</u>
Authorized Positions	1,391	1,419	1,419	1,419
Average Monthly Enrollment-Individual	1,372,134	1,603,850	1,677,342	1,663,587
Per-Member-Per-Month Individual Medical	\$ 20.92	\$ 20.64	\$ 20.90	\$ 21.31
Plan Individual - Medical	16,482,133	19,246,198	20,128,104	19,963,046
Plan Individual - Dental	2,279,292	2,251,221	2,363,782	2,600,160
Plan CCSB - Medical & Dental	698,896	651,776	605,423	629,339
Operating Revenues	\$ 364.4	\$ 416.8	\$ 440.0	\$ 446.6
Non-Operating Income - SMIF Interest	\$ 6.9	\$ 0.9	\$ 0.8	\$ 2.1
Total Revenues/Income - All Sources	\$ 371.3	\$ 417.7	\$ 440.9	\$ 448.7
Less: Operating Expenses	\$ (379.1)	\$ (440.2)	\$ (428.9)	\$ (430.5)
Overall Increase/(Decrease) In Net Position	\$ (7.8)	\$ (22.5)	\$ 11.9	\$ 18.2
Cash Reserve	\$ 399.3	\$ 356.8	\$ 348.7	\$ 346.9
Months of Budgeted Operations Funded	<u>11</u>	<u>10</u>	<u>10</u>	<u>9</u>

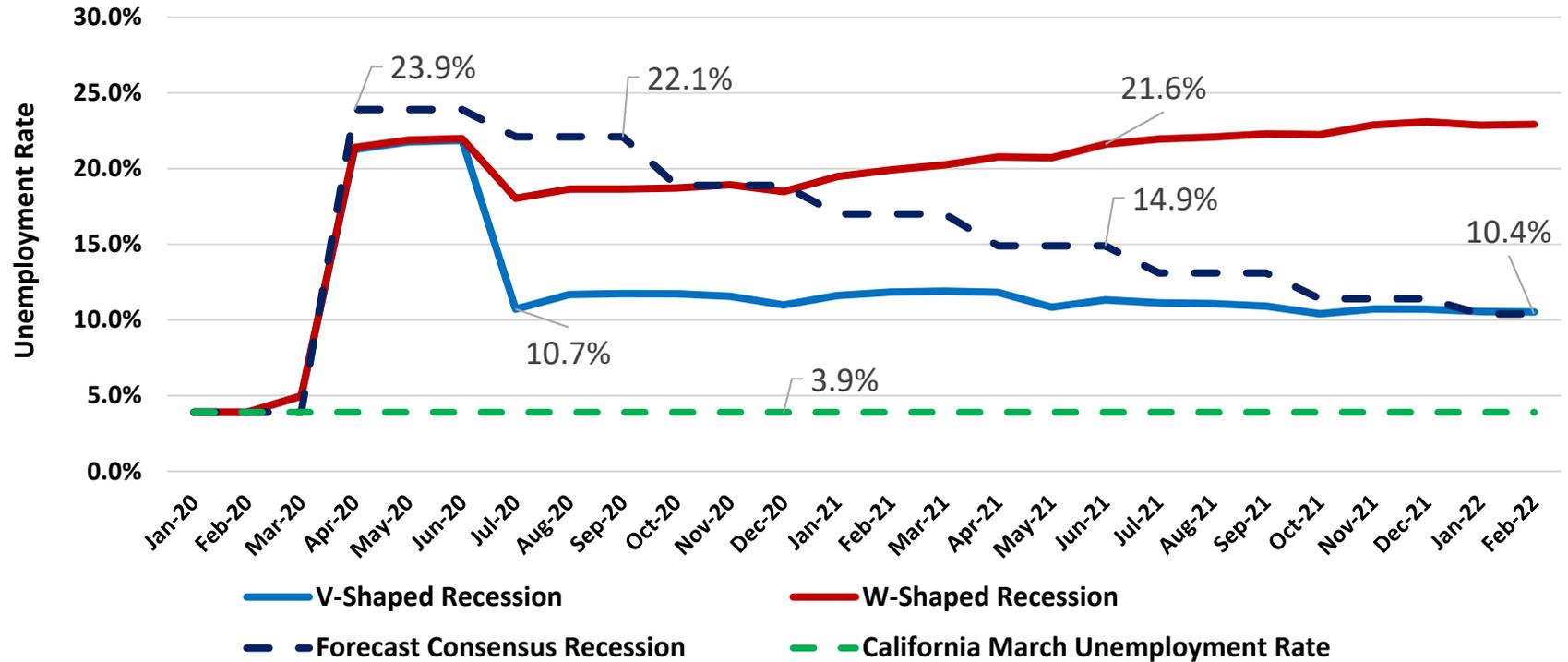
PLANNING BASED ON LABOR MARKET ANALYSIS

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:

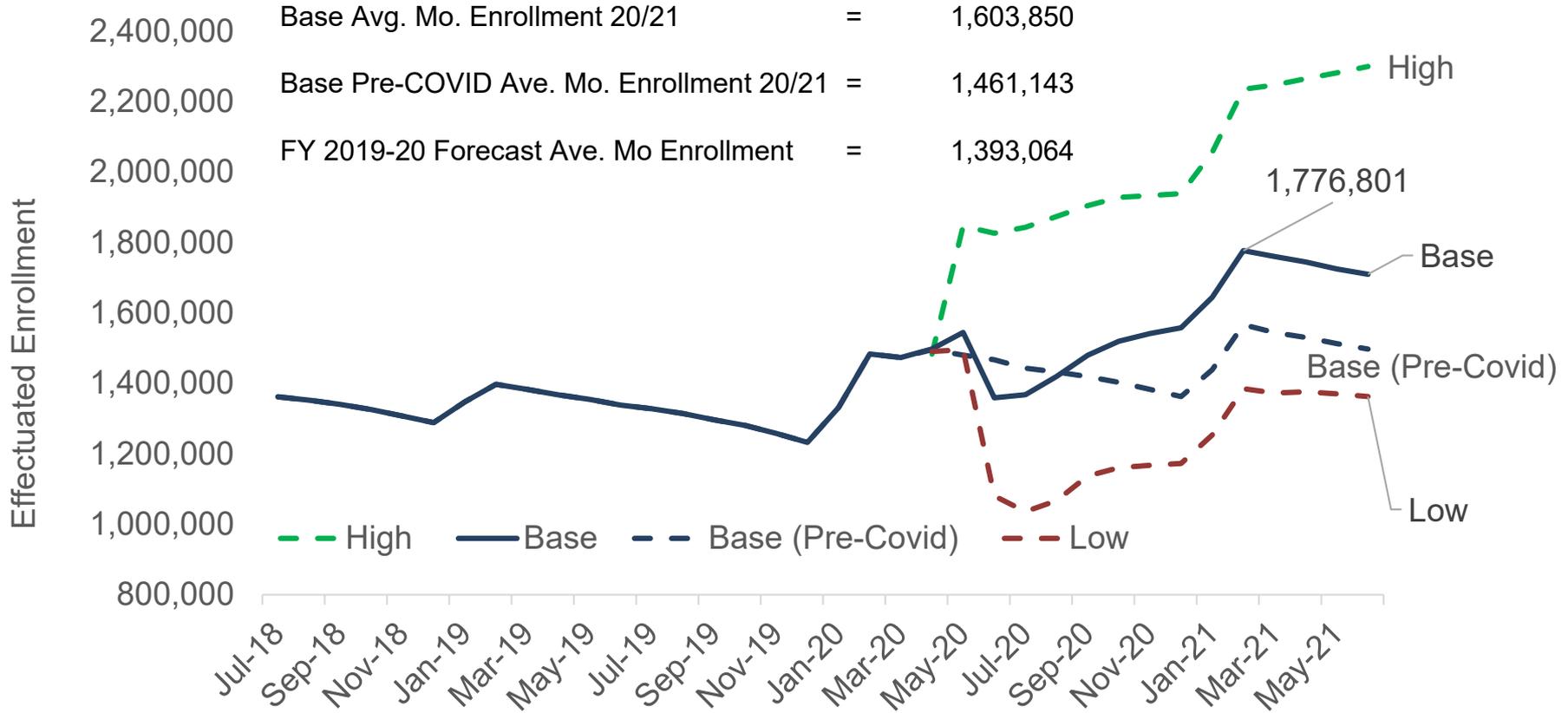
- **V-Shaped Recession:** features a sharp decline in employment followed by a stronger, faster recovery. Under this scenario unemployment rises to 22% during the second and third quarter of 2020 and then drops to 10%-11% over the next 6 months, where it remains throughout 2021.
- **W-shaped Recession:** 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.
- **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.

LABOR MARKET ANALYSIS - UNEMPLOYMENT

Unemployment Rate
January 2020 - February 2022



RECESSION IMPACTS TO ENROLLMENT FORECASTS



BACKGROUND ITEMS

COVERED CALIFORNIA CURRENT YEAR FINANCES AND PROPOSED FISCAL YEAR 2020-21 BUDGET

ENROLLMENT, PREMIUM, AND REVENUE SCENARIOS

**Projected
Premium
Growth
Rates**

Scenario	Plan Yr. 2020	Plan Yr. 2021	Plan Yr. 2022	Plan Yr. 2023
High	Actual	Projected	Projected	Projected
	0.80%	8.0%	7.0%	6.0%
Base	0.80%	8.0%	7.0%	6.0%
Low	0.80%	8.0%	7.0%	6.0%

**Individual
Market
Average Mo.
Effectuated
Enrollment**

Scenario	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
High	1,372,134	2,066,992	1,958,545	1,882,868
Base	1,372,134	1,603,850	1,677,342	1,663,587
Low	1,372,134	1,238,530	1,394,127	1,450,247

**Plan
Assessments
- Individual
Medical**

Scenario	FY 2019-20	FY 2020-21	FY 2021-2022	FY 2022-23
High	\$344,733,011	\$480,957,856	\$482,943,275	\$475,366,113
Base	\$344,733,011	\$397,295,839	\$420,613,952	\$425,474,831
	\$344,733,011	\$297,458,989	\$329,982,650	\$350,098,121

COVERED CALIFORNIA
CONDENSED STATE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FY 2019-20 ACTUAL/FORECASTED VS. FY 2020-21 PROPOSED BUDGET
HIGH FORECAST (DOLLARS IN MILLIONS)

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	<u>Actual/Forecasted</u>	<u>Proposed Budget</u>	<u>Projected</u>	<u>Projected</u>
Authorized Positions	1,391	1,419	1,419	1,419
Average Monthly Enrollment-Individual	1,372,134	2,066,992	1,958,545	1,882,868
Per-Member-Per-Month Individual Medical	\$ 20.92	\$ 19.39	\$ 20.55	\$ 21.04
Plan Individual - Medical	16,482,133	24,803,904	23,502,540	22,594,416
Plan Individual - Dental	2,279,292	2,251,221	2,363,782	2,600,160
Plan CCSB - Medical & Dental	698,896	701,333	734,676	794,785
Operating Revenues	\$ 364.4	\$ 501.7	\$ 505.7	\$ 500.9
Non-Operating Income - SMIF Interest	\$ 6.9	\$ 0.9	\$ 1.1	\$ 2.9
Total Revenues/Income - All Sources	\$ 371.3	\$ 502.6	\$ 506.8	\$ 503.9
Less: Operating Expenses	\$ (379.1)	\$ (440.2)	\$ (428.9)	\$ (430.5)
Overall Increase/(Decrease) In Net Position	\$ (7.8)	\$ 62.5	\$ 77.8	\$ 73.4
Cash Reserve	\$ 399.3	\$ 441.9	\$ 499.8	\$ 553.1
Months of Budgeted Operations Funded	11	12	14	15

COVERED CALIFORNIA
CONDENSED STATE OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FY 2019-20 ACTUAL/FORECASTED VS. FY 2020-21 PROPOSED BUDGET
LOW FORECAST (DOLLARS IN MILLIONS)

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
	<u>Actual/Forecasted</u>	<u>Proposed Budget</u>	<u>Projected</u>	<u>Projected</u>
Authorized Positions	1,391	1,419	1,419	1,419
Average Monthly Enrollment-Individual	1,372,134	1,238,530	1,394,128	1,450,247
Per-Member-Per-Month Individual Medical	\$ 20.92	\$ 20.01	\$ 19.72	\$ 20.12
Plan Individual - Medical	16,482,133	14,862,359	16,729,530	17,402,959
Plan Individual - Dental	2,279,292	2,251,221	2,363,782	2,600,160
Plan CCSB - Medical & Dental	698,896	597,900	519,129	530,234
Operating Revenues	\$ 364.4	\$ 315.7	\$ 347.4	\$ 368.9
Non-Operating Income - SMIF Interest	\$ 6.9	\$ 0.8	\$ 0.5	\$ 0.9
Total Revenues/Income - All Sources	\$ 371.3	\$ 316.5	\$ 347.9	\$ 369.8
Less: Operating Expenses	\$ (379.1)	\$ (440.2)	\$ (428.9)	\$ (430.5)
Overall Increase/(Decrease) In Net Position	\$ (7.8)	\$ (123.7)	\$ (81.0)	\$ (60.7)
Cash Reserve	\$ 399.3	\$ 255.8	\$ 154.8	\$ 74.0
Months of Budgeted Operations Funded	<u>11</u>	<u>7</u>	<u>4</u>	<u>2</u>

COVERED CALIFORNIA'S CAPITAL PROJECTS BUDGET

	FY 2019-20 <u>Actual/Forecasted</u>	FY 2020-21 <u>Proposed</u> <u>Budget</u>	FY 2021-22 <u>Projected</u>	FY 2022-23 <u>Projected</u>
Opening Capital Projects Budget Resources	\$ 40.0	\$ 46.7	\$ 46.7	\$ 53.7
Transfer to Capital Projects Fund	<u>\$ 20.0</u>	<u>\$ 20.0</u>	<u>\$ 20.0</u>	<u>\$ 20.0</u>
Capital Projects Resources Available	\$ 60.0	\$ 66.7	\$ 66.7	\$ 73.7
Less: Capital Projects Expenditures for the Period	<u>\$ (13.3)</u>	<u>\$ (20.0)</u>	<u>\$ (13.0)</u>	<u>\$ (13.0)</u>
Year End Capital Projects Resources	<u><u>\$ 46.7</u></u>	<u><u>\$ 46.7</u></u>	<u><u>\$ 53.7</u></u>	<u><u>\$ 60.7</u></u>

Covered California seeks \$20 million in capital projects expenditures authority for FY 2020-21.

PUBLIC COMMENT

CALL: (877) 692-8958

PARTICIPANT CODE: 4331773

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FISCAL YEAR 2020-2021 NAVIGATOR ENROLLMENT GOALS

Terri Convey, Director, Outreach and Sales Division

NAVIGATOR PROGRAM FISCAL YEAR 2020 - 2019

Today's Discussion:

- (1) Covered California's recommendation to continue today's Navigator Program funding level of \$6.5 MM 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.

Background for Today's Discussion:

- 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

RECAP OF THIS YEAR'S NAVIGATOR PROGRAM

- After tens 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.

NAVIGATOR PROGRAM YEARLY FUNDING LEVELS

- Funding has been steady at \$6.5 MM *and* enrollment is trending up
- Year-over-year engagement from 42 lead partner organizations and 51 subcontractors
- More than 500 Locations within 15 minute drive time for 85% of all Californians with reach to California’s most vulnerable and underserved populations

Grant Year	Total Grant Funding	# of Entities	Grant Funding Range	Number of Effectuations	Average Grant
2020-21	\$6,500,000	42	\$50,000-\$500,000	51,200*	\$154,761*
2019-20	\$6,500,000	42	\$50,000-\$500,000	51,138	\$154,761
2018-19	\$6,475,000	42	\$50,000-\$500,000	44,684	\$154,167
2017-18	\$6,425,000	43	\$50,000-\$500,000	40,355	\$149,419
2016-17	\$7,100,000	46	\$50,000-\$500,000	35,858	\$154,348
2015-16	\$10,550,000	69	\$50,000-\$500,000	40,096	\$152,899
2014-15	\$10,886,569	65	\$25,000-\$500,000	77,457	\$167,486

NAVIGATOR PROGRAM ENROLLMENT REPORT – MAY 2020

FY 19-20 Enrollment as of 4/30/20							
FY 19-20	Core Program Funding	Enrollment	Actual % to Goal	Cost Per Enrollment (CPE)	Number of Navigator Entities	Navigator Performance	
						Below Goal	At or Above Goal
Budget	\$6,300,000	36,007		\$175	42		
Actual	\$6,300,000	51,134	42%+	\$123	42	7	35

Proposals for FY 20-21 Enrollment Goals							
Option #	Core Program Funding	Enrollment Goal	YOY Change in Goal	YOY Change from Actual	Cost Per Enrollment (CPE)	Performance Incentive Funding	Program Recommendation
1	\$6,400,000	44,138	+23%	(14%)	\$145	\$100,000	
2	\$6,400,000	51,200	+42%	0%	\$125	\$100,000	Recommendation
3	\$6,400,000	58,182	+62%	+14%	\$110	\$100,000	

NAVIGATOR PROGRAM PROPOSED GOALS PER FUNDING LEVELS

Fiscal Year 2020 - 2021

- Recommending Option 2 which sets next year's goals at today's enrollment results as of 4/30/20.
- Most Navigator entities will be eligible for the same funding level they receive today.

Funding Level	FY 19/20 Goals	Option 1	Option 2	Option 3
	36,007	44,138	51,200	58,182
\$50,000	286	345	400	455
\$75,000	429	517	600	682
\$100,000	571	690	800	909
\$125,000	714	862	1,000	1,136
\$150,000	857	1,034	1,200	1,364
\$175,000	1,000	1,207	1,400	1,591
\$200,000	1,143	1,379	1,600	1,818
\$225,000	1,286	1,552	1,800	2,045
\$250,000	1,429	1,724	2,000	2,273
\$275,000	1,571	1,897	2,200	2,500
\$300,000	1,714	2,069	2,400	2,727
\$325,000	1,857	2,241	2,600	2,955
\$350,000	2,000	2,414	2,800	3,182
\$375,000	2,143	2,586	3,000	3,409
\$400,000	2,286	2,759	3,200	3,636
\$425,000	2,429	2,931	3,400	3,864
\$450,000	2,571	3,103	3,600	4,091
\$475,000	2,714	3,276	3,800	4,318
\$500,000	2,857	3,448	4,000	4,545

NAVIGATOR PROGRAM TIMELINE

Fiscal Year 2020 - 2021

Date	Action
May 21, 2020	Program discusses 2020-21 grant cycle proposals and recommendations to the Covered California Board
June 1-15, 2020	Program finalizes evaluation and recommendation for 2020-21 grant cycle funding
June 21, 2020	Program seeks Board approval for final 2020-21 grant cycle funding
June 30, 2010	End of grant cycle 2019-20 contract period
July 1, 2020	Start of grant cycle 2020-21 contract period

NAVIGATOR PROGRAM FISCAL YEAR 2020 - 2021

Action items for the next Board meeting:

- Approval to continue today's annual funding \$6,500,000 for the upcoming fiscal year
- Approval to reassign funding from the Targeted Area Pilot to the core Navigator Program
- Approval of next year's effectuated enrollment goal for the Navigator program

Covered California welcomes comments on this item.

Please send your comments to CommunityPartners@covered.ca.gov

PUBLIC COMMENT

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BACKGROUND ITEMS

FISCAL YEAR 2020-2021 NAVIGATOR ENROLLMENT GOALS

NAVIGATOR PROGRAM OUTREACH ACTIVITY REPORT – MAY 1, 2020

- ❑ Navigators awarded points for outreach activities
- ❑ Point targets are set at funding level of grant award
- ❑ Navigator Program is at 71% of its total outreach activity goal
- ❑ 29% of Navigators are meeting their outreach activity goals

FY 19-20 Outreach Activity as of 4/30/20

FY 19-20	Core Program Funding	Activity Point	Actual % to Goal	Number of Navigator Entities	Navigator Performance	
					Below Goal	At or Above Goal
Goal	\$6,300,000	4,444		42		
Actual	\$6,300,000	3,141	71%	42	30	12

NAVIGATOR PROGRAM OUTREACH ACTIVITY GOALS AND POINTS

Outreach Activity Goals*	
Grant Amount	Outreach Points Goal
\$50,000	50
\$75,000	64
\$100,000	78
\$125,000	92
\$150,000	106
\$175,000	120
\$200,000	134
\$225,000	148
\$250,000	162
\$275,000	176
\$300,000	190
\$325,000	204
\$350,000	218
\$375,000	232
\$400,000	246
\$425,000	260
\$450,000	274
\$475,000	288
\$500,000	300

Activities that Earn Outreach Points		
Category	Point(s) Earned	Qualifying Activity
Events	3	3 points earned per education or enrollment event logged in the event portal or bi-monthly report (Note: office hours do not constitute events)
Paid Media	1	1 point earned per \$100 spent on advertising promoting Covered California enrollment
Earned Media	10	10 points earned per documented instance of earned media
Twitter	1	1 point earned per month wherein 4 tweets are published mentioning Covered California (via in-tweet “@CoveredCA” linked tagging) from an account with at least 1,000 followers (Max 1 point per month per primary Grantee)
Facebook	1	1 point earned per month wherein 2 posts are published mentioning Covered California (via in-post “@Covered California” linked tagging) (Max 1 point per month per primary Grantee)
Instagram	1	1 point earned per month wherein 2 posts are published mentioning Covered California (via in-post “@CoveredCA” linked tagging) (Max 1 point per month per primary Grantee)
LinkedIn	1	1 point earned per month wherein 2 posts are published mentioning Covered California (via in-post “@Covered California” linked tagging) (Max 1 point per month per primary Grantee)

TARGETED AREA PILOT -- \$100,000 Funding FY 2019 - 2020

Four Navigators awarded \$25,000 grants to conduct outreach to rural California

Meta-Region 1 Yosemite		Meta-Region 2 San Bernardino		Meta-Region 3 North of Redding		Meta-Region 4 Sierra Foothills	
County	POP	County	POP	County	POP	County	POP
Calaveras	7,456	San Bernardino	34,885	Lassen	2,078	Lake	1,531
Fresno	8,904			Modoc	5,528	Placer	39,979
Kern	15,870			Siskiyou	10,344	Plumas	10,987
Mariposa	1,397			Trinity	8,320	Sierra	1,767
Mono	9,436					Yuba	2,366
Tuolumne	3,118						
Total	46,091		34,885		26,270		47,630

2021 QUALIFIED HEALTH PLAN CONTRACTING UPDATES

James DeBenedetti, Director, Plan Management Division

2021 QHP ISSUER CONTRACTING UPDATES

Covered California is proposing the following changes to the 2021 QHP Issuer Model Contract.

- 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.
- 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.

MARKETING MATTERS

- 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 percent 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.

WITH A COMMON RISK POOL – RELYING ON INDIVIDUAL CARRIERS’ ACTIONS RISKS TRAGEDY OF THE COMMONS

- ❑ Consumers, Covered California and carriers benefit by spending **efficiently** on marketing and enrollment. Marketing spending adds costs to premium but when well-spent greatly reduces total costs by improving the risk mix.
- ❑ Covered California invests a significant portion of its assessment on plans in marketing and outreach, but carriers’ own investments vary widely.
- ❑ All carriers benefit from marketing that promotes shopping, enrollment and retention. If all plans decided to “ride on the coat-tails” of Covered California or other plans – there would be less investment, less enrollment, worse risk mix and higher costs – a true tragedy of the commons.

COVERED CALIFORNIA'S CONTRACTUAL EXPECTATIONS – PLANS NOT MEETING THE MARK

- 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 PROPOSED MARKETING REQUIREMENT – FOR 2021 PLAN YEAR

- 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.
 - 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 would be required to project their planned Direct Response marketing when submitting rates for 2021.
 - Issuers that plan to spend less than 0.4% on Direct Response marketing would have their health plan assessment increased by the difference between their planned spending and the target minimum.
 - 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.

DEFINITION OF DIRECT RESPONSE MARKETING

To meet the Direct Response (DR) requirement, marketing materials should include:

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

FOR 2022 NEED TO CONSIDER POLICIES TO ADDRESS EQUITY AND SUSTAINABILITY IN AGENT COMMISSIONS

- ❑ 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.

PUBLIC COMMENT

CALL: (877) 692-8958

PARTICIPANT CODE: 4331773

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2022 QUALIFIED HEALTH PLAN ISSUER CONTRACTING ISSUES

James DeBenedetti, Director, Plan Management Division

ADJUSTING MAJOR QUALIFIED HEALTH PLAN ISSUER CONTRACT REVISIONS TO 2023

James DeBenedetti, Director, Plan Management Division

2022 ATTACHMENT 7 AMENDMENT

- Proposal: 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.

- Rationale: The COVID-19 crisis disrupted many of our work processes and the work processes of contracted issuers and stakeholders. The refresh efforts would have taken time and resources away from our organization, issuers, and stakeholders that were needed to respond to the crisis. Covered California felt that given the unprecedented situation, we should delay the refresh efforts one year.

2023-2025 ATTACHMENT 7 REFRESH WORKGROUP

- Proposal: Suspend Attachment 7 Refresh Workgroup until Fall/Winter 2020, after the 2022 amendment process is complete. Consider recommendations for 2022 amendment in Plan Management Advisory group in Summer/Fall 2020.

- Rationale: Suspending the Attachment 7 Refresh Workgroup will enable stakeholders, issuers and staff to focus on the 2022 Amendment and COVID-19 response activities. Foundational work and discussions of alignment opportunities for the 2023 Attachment 7 refresh will continue.

PROPOSED APPROACH TO 2022 AMENDMENT

- 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
- 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
- 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

COVERED CALIFORNIA'S FRAMEWORK FOR HOLDING PLANS ACCOUNTABLE FOR QUALITY CARE AND DELIVERY REFORM

Assuring Quality Care

INDIVIDUALIZED, EQUITABLE CARE

- Population Health Management: Assessment and Segmentation
- Health Promotion and Prevention
- Mental Health and Substance Use Disorder Treatment
- Acute, Chronic and Other Conditions
- Complex Care

Effective Care Delivery Strategies

ORGANIZING STRATEGIES

- Effective Primary Care
- Promotion of Integrated Delivery Systems and ACOs
- Networks Based on Value

Sites and Expanded Approaches to Care Delivery

Appropriate Interventions

Key Drivers of Quality Care and Effective Delivery

Covered California recognizes that promoting change in the delivery system requires aligning with other purchasers and working with all relevant payers to reform health care delivery in a way that reduces burdens on providers.

- | | | |
|---|-----------------------------------|--|
| • Benefit Design | • Patient-Centered Social Needs | • Quality Improvement and Technical Assistance |
| • Measurement for Improvement Choice and Accountability | • Patient and Consumer Engagement | • Certification, Accreditation and Regulation |
| • Payment | • Data Sharing and Analytics | |
| | • Administrative Simplification | |

Community Drivers: Community-Wide Social Determinants, Population and Public Health, and Workforce

January 2020

2022 ATTACHMENT 7 AMENDMENT DEVELOPMENT

Potential cross-cutting recommendations across domains & strategies are organized by themes:

Data Sharing & Analytics

Measurement for Improvement, Choice & Accountability

Access to High Value Care

Patient and Consumer Engagement



Recommendations for 2022 are reviewed internally and with external stakeholders at Plan Advisory meetings and other ad hoc meetings



2022 recommendations are finalized using criteria:

Feasibility

Minimize burden

Focusing on priorities and foundational elements to 2023 and 10-year vision

Examples of Potential Cross-cutting Recommendations

- **Data Sharing & Analytics:** Increased use of Health Evidence Initiative data (IBM Watson) for monitoring issuer progress and compliance; require issuer participation in IHA and require issuers to share IHA reports with Covered CA
- **Measurement:** Enhanced use of QRS measures to conduct analysis and track issuer progress; develop process for requiring use of and reporting on priority HEDIS measures not collected through QRS (e.g. behavioral health measures)
- **Access to High Value Care:** Require enhanced reporting and monitoring of behavioral health access; require use of and promotion telehealth; strengthening primary care payment reform requirements
- **Patient and Consumer Engagement:** Require enhanced member communication and education on the availability of telehealth, behavioral health services and preventive services

CRITERIA FOR 2022 AMENDMENT RECOMMENDATIONS

Feasibility

- Consider the amount of effort to issuers or others to implement, cost, availability of data & measurement, other dependencies, opportunity for alignment with others, availability of funding, training, or other support

Minimize Burden

- Consider the burden related to implementation effort, cost, data & reporting, creation or modification of workflows, impact to providers, opportunities to leverage alignment, etc.

Focusing on Priorities

- Consider how the recommendation relates to foundational elements of the 2023 refresh: **Quality Transformation Fund (with focus on priority measures and alignment with others), Behavioral Health, Health Disparities, Telehealth, Primary Care, and Population Health Management**
- Consider if the recommendation is a next step towards what is likely to be proposed for new model contract in 2023 and key step towards the 10-year vision
- Consider if the recommendation supports necessary infrastructure for foundational areas or addresses existing gaps in reaching these future objectives
- Consider if the recommendation is important or crucial to the success of the cross-cutting recommendations
- Aim to improve current Attachment 7 requirements that do not support the foundational elements of the 2023 refresh or remove these requirements

PROPOSED 2022 ATTACHMENT 7 AMENDMENT TIMELINE



PUBLIC COMMENT

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VISIONING FOR HEALTH CARE 2030

James DeBenedetti, Director, Plan Management Division

CORE ASSUMPTIONS TO COVERED CALIFORNIA'S APPROACH

Fundamental change can only be achieved by empowering and supporting meaningful improvement at five levels that required 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.

COVERED CALIFORNIA'S OVERARCHING GOALS IN HEALTH PLAN CONTRACTING

1. Ensure that Covered California's enrollees receive the best possible care at the lowest possible cost.
2. Achieve the best possible health and health care for California residents.
3. Establish a process that will ensure continual improvement of California's health system through well-aligned near-term incremental changes and longer-term transformational reforms.
4. Provide a model that can spread broadly and insights and tools that others can adopt to help scale and spread the lessons learned.

DEVELOPING A VISION FOR THE FUTURE

- To help achieve these goals, Covered California's believes that it is important to know what we are trying to achieve.
- This 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
 - Communities

FEEDBACK ON VISION STATEMENTS

- In March, Covered California presented 2030 Vision Statements for Health and Healthcare.
- Through articulating these vision statements, Covered California's goal is to stimulate thoughtful discussion and to provide specific ideas to consider as starting point for action.
- We recognize that bringing in partners and stakeholders to further develop and shape this vision is imperative, as a shared vision is the foundation for transformational change.
- Covered California has posted a Word document of the Vision Statements with the Board materials. Please provide feedback using this document: [*Covered California 2030 Vision Statement - Draft for Feedback.*](#)
- Please provide comments and redline edits to Margareta Brandt (margareta.brandt@covered.ca.gov) by Friday June 5, 2020.

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PROPOSED QUALITY TRANSFORMATION FUND

James DeBenedetti, Director, Plan Management Division

RECOMMENDED NEW APPROACH: ESTABLISH A COVERED CALIFORNIA “QUALITY TRANSFORMATION FUND”

- **Similar to Risk Adjustment, have a Quality Transformation Fund to move money among plans based on quality performance.**
 - Zero sum pool of penalty assessments and performance payments based on quality (similar to risk adjustment); up to 4% of premium, phased in over time.
 - Example: Year 1 – 1%, Year 2 – 2%, Year 3 – 3%, Year 4 – 4%. In this example, hypothetically this leads to a premium increase or decrease of \$18 per member per month (based on 4% of the 2020 Statewide Average Premium of \$445).
 - Plans that perform “well” will retain their premiums; “low/poor” performing plans on key quality metrics are assessed based on a percent of premium – the assessments from “low/poor” performing plans would either (1) be paid into a fund to support regional systemwide quality improvement or (2) be paid to “high/exceptionally” performing plans.
 - Material improvement by a plan may offset some or all of the amount assessed on it for that year.
- **Proposing to develop the measures and methodology for the Quality Transformation Fund to pilot in 2022 with no funds at risk and implement the first year of money at risk in 2023.**

SAMPLE QUALITY METRICS AND SCORING

Measures that matter – outcomes focused measurement.

Sample measure sets as based on our Experience Report:

1. Rating of All Health Care
2. Rating of Health Plan
3. Breast Cancer Screening Ages 50-74*
4. Cervical Cancer Screening Ages 21-64*
5. Colorectal Cancer Screening Ages 50-75*
6. Controlling High Blood Pressure*
7. Diabetes: Hemoglobin A1c (HbA1c) Control (<8%)*
8. Alcohol & Drug Disorders: Initiation & Engagement Ages 13+
9. Antidepressant Medication Management*
10. Follow-up After Hospitalization for Mental Illness
11. All-Cause Hospital Readmissions*
12. Care Coordination*
13. Access to Care*

** Integrated Healthcare Association AMP Measures*

New measures may add to or replace old measures based on better data collection methods or increased industry acceptance of a new metric. Potential candidates include:

- Risky behaviors (smoking, obesity)
- Health Equity (e.g., diabetes A1c<8 gap narrowed, or metric for whatever aligned focus is for disparities work)
- Network (e.g., advanced primary care, # outliers cost/quality)
- Payment (e.g., primary care spend target, hospital payments)

QUALITY METRICS AND SCORING – IMPLEMENTATION ISSUES AND CONSIDERATIONS

Suggestions for improving the structure of the Quality Transformation Fund:

- Phased in timing, up to 4% premium at risk, etc.

Need to develop criteria for selection of measures and how applied:

- Are there any measures that should be added to the list of 13 priority measures?
- Are there any measures that should be removed from the list?
- Should some measures be weighted more than others? If so, which measures?
- Is performance based on absolute scores or compared to a national average?
- How to best align with other purchasers?
- Does this apply to on and off exchange consumers?

Other considerations:

- Measurement year and payment year need to be determined in manner that allows for appropriate budgeting and understanding of price position.
- Given that the Quality Transformation Fund would be administered on a rating region basis, how to address issues such as the fact quality performance is generally not measured by region?
- How can Plans use the Quality Transformation Fund to move underlying provider contracts toward higher quality performance?

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BACKGROUND ITEMS

PROPOSED QUALITY TRANSFORMATION FUND

COVERED CALIFORNIA – PROMOTING VALUE

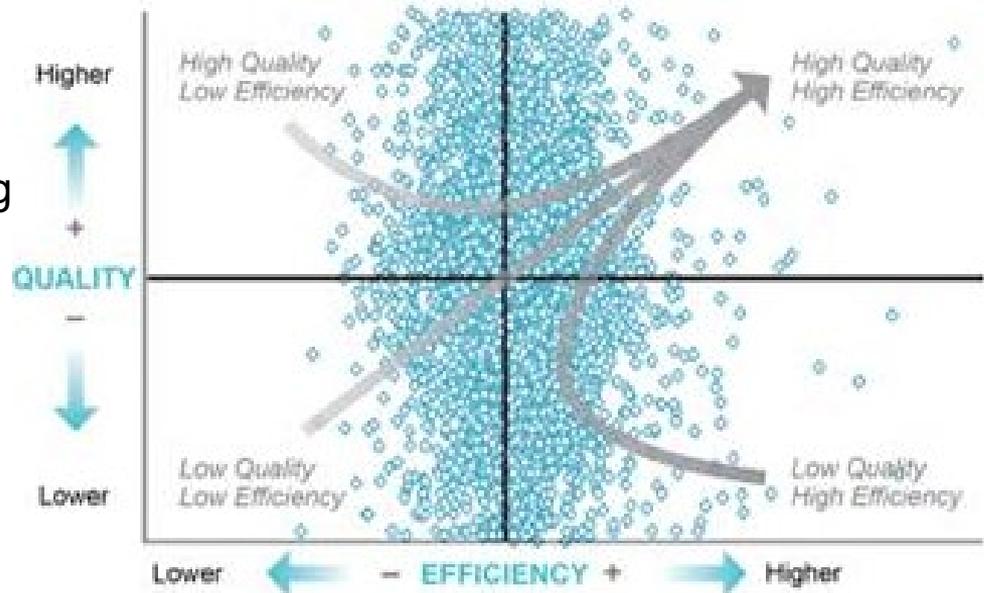
Covered California Mission: The mission of Covered California is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and Providers that give them the best value.

Market Reality: Currently virtually the only aspect of value consumers have to consider is the price of their coverage and out-of-pocket costs. There is wide variation in quality among Covered California's plans and very little financial incentive for plans to improve or encouragement of consumers to select better quality plans.

COVERED CALIFORNIA'S GOAL IN REFRESHING INCENTIVES

Covered California want consumers to be encouraged to select better quality and wants its carriers to have real and substantial financial motivation to improve quality.

- Improve health outcomes by assuring consistent high performance.
- Reduce variation by either supporting improvement or channeling consumers to better quality providers.
- Reward Plans for high quality and improved performance.
- Focus on the quality domains the matter most.



PERFORMANCE STANDARDS - CURRENT APPROACH

- **Penalties and Credits are assessed based on Performance Standards in four different areas:**
 - **Group 1** – Customer Service
 - **Group 2** – Operations
 - **Group 3** - Quality, Network Management and Delivery System Standards
 - **Group 4** - Covered California Customer Service (Credits can be applied to QHP Penalties)

LIMITATIONS OF CURRENT APPROACH

- Total amount at risk is 10% of Total Participation Fees, or 0.35% of Gross Premium.
 - Amount at risk in 2018 was \$34.8 million.
- Current methodology allows for:
 - Credits for positive performance within a domain to offset penalties across all performance categories; and
 - Credits related to Covered California performance on service domains.
- Due to offsets, total amount collected from 2015-2018 was only \$101,000.
- 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).

MAKING VALUE MATTER TO CONTRACTED PLANS: CONCEPTS FOR 2022 REFRESH

Covered California has reviewed both what it has done over the past 6 years and other purchasers strategies that go beyond “standard” performance guarantees to either steer enrollment to or pay more to carriers providing better quality care (see Appendix 1). Based on this review, Covered California is considering:

- Eliminating or dramatically limiting performance elements subject to performance guarantees.
- Developing and applying clearer policies for including carriers and dropping/excluding carriers during a contract period.
- Bolstering transparency on quality performance to encourage better informed plan and provider selection.
- Establishing a “Quality Adjustment Fund” that would move premiums (and hence “price position”) among carriers based on quality performance.

NEW APPROACHES FOR CONSIDERING QUALITY IN INCLUSION AND EXCLUSION OF APPLICANTS

As an active purchaser, Covered California operates under a mandate to assure health plans offer consumers networks composed of consistently high quality providers.

- For 2022 and beyond, all plans applying (existing and new) will need to meet minimum quality performance standards and expectations as a basis for inclusion.
- Clearer policies on decertification and termination of contract if minimum performance standards and expectations are not met.
- Issues to consider:
 - Performance standards may vary - for example, based on the number of plans in a region.
 - How to have standards that are region specific but do not appear to be “setting a lower bar” for rural versus non-rural areas.
 - How to deal with new entrant plans that do not have existing quality metrics to evaluate.

NEW APPROACH – IMPROVE TRANSPARENCY

- **For Shopping Consumers:**
 - Use a more prominent display of global quality scores;
 - Make more prominent and assess usage of the “sort by quality” feature; and
 - Design and promote search and filter functions for performance domains that may be more relevant to individual consumers (e.g., by health condition)

- **For the public, consumer advocates, and others:**
 - Continue and expand regular release of by-plan performance measures and other quality performance metrics.

NEW APPROACH – STEERAGE BY COVERED CALIFORNIA

- **Steer consumers by having higher quality plans “preferentially” displayed:**
Examples:
 - Order of display: Three stars and above (ranked by cost), then two stars (ranked by cost), then one star (ranked by cost).
 - Weighted algorithm with, for example, 20% by quality and 80% by cost to consumer.

- **NOT recommended for consideration/development:**
 - Difficult for consumers to understand and not transparent to many consumers.
 - Relies on Covered California applying its judgement on “how much weight” to give quality.
 - Consumers who are primary concerned about price may be confused or feel misled by not seeing lower cost options without effort.

REWARDING QUALITY AND VALUE - FEDERAL EMPLOYEES HEALTH BENEFITS

The Federal Employees Health Benefits (FEHB) program compares carrier performance on 18 HEDIS measures (differently weighted) to the NCQA nationwide commercial results; points are assigned (1-5 scale) for each measure based on the carrier result relative to nationwide percentile scores.

Quality Penalty - The maximum performance penalty is 1% of premium.

Consumer Choice: carrier quality ratings (outstanding-poor) are reported for 8 priority measures on the federal employees plan choice tool.

Quality Improvement - An Improvement Increment Score is awarded for substantial year-to-year improvement. Carrier can offset an unfavorable baseline quality score by earning improvement points, on a maximum of 3 measures, that equate to 10% of the total quality score.

REWARDING QUALITY AND VALUE - MEDI-CAL MANAGED CARE

Medi-Cal Managed Care Plans (MCPs) are rewarded with a greater percentage of assigned enrollees (those who do not choose an MCP) based on eight performance measures (six HEDIS and two safety net measures). Enrollees are auto-assigned to MCPs using performance points which are computed for each measure based on whether MCP's relative performance is superior, equivalent, or inferior to the all-MCP performance.

Quality Bonus/Penalty – The incentive relates to increased new enrollee auto-assignments; there are no bonus/penalty payments.

Consumer Choice – The incentive does not involve consumer decision support when choosing a MCP.

Quality Improvement – For any of the eight measures, an improvement point is awarded if the MCP's performance has improved over the previous year or for continued strong performance. No point is awarded if the MCP's performance is unchanged. A point is deducted if the MCP's performance has deteriorated. The MCP's base quality performance points are adjusted per these performance gains/losses.

REWARDING QUALITY AND VALUE - MEDICARE ADVANTAGE

Medicare Advantage (MA) calculates star ratings using a maximum of ~ 47 measures (33 medical and 14 drug) which are differentially weighted. The 1-5 stars are assigned based on a carrier's performance relative to the MA nationwide quality measure results.

Quality Bonus – Health plans earning at least 4-stars qualify for bonus payments that equate to an extra 5% a year per member -- these monies must be used to pay for extra benefits.

Consumer Choice – Based on quality performance, a plan may:

- receive a high or low performing icon -- displayed on the consumer Medicare Plan Finder.
- 5-star plans can enroll new members during all 12 months – not limited to 2-month Open Enrollment.

Quality Improvement - For each measure, significant improvement or decline is calculated from year to year; the number of improved measures net of the declined measures is calculated. The net result may be used to adjust the carrier's star rating depending upon its baseline rating (e.g., carrier ratings of 1-2 stars are not adjusted for improvement).