



# **Fiscal Year 2022-23 Proposed Budget**

May 19, 2022

## **Covered California Proposed Fiscal Year 2022-23 Budget**

*This document outlines Covered California’s proposed Fiscal Year 2022-23 budget. This proposed budget is provided to Covered California’s board for review and input, with a revised final proposed budget, including potential adjustments based on public comments and updated information, to be brought to the board for action in June 2022.*

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# Covered California Board and Senior Executive Management

## Covered California Board of Directors

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**Jarrett Barrios; Jerry Fleming**

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Medical Officer  
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**Kathleen  
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**Colleen Stevens**  
Marketing

## Executive Director's Message

Dear Covered California Board of Directors,

I am honored to propose my first budget as Executive Director of Covered California. Continuing the tradition of past budgets, we have planned carefully, evaluated the uncertainties ahead, and crafted a budget to ensure future financial sustainability. Covered California remains focused on its core mission while maintaining fiscal responsibility. The fiscal year 2022-23 proposed budget recognizes the uncertain future of the American Rescue Plan Act (ARPA) enhanced tax credits and continues to invest in mission-critical objectives. Acknowledging that ARPA's affordability provisions may not be extended, our proposed budget strategy is built around ARPA expiring at the end of 2022, which results in a projected 150 thousand exchange dis-enrollments. We have taken this fiscally responsible path to ensure that a prudent budget is constructed according to the unclear future. Through development of the budget, Covered California closely scrutinized our expenditures and repurposed resources to meet new objectives and to continue to make critical investments in areas of high priority and opportunity. Covered California remains committed to fiscal transparency and discipline, which you will find reflected throughout this budget document.

This fiscal year 2022-23 proposed budget recommends spending \$410.6 million over the next fiscal year. It adds 26 new positions, raising the total authorized positions to 1,467. The plan assessment fee for the individual market remains at 3.25 percent and the Covered California for Small Business (CCSB) program assessment fee continues at 5.2 percent.

The spending supports Covered California's operations and sustained commitment to excellence. This proposed budget reflects funding for continued efforts to reach Californians needing health care coverage, with substantial investments in marketing, outreach, and service center support. We strive to ensure that all consumers experience a hassle-free enrollment experience to secure the right coverage for themselves and their families. This proposed budget also reflects some new spending priorities. These budget priorities include:

1. Improving the consumer experience and facilitating the seamless transition to Covered California enrollment,
2. Promoting diversity, equity, and inclusion throughout Covered California,
3. Quality transformation investments,
4. Investments in information technology security, service improvement, systems management, and
5. Transition to a work-from-home / hybrid office model.

Over the past three fiscal years, Covered California has met many challenges and identified opportunities to connect Californians with high-quality, affordable health care

coverage.

In fiscal year 2019-20, Covered California, working with the Governor and legislature, implemented the nation's first state subsidies and health care mandate. A once-in-a-century pandemic arrived in the second half of the fiscal year. In March of 2020, Covered California, like the entire world, was challenged by the COVID-19 virus. Covered California offered extended special enrollment periods and funded expanded marketing, outreach, and service center support. Covered California became a lifeline for individuals who lost jobs and employer-sponsored insurance as the economy slowed into a recession. Remote work also took hold within about 48 hours. Covered California's office-based staff swiftly transitioned to remote work with the onset of the pandemic and stay-at-home orders. Staff quickly adapted to a virtual environment and became familiar with video conferencing software and new ways of interacting.

In fiscal year 2020-21, Covered California successfully implemented the marketplace provisions of the American Rescue Plan Act (ARPA). In March 2021, ARPA significantly increased affordability for existing and potential enrollees. Covered California effectuated numerous system changes and continually enhanced its outreach efforts to ensure that all Californians knew about ARPA's tremendous financial assistance.

Throughout fiscal year 2021-22, Covered California experienced remarkable enrollment growth. The 2022 open enrollment period saw nearly 1.8 million consumers enroll, setting an exchange record. Covered California made investments to support increased enrollment and consumer service activity throughout the fiscal year. Covered California funded research efforts to evaluate new consumer affordability proposals, transitioned to a long-term hybrid office model, and initiated a significant technology project to replace Covered California's enrollment portal. The national and California economies continued to recover from the COVID-19 prompted recession. By April 2022, California regained nearly 90 percent of the 2.7 million jobs lost during March and April 2020 due to the COVID-19 pandemic. As of March 2022, fewer than one million Californians were unemployed for the first time since February 2020. It is expected that Covered California's inflows and outflows from employer-sponsored insurance coverage will return to typical pre-pandemic flow rates, as California's unemployment rate declined to 4.9 percent in March 2022, after peaking at 16.1 percent in May 2020. While California's recovery has been solid and swift, the future remains unclear.

Fiscal year 2022-23 opens with new uncertainties that again challenge Covered California's budget and financial plan. Just as the enhanced subsidies from ARPA brought in higher enrollment, loss of the enhanced subsidies may result in material drops in enrollment. ARPA enhanced subsidies expire at the end of 2022. If the enhanced subsidies are not available, Covered California may lose between 150,000 to 250,000 enrollees. While decisions regarding ARPA's enhanced subsidies represent the major uncertainty facing Covered California in the near term, other significant events within the broader macroeconomic environment also loom.

Losses in enrollment may bring about changes in case-mix and increases in premiums. The increase in the consumer price index to levels not seen in 40 years, combined with an ARPA expiration, may result in greater enrollment losses. Individuals in lower-income groups who face more significant pressures from inflation may forego coverage. The Federal Reserve's efforts to curb inflation may slow the economy into a recession, and Ukraine war continues to place pressure on commodity prices, exacerbating inflationary pressures.

While this budget prudently reflects current Federal law, Covered California remains watchful and understanding that the extension of the ARPA subsidies remains possible. Such a scenario would mean ongoing affordability and enrollment at levels experienced through fiscal year 2021-22 and have a significant favorable impact on Covered California's revenue compared to the projections discussed here. Covered California is committed to fully realizing the opportunities such a scenario would present for California.

## **Budget Highlights**

The fiscal year 2022-23 proposed budget totals \$410.6 million. The proposed budget provides 1,467 staff, which is an increase of 26 over the fiscal year 2021-22 budget. This year's budget includes only the most critical augmentations given the wide-ranging uncertainties. As we prepared the proposed budget, we decided to defer some budget requests until after the ARPA uncertainty settles. We intend to reconsider some budget requests if ARPA is extended and may consider mid-year implementation.

The fiscal year 2022-23 budget requests \$5.6 million in budget augmentations, including \$3.1 million in added personnel expenditures and \$2.5 million in additional Other Operating expenditures. The requested resources support five key strategic priorities, which include:

- **Improving the Consumer Experience and Facilitating the Seamless Transition to Covered California Enrollment:** Implementing a series of improvements that will address existing system-related defects and inadequacies in the current enrollment portal. As part of this strategic initiative Covered California will develop and provide targeted information, outreach and assistance to consumers and enrollment assisters.
- **Promoting Diversity, Equity, and Inclusion Throughout Covered California:** Developing infrastructure to establish the Diversity, Equity, and Inclusion (DEI) roadmap developed by Deloitte Consulting.
- **Quality Transformation Investments:** Implementing a series of initiatives promoting health care quality, equity, access to care, and health plan accountability. This will focus on carrier compliance and delivery system transformation provisions of Covered California's new model contract and meeting the requirements of

Assembly Bill 929 for public reporting of quality, equity, and cost data.

- **Investments in Information Technology Security, Service Improvement, and Systems Management:** This effort modernizes, enhances, and strengthens information security, and improves the management of information technology resources throughout the organization. Also provides continued support to the Workday Human Capital Management system.
- **Transition to a Work-From-Home / Hybrid Office model:** This initiative involves making capital investment in hardware, software, and equipment to support remote work and virtual work activities as it seeks to downsize its leased facility space.

This budget continues Covered California's investments in marketing and outreach, service center, and navigators. These investments ensure Californians know about affordable quality health care available through California's exchange and get the support they need to choose the right health care coverage. Covered California also continues to make vital investments in its future by updating and incorporating enhancements to its systems infrastructure.

## **Projected Revenues and Expenditures**

As an enterprise fund, Covered California must continually assess and manage expenditures and revenues. Covered California must account for persistent pressures, including increasing salaries, benefits, CalPERS retirement costs, retiree health benefit costs, technology, services, and infrastructure investments. In addition to cost pressures, Covered California must also manage inherent revenue uncertainties. Long-term, operating revenues must align with operating expenditures to ensure fiscal sustainability.

For fiscal year 2022-23, Covered California projects \$405.7 million in revenue, including \$379.5 million from the individual market, \$24.7 million from the Covered California for Small Business market, and \$1.5 million in other income. The proposed operating expenditures total \$410.6 million. This results in a decrease in budgetary net position of \$4.9 million. This necessitates using \$4.9 million of our working capital to fund the expected expenditures. Assuming natural growth in operating and capital expenditures, net position will decline by \$3.9 million in fiscal year 2023-24, and by fiscal year 2024-25 net position will increase by \$6.8 million. Over the projection period, the improving budgetary position results from the expected growth in premiums, combined with a slightly slower growth rate in operating and capital expenditures relative to revenue. Covered California has and continues to maintain sizable working capital. This provides Covered California with the financial flexibility to make timely strategic investments when opportunities arise. In fiscal year 2022-23, Covered California is committed to implementing quality improvements, embedding diversity, equity, and inclusion throughout the organization, and making critical system enhancements for our consumers. This necessitates that we utilize excess working capital to make these

crucial investments. While Covered California projects net position to decline by \$4.9 million in FY 2022-23, this represents just 1.1% of the projected ending working capital of \$436.8 million.

Always mindful of fiscal prudence, Covered California carefully evaluated other possible financial outcomes, including ARPA's enhanced subsidies expiring combined with high inflation and the extension of ARPA enhanced subsidies. We assessed the budgetary implications, use of working capital, and possible adjustments to the ongoing budget in each scenario.

**Covered California Forecasted Revenues vs.  
FY 2022-23 Proposed Budgeted Expenditures**

	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Individual Market Revenues	\$379.5	\$390.1	\$410.1
CCSB Revenues	\$24.7	\$26.8	\$29.4
Other Revenues	<u>\$1.5</u>	<u>\$1.5</u>	<u>\$1.5</u>
Total Revenues	\$ 405.7	\$ 418.4	\$ 441.0
Operating Expenditures & Capital Investments	<u>\$410.6</u>	<u>\$422.3</u>	<u>\$434.2</u>
<b>Change In Net Position</b>	<b><u>(\$ 4.9)</u></b>	<b><u>(\$ 3.9)</u></b>	<b><u>\$ 6.8</u></b>

These are just some of the key highlights of this proposed budget. As we discuss and deliberate the fiscal year 2022-23 proposed budget, I look forward to working with Board Members and stakeholders to construct a budget that reflects our shared values.

## I. Introduction

Covered California's proposed fiscal year 2022-23 budget is the product of a careful and deliberate planning process to maintain quality services and infrastructure, while remaining fiscally prudent. The budget recognizes the uncertainties and challenges ahead, and has structured Covered California's budget to ensure that if these uncertainties materialize, we will remain on a fiscally sustainable path and continue to make mission-critical investments in California's exchange.

As we build the fiscal year 2022-23 proposed budget and make important decisions about Covered California's priorities, we would like to remind readers of how fiscal year 2021-22 unfolded. Understanding our fiscal year 2021-22 budget outcomes is central to our budget decisions for fiscal year 2022-23. Our budgetary results for fiscal year 2021-22 represent the starting point for the fiscal year 2022-23 budget.

Fiscal year 2021-22 was a remarkable year for Covered California. Covered California continued to meet the challenges of the COVID-19 pandemic, provided quality health care coverage to Californians throughout the state, and successfully implemented one of the most influential pieces of federal legislation for health care affordability since the inception of the ACA. Covered California's enrollment grew to record levels as it provided a lifeline to those losing employer-sponsored insurance and welcomed individuals who benefitted from the ARPA enhanced subsidies. Covered California's outreach efforts combined with the ARPA enhanced subsidies also increased enrollment among communities of color that COVID disproportionately affected<sup>1</sup>.

Fiscal year 2021-22 started with historical enrollment gains induced by the enhanced federal subsidies. Many new or existing enrollees were provided free or one-dollar health plan options. Covered California finished its most recent 2022 open-enrollment period with a record enrollment of nearly 1.8 million consumers. The ARPA enhanced federal subsidies also impacted Covered California's retention rate. Covered California recognized historically low termination rates, as increased federal subsidies have led to greater retention

Given that significant numbers of individuals transition between Medi-Cal and Covered California each year, Covered California closely monitored the public health emergency (PHE) throughout the fiscal year. Changes in the PHE status would trigger significant movements in coverage between Medi-Cal and Covered California. Declared on January 31, 2020<sup>2</sup>, the PHE continued throughout fiscal year 2021-22, and has been

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<sup>1</sup> Premium Rate Shock and Coverage Loss Inevitable if Enhanced Financial Assistance is Not Extended This Year to Affordable Care Act Health Plans, Covered California. March 2, 2022 [Premium Rate Shock and Coverage Loss Inevitable if Enhanced Financial Assistance Is Not Extended This Year to Affordable Care Act Health Plans \(coveredca.com\)](https://www.coveredca.com/press-releases/premium-rate-shock-and-coverage-loss-inevitable-if-enhanced-financial-assistance-is-not-extended-this-year-to-affordable-care-act-health-plans)

<sup>2</sup> Under Section 319 of the PHSA, the Secretary can declare a public health emergency if it is determined that a disease or disorder presents a public health emergency, or a public health emergency—including significant outbreaks of an infectious disease or a bioterrorist attack—otherwise exists. PHEs remain in effect for periods of 90 days unless renewed by the secretary or affirmatively terminated before reaching the maximum allowable endpoint.

extended through July 2022<sup>3</sup>. The PHE halted Medi-Cal redeterminations, resulting in decreased inflows into Covered California. Before the PHE, Medi-Cal inflows averaged roughly 5,000 individuals a month but have been restricted to between 1,000 and 2,000 during the PHE. We expect that the PHE may be lifted in July 2022, which means that Medi-Cal redeterminations may restart in October 2022. By October 2022, it is projected that Medi-Cal enrollment will have grown by 2.6 million since the start of the COVID-19 pandemic. We forecast that a significant number of individuals will transition out of Medi-Cal and will require alternative health insurance coverage as redeterminations are reinstated. As fiscal year 2022-23 begins, Covered California is teaming with DHCS and other stakeholders to ensure that individuals do not lose coverage as they transition from one source of coverage to another. These efforts include modifying the CalHEERS enrollment system to implement the auto-enrollment features of California Senate Bill 260<sup>4</sup> (Automatic health care coverage enrollment) and developing targeted outreach campaigns directed at those who lose Medi-Cal or other private insurance coverage.

Throughout fiscal year 2021-22, the national and California economies continued to recover from the short recession prompted by the COVID-19 pandemic. California's labor market recovery continued throughout the fiscal year. By April 2022, California regained nearly 90 percent of the 2.7 million jobs lost during March and April of 2020 due to the COVID-19 pandemic. Fewer than 1 million Californians are unemployed for the first time since February 2020<sup>5</sup>. It is expected that Covered California's inflows and outflows from employer-sponsored insurance coverage will return to typical pre-pandemic flow rates, as California's unemployment rate declined to 4.9 percent in March 2022, after peaking at 16.1 percent in May 2020<sup>6</sup>. As we prepare the fiscal year 2022-23 budget, today's labor market will not materially influence forecasted Covered California enrollment in the near term.

## **Fiscal Year 2021-22 Budgetary Outcome**

Covered California's expected outcomes for FY 2021-22 are more favorable than originally budgeted. The fiscal 2021-22 approved budget anticipated that Covered California would recognize an operating loss of \$32.5 million and net position would decline by \$28.0 million. However, due to higher-than-expected enrollment and

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<sup>3</sup> [Renewal of Determination That A Public Health Emergency Exists \(hhs.gov\)](https://www.hhs.gov)

<sup>4</sup> California SB 260, Chapter 845, Statutes of 2019. [Bill Text - SB-260 Automatic health care coverage enrollment.](#)

<sup>5</sup> California's unemployment falls to 4.9 percent for March 2022, California Employment Development Department, Published April 15, 2022, NR No. 22-17. [California's unemployment falls to 4.9 percent for March 2022](#)

<sup>6</sup> St. Louis Federal Reserve Economic Data [Unemployment Rate in California \(CAUR\) | FRED | St. Louis Fed \(stlouisfed.org\)](#)

revenues and lower than expected expenditures, fiscal year 2021-22 operating income of \$11.2 million is forecasted, and net position will increase by \$13.9 million (**Table 1**).

**Table 1**  
**Covered California FY 2021-22 Forecasted Budgetary Outcome Compared to**  
**FY 2021-22 Approved Budget**

	FY 2021-22	FY 2021-22
	<u>Approved</u> <u>Budget</u>	<u>Actual/</u> <u>Forecasted</u>
Operating Revenues	\$395.1	\$402.8
Operating/Capital Expenditures	\$427.6	\$391.6
<b>Income/(Loss) From Operations</b>	<b>(\$ 32.5)</b>	<b>\$ 11.2</b>
Non-Operating Income	\$4.5	\$2.7
<b>Change in Net Position</b>	<b><u>(\$ 28.0)</u></b>	<b><u>\$ 13.9</u></b>

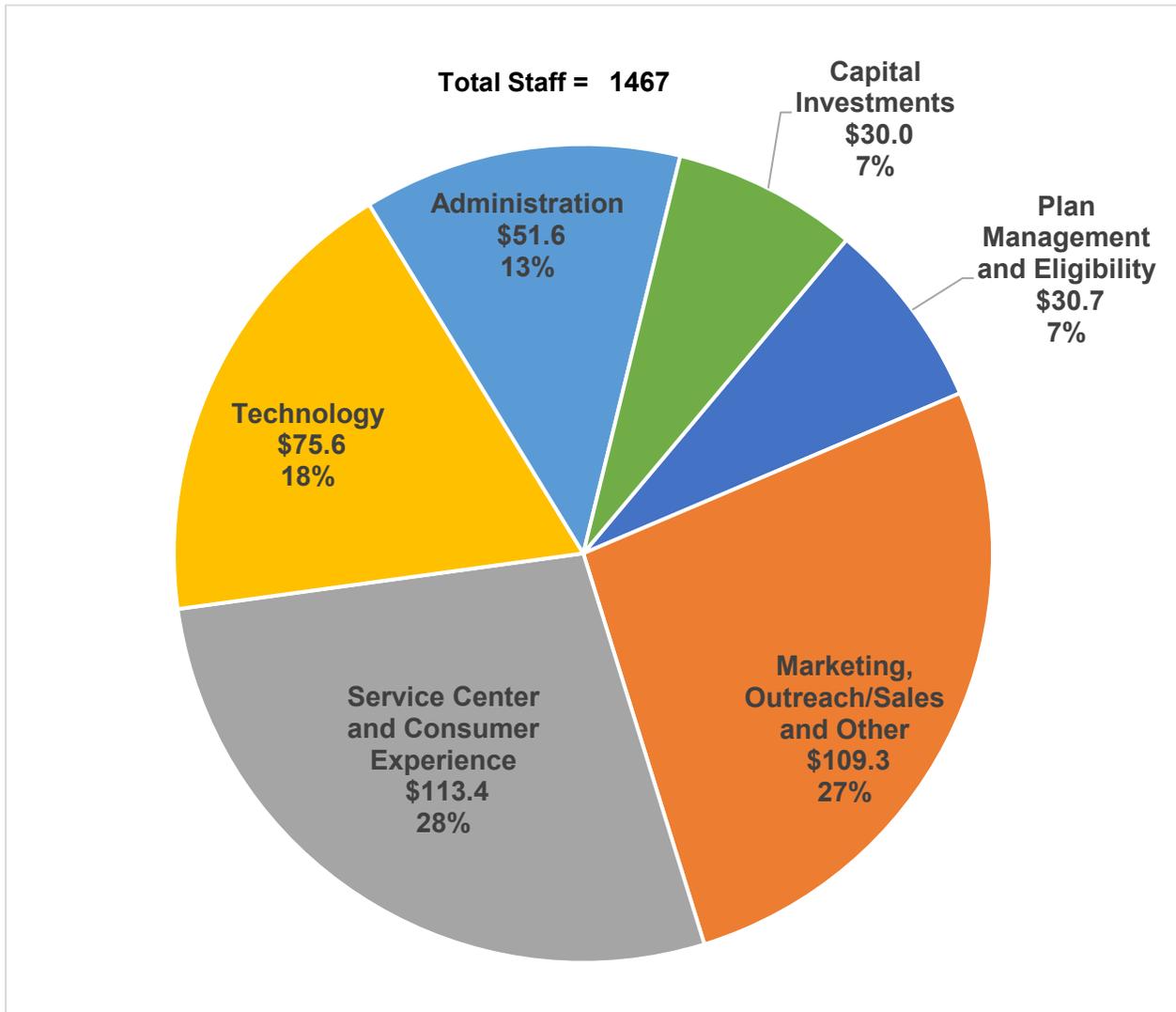
### Highlights of the FY 2022-23 Proposed Budget

**Comprehensive budget:** Covered California's proposed operating and capital budget for fiscal year 2022-23 is \$410.6 million, which represents a decrease of \$16.8 million compared to the fiscal year 2021-22 approved budget (**Figure 1**). The decrease primarily relates to technical adjustments made to align the budget more closely with projected actual spending ([see baseline budget discussion in Chapter II](#)). The proposed budget provides 1,467 authorized positions, 26<sup>7</sup> authorized permanent positions more than the fiscal year 2021-22 approved budget.

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<sup>7</sup> The FY 2021-22 approved budget included 1,440 positions. One mid-year addition occurred during FY 2021-22, which increased staffing to 1,441. Therefore, total staffing increased by 26.

**Figure 1**  
**Covered California's FY 2022-23 Proposed Operating Budget Distribution by**  
**Major Functional Area**  
**(Dollars in Millions)**  
**Total = \$410.6 Million**



In fiscal year 2022-23, Covered California will continue its marketing and outreach investments. These investments ensure Californians know about affordable quality health care that is available through California's exchange. The fiscal year 2022-23 proposed budget includes \$109.3 million for marketing and outreach, which includes \$6.5 million for the Navigator program and \$38.1 million for paid media efforts. The budget also includes \$113.4 million for Service Center and Consumer Experience divisions.

The fiscal year 2022-23 proposed budget requests additional funding to support five strategic priorities. These strategic priorities include:

### **1. Improving the Consumer Experience and Facilitating the Seamless Transition to Covered California Enrollment**

Covered California is seizing the opportunity presented by the development of a new enrollment portal. A series of improvements are planned that will address existing system-related defects and inadequacies in the current enrollment portal, leading to a smoother enrollment experience. As part of this strategic initiative Covered California will develop and provide targeted information, outreach, and assistance to consumers and enrollment assisters, Seven Covered California divisions are involved in this effort. They include CalHEERs, Information Technology, Customer Care, Policy, Eligibility and Research, Marketing, Communications and External Affairs, Service Center, and Outreach and Sales.

The fiscal year 2022-23 budget adds \$8.5 million in capital investments which combined with other savings found in the CalHEERs capital budget will provide \$11.3 million to implement the Plan Choice and Assister Portal (PCAP) project. PCAP replaces the current commercial-off-the shelf--"Get Insured"—consumer enrollment portal with a State of California owned and designed custom enrollment solution. This expenditure will be funded as a capital investment.

Additional funding has been requested for the fiscal year 2022-23 operating budget to support initiatives with six divisions related to this strategic priority. Together this additional funding will total \$4.3 million and add 22 new permanent positions. However, these expenditures will be partially offset by the elimination of 11 vacant positions with an estimated savings of \$1.1 million and the redirection of \$483 thousand from the baseline budget. This will reduce the overall budgetary impact to \$2.7 million and a net increase of 11 additional positions.

2. **Quality Transformation Investments:** Two divisions are requesting \$583 thousand to support the addition of six new permanent positions. Health Equity and Quality Transformation (HEQT) and Plan Management divisions will guide a series of initiatives promoting health care quality, equity, access to care, and health plan accountability. HEQT will focus on carrier compliance with the quality, equity, and delivery system transformation provisions of Covered California's new model contract. The new staff will also aid Covered California in meeting the requirements of California Assembly Bill 929<sup>8</sup> for public reporting of quality, equity, and cost data.

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<sup>8</sup> California Assembly Bill 929, Chapter 812, Statutes of 2019 (California Health Benefit Exchange: Data Collection) [Bill Text - AB-929 California Health Benefit Exchange: data collection.](#)

- 3. Promoting Diversity, Equity, and Inclusion Throughout Covered California:**  
The Executive division is requesting \$367 thousand in funding to add two additional permanent positions and infrastructure to implement a Diversity, Equity, and Inclusion (DEI) roadmap developed by Deloitte Consulting. The Equal Employment Opportunity division is requesting \$14 thousand to implement a new sexual harassment training program.
- 4. Transition to Hybrid Office Model/More Efficient Use of Physical Space:**  
Covered California requests \$5.2 million for capital investments in hardware, software, and equipment to support remote work and virtual work activities as it seeks to downsize its leased facility space.
- 5. Investments in Information Technology Security, Service Improvement, and Systems Management:** Covered California requests \$2.7 million to add nine new permanent staff and resources to modernize, enhance, and strengthen information security, and improve the management of information technology resources throughout the organization. The Human Resources division requests \$211 thousand to fund two new permanent positions to complete the implementation and provide ongoing support for the Workday Human Capital Management system.

A total of 41 positions are requested for fiscal year 2022-23, which when combined with 15 eliminated vacant positions, results in a net change in authorized positions of 26. The personnel expenditures associated with the eliminated positions totals \$1.5 million, while the 41 positions would add \$4.6 million in personnel expenditures. The net effect for fiscal year 2022-23 would be \$3.1 million.

The above initiatives request a net increase of \$3.9 million in Other Operating expenditures. Redirection from the operating budget will fund \$1.4 million, while \$2.5 million will represent new funding.

### **Covered California's FY 2022-23 Projected Budgetary Financial Outcomes**

Covered California is an enterprise fund and receives no state general fund for operations. Covered California relies on the assessment fees it collects from health plans, which will remain at 3.25 percent of gross premiums for the individual market, and 5.2 percent of gross premiums for the small business market during fiscal year 2022-23

Covered California's budget is prepared using the current resources focus and modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become "susceptible to accrual," which means they are both measurable and available. Measurable means the amount of the transaction can be determined.

Financial statements prepared using the current resources focus do not report long-term assets or liabilities; therefore, the budgetary financial statements should not be used to assess an enterprise fund's financial condition. The annual budget is not prepared, nor is it suitable, for the purpose of understanding the forward-looking financial condition of Covered California. The budgetary financial statements and information are used:

- to assess how well revenues and expenditures align for the fiscal year.
- to weigh policy priorities against available public resources.
- to establish the cost of programs and the criteria by which these programs will be evaluated for efficiency and effectiveness.
- to provide transparency.
- to provide a spending limitation.
- as a governance tool, allowing the Board of Directors to review and approve the organizations goals, objectives, and financial plans.
- to inform stakeholders.
- to identify priorities.

This differs from Covered California's official financial statements. As an enterprise fund, Covered California must maintain its official financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This means that the financial statements are prepared using the economic resources focus and accrual basis of accounting. As an enterprise fund, the full accrual basis is used. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. These financial statements present both current and long-term assets and liabilities. These financial statements may be used to assess an enterprise fund's financial condition and make forward-looking assessments of financial condition.

As previously noted, Covered California must support its operations, including capital investments, through its carrier assessment fee. Covered California forecasts enrollment and operating revenues as part of the annual budget process. Projecting operating revenues involves forecasting volume, which is indicated by the number of enrollees, and the price component. The price component, in this case, represents the gross premiums charged to consumers who purchase coverage through the exchange. The fiscal year 2022-23 enrollment and revenue forecast incorporated three potential scenarios. These included:

- Scenario 1—High assumes that Congress passes legislation to extend ARPA's enhanced subsidies beyond 2022. Additionally, it assumes that the public health emergency will be lifted in July 2022, and that Medi-Cal redeterminations will resume in October 2022.
- Scenario 2—Base assumes that ARPA's enhanced federal subsidies are not extended, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 through April 2021,

when ARPA's subsidies were made available. This scenario also assumes that Medi-Cal redeterminations will resume in October 2022.

- Scenario 3--Low, like scenario 2, assumes that ARPA's enhanced federal subsidies are not extended, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 through April 2021, when ARPA's subsidies were made available. Unlike scenario 2, however, scenario 3 assumes a harsher macroeconomic environment, characterized by persistently high inflation, and greater levels of financial stress for lower-income Californians, battered by rising prices for housing, food, and fuel. This scenario also assumes that Medi-Cal redeterminations will resume in October 2022.

While Covered California faces several uncertainties that affect enrollment and revenue, the most significant uncertainty concerns whether ARPA's enhanced tax credits will be extended. With that in mind, Covered California has constructed the fiscal year 2022-23 proposed budget assuming that ARPA's enhanced tax credits expire at the end of 2022. We feel that this represents a fiscally responsible path given the unclear future. The proposed budget augmentations were closely scrutinized as always, but with a particular focus on how Covered California's financial position would change assuming ARPA's enhanced tax credits were not extended beyond 2022. The base forecast assumes ARPA's enhanced tax credits expire at the end of 2022, state subsidies are re-enacted, and Medi-Cal redeterminations commence in October 2022. The base forecast assumes that enrollment declines of roughly 150 thousand from today's baseline.

Mindful of fiscal prudence Covered California has also carefully evaluated the financial consequences of several possible outcomes, considering the budgetary implications and possible adjustments to the ongoing budget. The multi-year financial projections and modeling can be reviewed in [Chapter V Multi-Year Budgetary Projection: Fiscal Year 2022-23 to Fiscal Year 2024-25](#).

In fiscal year 2022-23, Covered California's base projection (scenario 2) assumes \$404.2 million in revenue, including \$379.5 million from the individual market, \$24.7 million from the Covered California for Small Business market, and \$1.5 million in other income. The fiscal year 2022-23 proposed budgeted operating and capital expenditures total \$410.6 million. Operating expenditures total \$380.6 million and capital expenditures total \$30 million. Based on the forecasted operating revenues of \$404.2 million and budgeted operating expenditures of \$380.6 million, Covered California is projected to recognize a loss from operations of \$6.4 million. After considering forecasted interest income of \$1.5 million, net position is forecasted to decrease by \$4.9 million (**Table 2**). Under the base forecast, where ARPA enhanced tax credits expire, Covered California's budgetary net position decreases in the first two years of the projection period, but increases in the final year of the projection period.

The projection assumes that no changes are made to the fiscal year 2023-24 budgeted expenditures, with only workload growth occurring. Workload budget expenditures are assumed to grow by a compound annual growth rate of 3 percent. In addition, it is assumed that gross premiums, from which revenues are generated, grow by 5 percent in 2023, 6 percent in 2024, and 7 percent in 2024 plan years. We have taken the position that gross premiums will grow year-over-year at a higher rate assuming exits occur due to the expiration of the ARPA enhanced subsidies. This may result due to changes in the population case mix, as younger, healthier populations exit. The individual market assessment fee is assumed to be 3.25 percent throughout the projection period and the CCSB assessment fee is assumed to be 5.2 percent throughout the projection period.

**Table 2**  
**Projected FY 2022-23 Statement of Revenues, Expenditures, and Changes in Net Position, Budgetary Accounting Base Projection**

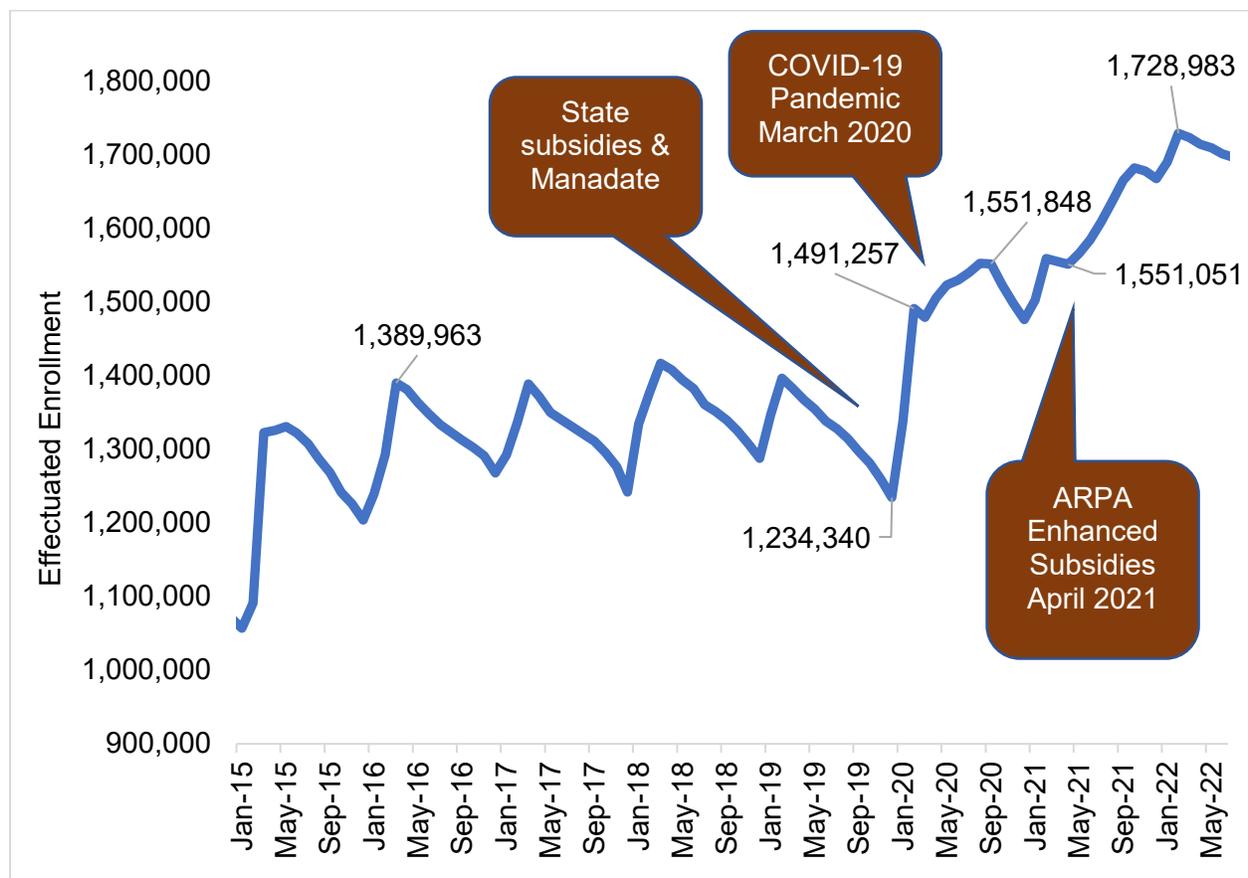
	FY 2022-23	FY 2023-24	FY 2024-25
	Assumes ARPA Expires/State Subsidies	Assumes ARPA Expires/State Subsidies	Assumes ARPA Expires/State Subsidies
<b>Operating Revenues</b>			
Individual Market (Med. & Dental)	\$ 379,511,011	\$ 390,056,308	\$ 410,116,382
CCSB (Medi. & Dental)	\$ 24,672,930	\$ 26,753,520	\$ 29,381,285
<b>Total Operating Revenue</b>	<b>\$ 404,183,941</b>	<b>\$ 416,809,828</b>	<b>\$ 439,497,667</b>
<b>Operating Expenditures</b>			
Personnel Expenditures	164,193,714	169,119,525	174,193,111
Other Operating Expenditures	197,009,299	202,919,578	209,007,165
<b>Subtotal</b>	<b>\$ 361,203,013</b>	<b>\$ 372,039,103</b>	<b>\$ 383,200,276</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	19,419,224	19,613,416	19,809,550
<b>Total Operating Expenditures</b>	<b>\$ 380,622,237</b>	<b>\$ 391,652,520</b>	<b>\$ 403,009,827</b>
<b>Capital Investments</b>			
CalHEERs	\$ 24,773,115	\$ 25,268,577	\$ 25,773,949
Other	\$ 5,226,296	\$ 5,330,822	\$ 5,437,438
<b>Total - Capital Project Expenditures</b>	<b>\$ 29,999,411</b>	<b>\$ 30,599,399</b>	<b>\$ 31,211,387</b>
<b>Total Operating &amp; Capital Expenditures</b>	<b>\$ 410,621,648</b>	<b>\$ 422,251,918</b>	<b>\$ 434,221,214</b>
<b>Income/(Loss) From Operations</b>	<b>\$ (6,437,707)</b>	<b>\$ (5,442,090)</b>	<b>\$ 5,276,453</b>
<b>Non-Operating Income</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>
<b>Change in Net Position</b>	<b>\$ (4,937,707)</b>	<b>\$ (3,942,090)</b>	<b>\$ 6,776,453</b>

**Key Factors That Could Affect the Fiscal Year 2022-23 Budget Forecast**

As Covered California prepares and plans for the fiscal year 2022-23 budget, it recognizes that it is entering another uncertain time. Significant policy changes and macroeconomic events may impact budget assumptions like the past three fiscal years. During fiscal year 2019-20, Covered California faced the uncertainty of implementing state subsidies and a mandate. This was followed by a once-in-a-century pandemic, a macroeconomic shock, and a short-duration recession. Major federal policy changes

enacted through the ARPA in response to the economic shock and job losses also added more uncertainty concerning enrollment. Each of these events prompted changes in Covered California's historical enrollment patterns. Where enrollment peaked around March each year, in 2020 it continued to grow into September 2020 during the state subsidy, mandate, COVID-19, and economic shock periods. This was then followed by the jump in enrollment driven by ARPA implementation (**Figure 2**). As we enter fiscal year 2022-23, we again face an uncertain future. Several policy changes may occur that will significantly change the enrollment trajectory, while macroeconomic challenges may loom large when combined with the potential policy changes.

**Figure 2**  
**Trend in Covered California Effectuated Enrollment**



**Renewal of ARPA Enhanced Subsidies:** The policy outcome with the greatest impact on enrollment and revenue concerns the extension of ARPA enhanced subsidies. The ARPA enhanced federal subsidies provided substantial affordability support across all income groups. More than 41 percent of the enrolled consumers now receive subsidies covering 90 percent or more of the cost of coverage, increasing ten percentage points above the prior level receiving such financial support. The ARPA enhanced subsidies expire at the end of 2022. The expiration of the enhanced subsidies may result in

between 150,000 to 250,000 consumers exiting Covered California as they face increased health coverage costs. The loss of enrollment also results in lower Covered California operating revenue.

**Loss of Enrollment Associated with the Expiration of ARPA and Enrollment Mix:**

Medical cost trends may be impacted by the loss of enrollment. If ARPA is not extended and roughly 150,000 to 250,000 individuals exit Covered California, carriers will likely price in a higher risk mix. If those who exit tend to be younger, healthier individuals, the risk pool will be modified. Higher year-over-year premium growth will materialize. While carrier reaction and pricing increases may result from such exits, there is also the possibility that individuals may choose to select lower-cost health plan options if prices rise. This would impact the year-over-year growth in the average premium, placing downward pressure on growth. To the extent the year-over-year growth deviates from our projected growth, revenues may be higher or lower depending upon the outcome.

**Renewal of State Subsidies:** While authority for the previously established California state subsidies program expires officially at the end of 2022, the Governor and Legislature may implement a new subsidy program if ARPA enhanced subsidies expire. Should this occur, it is forecasted that exits from Covered California would be mitigated somewhat by the affordability support offered through state subsidies. However, a state subsidy program may only provide a fraction of the support currently provided through ARPA. The ARPA enhanced subsidies provide roughly \$1.7 billion in affordability support, while state subsidies may only offer a fraction of that support. The original state subsidies allocated roughly \$400 million annually. Should the Governor and Legislature agree on something similar, consumers would still face cost increases after the expiration of ARPA, however, they would recognize some affordability support.

**Public Health Emergency Unwinding:** The PHE resulted in the halting of Medi-Cal redeterminations, essentially, individuals entered into Medi-Cal, but few exits occurred. The suspension of Medi-Cal redeterminations induced a rising Medi-Cal caseload, which is projected to climb to roughly 14.8 million by October 2022. Since the PHE was declared, inflows into Covered California from Medi-Cal have slowed significantly. Resumption of redeterminations will alter the inflows, resulting in additional inflows from Medi-Cal to Covered California as the PHE unwinds. However, any projections concerning when the historical Medi-Cal caseload will begin to decline through the resumption of redeterminations is highly uncertain. If the PHE remains in place beyond July 2022, when we have assumed it expires, our projection of inflows from Medi-Cal into Covered California will differ from what we project, resulting in downward pressure on enrollment and revenue.

**Willingness to Pay Assumptions:** The forecasted enrollment is based on willingness to pay assumptions<sup>9</sup>. Willingness to pay represents the maximum price a customer is

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<sup>9</sup> Finkelstein, Amy, Nathaniel Hendren, and Mark Shepard. 2019. "Subsidizing Health Insurance for Low-Income Adults: Evidence from Massachusetts." *American Economic Review*, 109 (4): 1530-67.

willing to pay for a product or service. Willingness to pay varies significantly from customer to customer. Population characteristics cause the differences. There are both extrinsic and intrinsic differences. Extrinsic differences include the observable factors such as age, gender, income, education and where people live. The intrinsic differences include differences that are not observable. These may consist of an individual's risk tolerance and desire to fit in with others. Other factors beyond the extrinsic and intrinsic differences also play a factor. These factors may cause an individual's willingness to pay to rise or fall over time. We have utilized willingness to pay assumptions to forecast the number of individuals who will enroll once they leave Medi-Cal after eliminating the PHE. In addition, we also used willingness to pay assumptions to identify the number of individuals who will exit Covered California should the price they pay for health care coverage change in response to the expiration of ARPA. To the extent that actual individual behavior differs from predicted behavior, forecasted enrollment and revenues will deviate from expectations.

**Inflations Impact on Lower Income Groups and Enrollment:** Inflation in the overall economy is considerably higher than average historical levels. The March 2022 12-month change for the CPI-U was 8.5 percent, while the Core inflation was 6.5 percent<sup>10</sup>. While initial economic forecasts anticipated that higher inflation would subside to historical levels within a year, more recent economic forecasts note there is uncertainty around this assumption. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points<sup>11</sup> in March 2022. The FOMC cited strong job gains, a falling unemployment rate, and elevated inflation as its reasons. In May, the FOMC raised the federal funds rate again, by 50 basis points<sup>12</sup>. Individuals within the lower-income groups will be disproportionately impacted if inflation remains high. Studies have shown that lower-income groups are disproportionately affected by inflation and face higher inflation rates than their higher-income counterparts<sup>13</sup><sup>14</sup>. Lower-income groups spend a more significant proportion of their income on necessities. Therefore, the lower-income groups will be more price-sensitive to the high inflation, which may influence decisions on whether they purchase health coverage<sup>15</sup>. This may impact our forecast for enrollment assuming ARPA is not extended. The combination of ARPA expiring and continued high inflation may result in enrollment losses exceeding forecasted losses, resulting in a greater revenue decline.

**Potential Macroeconomic Challenges:** While the economy has recognized a solid recovery following the height of the COVID-19 pandemic, an uncertain outlook remains. Supply chain disruptions, the war in Ukraine, the potential impact on commodity prices

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<sup>10</sup> [Consumer Price Index Summary - 2022 M03 Results \(bls.gov\)](https://www.bls.gov/news.release/nci.t03.htm)

<sup>11</sup> [Federal Reserve Board - Implementation Note issued March 16, 2022](https://www.federalreserve.gov/monetarypolicy/implementing.htm)

<sup>12</sup> [Federal Reserve Board - Federal Reserve issues FOMC statement](https://www.federalreserve.gov/monetarypolicy/fomc.htm)

<sup>13</sup> Gennetian, Lisa A, Conwell Jordan, Daniels Becca. How Do Low-Income Families Spend Their Money? Duke University and University of Texas at Austin. November 15, 2021.

<sup>14</sup> Unequal Inflation Impacts, Spring 2022 Institute Research Conference, April 5, 2022. <https://www.minneapolisfed.org/events/2022/spring-2022-institute-research-conference>

<sup>15</sup> Argente, David, Lee Munseob. Cost of Living Inequality beyond the Great Recession. Federal Reserve Bank of Minneapolis, April 2022.

(including food and energy), and the Federal Reserve actions pose risks. The nation has recognized a 40-year high in general inflation, with a year-over-year increase of 8.5 percent<sup>16</sup>. Early predictions indicated that inflation would be a short-term phenomenon and would pass once the supply chain disruptions were eased<sup>17</sup><sup>18</sup>. However, current forecasts indicate greater Federal Reserve action is needed to reduce inflation, requiring interest rate increases.

The Federal Reserve's monetary actions may not result in a soft-landing, but instead, slow the economy and possibly induce a recession. Federal legislative action in response to a slowing economy may result in renewed marketplace consumer support like ARPA, as job loss and ESI coverage losses occur. Also, job loss may result in changes to the inflows and outflows between ESI and Covered California. Similarly, inflows and outflows between Covered California and Medi-Cal may be altered. To the extent that these events occur, actual enrollment and revenues may deviate from our forecasted outcomes.

**COVID-19 Resurgence:** In the past year, there have been several waves of infection due to variants of the COVID-19 virus. California experienced a surge due to the Delta variant in the late summer of 2021. A more severe wave of infections occurred in January and February of 2022 due to the Omicron variant. While cases of COVID-19 from the Omicron variant have fallen dramatically in California, the recent appearance of the even more transmissible BA.1, BA.2, and BA.3 subvariants and recent outbreaks in Shanghai, China and elsewhere have caused public health officials to remain on alert. On April 12, 2022, the US Health and Human Services agency extended the PHE for another 90-days. If COVID-19 infections begin to rise and public health interventions must be enacted, it is possible that macroeconomic conditions may deviate from our expectations. The PHE may be extended, impacting inflows from Medi-Cal into Covered California. Such an event may result in changes in enrollment inflows and outflows or result in changes in public policy not anticipated in our budget forecast.

**Collective Bargaining Agreement Negotiations:** Covered California is subject to civil service labor agreements that may result in greater personnel expenditures than forecasted throughout the projection period. Roughly 45 percent of Covered California's operating budget is associated with personnel expenditures. Covered California's personnel cost projection would deviate from the budgeted forecast to the extent that labor agreements and wage increases exceed or come in lower than 2.5 percent year-over-year growth. Personnel cost pressures may increase with the current uptick in inflation.

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<sup>16</sup> U.S. Bureau of Labor Statistics. Economic News Release-Consumer Price Index. March 2022. [Consumer Price Index Summary - 2022 M03 Results \(bls.gov\)](#)

<sup>17</sup> [Fed's Brainard says spike in inflation this year is 'transitory' | Morningstar](#)

<sup>18</sup> [Biden says inflation 'temporary,' 'expected,' pushes spending \(nypost.com\)](#)

**Cost of Goods and Services:** Inflation pressure may drive forecasted expenditure growth higher than anticipated in the budget. Covered California, like all organizations, must purchase goods and services that may become more costly if inflation persists.

## II. Covered California's Fiscal Year 2022-23 Proposed Operating & Capital Budgets

The program detail for Covered California's fiscal year 2022-23 proposed operating and capital budgets provides information on staffing levels and expenditures for each of Covered California's six functional areas and 20 budget units, comparing the fiscal year 2022-23 proposed budget to the fiscal year 2021-22 approved budget.

We start with an analysis of the fiscal year 2022-23 baseline budget. The baseline budget represents the fiscal year 2021-22 approved budget after making specific adjustments. We summarize and discuss changes made to the fiscal year 2021-22 budget to arrive at the fiscal year 2022-23 baseline budget.

Next, we identify changes made to the fiscal year 2022-23 baseline budget to arrive at the fiscal year 2022-23 proposed budget. We evaluate changes by expenditure category, focusing on Personnel Expenditures, Other Operating Expenditures, and Capital Investment Expenditures. We discuss and highlight the significant differences between the fiscal year 2022-23 baseline budget and proposed fiscal year 2022-23 budget.

We then provide functional area and budget unit program detail. Each section starts at the functional area and is followed by individual budget unit summaries. **Table 6** presents a key showing each budget unit's functional area. Each budget unit summary includes a brief description of the budget unit and presents its key objectives for fiscal year 2022-23 and significant changes in their budget from the prior budget year. The descriptions explain any material increases in expenditures and staffing included in the proposed budget.

The budget unit operating expenditures are categorized as follows: Personnel Services, which includes salary and benefits, and Other Operating Expenditures, which includes expenditures associated with contracts and all other operational expenditures. Allocated expenditures refer to statewide shared enterprise costs. These expenditures are allocated to each program and are presented as a separate line item within each budget unit's program summary. Capital project expenditures are presented separately and are detailed in a Capital Investments budget unit.

### Covered California's FY 2022-23 Baseline Budget

The fiscal year 2022-23 baseline budget totals \$404.9 million, which is \$22.6 million less than the fiscal year 2021-22 approved budget of \$427.6 million (**Table 2**).

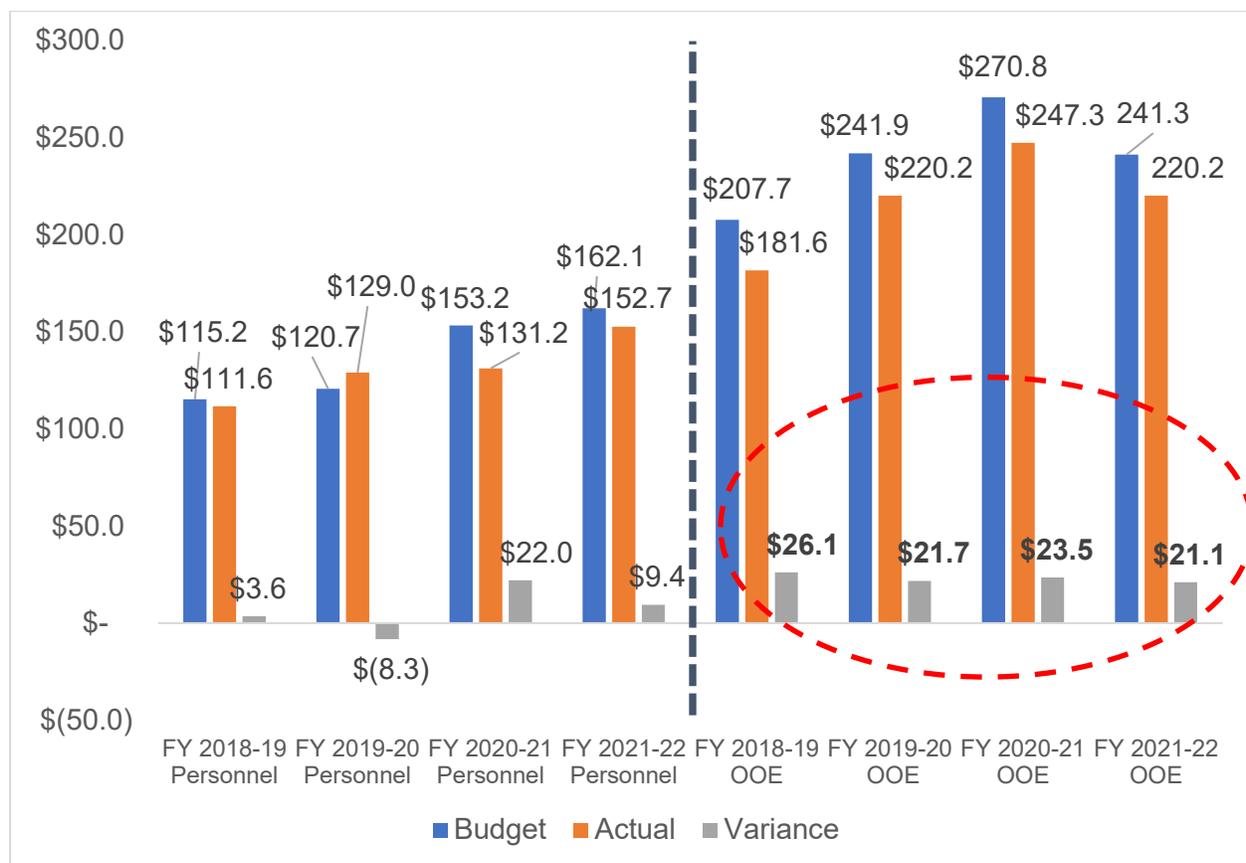
Covered California's annual budget process commences with establishing a baseline budget. The baseline budget represents the prior year budget adjusted for inflation, one-time expenditures from the prior year that are eliminated in the current budget year, adjustments to personnel expenditures related to negotiated labor agreements, benefit adjustments, vacancy rate assumptions, etc.

This fiscal year's baseline budget underwent a special review. Covered California utilized an incremental budgeting process for the past ten years, which tends to

accumulate budget line items that need revisiting. As organizations mature, expenditure priorities change and from time-to-time organizations must reevaluate their baseline budget expenditure priorities. A review of past budget performance, comparing budgeted expenditures to actual expenditures, disclosed significant yearly favorable budget variances.

The budget evaluation identified that Covered California has consistently recognized favorable budget variances in the Other Operating Expenditures (OOE) category. The favorable budget variance trends, where actual expenditures were less than budgeted expenditures, have averaged roughly \$20 million annually (**Figure 3**). This pattern presented across all budget units; however, the overall dollar volume varied depending on the budget unit's relative size.

**Figure 3**  
**Budget vs. Actual Expenditures- FY 2018-19 – FY 2021-22**



As part of the fiscal year 2022-23 budget process, Covered California's budget units were asked to examine their individual budget line items and consider whether the baseline budget reflected actual or planned spending. After close scrutiny, certain baseline budgeted expenditures were found not to be reflective of planned expenditures. This budget exercise resulted in an overall baseline budget reduction in OOE totaling \$28.7 million.

Pro-rata/Supplemental Pension/Other includes state shared enterprise expenditures, other post-employment expenditures, and the principal payment for supplemental pension expenditures. These expenditures increased by \$1.4 million over the fiscal year 2021-22 total. The state shared enterprise expenditure category is allocated to Covered California and represents the expenditures associated with general administrative costs of the state. Covered California has no direct control over these expenditures; the expenditures are allocated to Covered California and represents our proportionate share of the overall expenditures.

Each fiscal year, Covered California makes substantial capital investments. In general, these expenditures focus on improvements or modifications to CalHEERS. In addition, other capital investments include leasehold improvements, and recent investments to reengineer the workplace (i.e., (Re)imagine Project) as telecommuting becomes a common arrangement. The capital projects baseline budget includes \$16.3 million for CalHEERS modifications and improvements and an additional \$8.5 million for development of the Plan Choice and Assister Portal Project (PCAP). Capital investments for the (Re)imagine project totals \$5.2 million, which is a \$2.8 million reduction from the fiscal year 2021-22 total of \$8 million.

Personnel expenditures decreased from \$162.1 million to \$161.1 million. The decrease resulted from the net impact of adjusting the vacancy and benefit rates, a 2.5 percent salary increase, and merit salary adjustments. In fiscal year 2021-22, the vacancy rate was assumed to be 5.8 percent; however, for fiscal year 2022-23 the vacancy rate was adjusted to 8.0 percent to align with actual experience more closely. The benefit rate was also modified to align with the actual benefit rate. The fiscal year 2021-22 benefit rate was assumed to be 58.5 percent; however, the actual rate was 55 percent. Baseline staffing increased by one due to adding one mid-year permanent position to meet workload demands (**Table 3**).

**Table 3  
Covered California's FY 2022-23 Baseline Budget**

	Fiscal Year 2021-22	Fiscal Year 2022-23	Difference
	Approved Budget	Baseline Budget	Between FY 2021-22 Approved Budget and FY 2022-23 Baseline
<b>Positions</b>	1440	1441	1
Personnel Expenditures	162,074,821	161,049,943	\$ (1,024,878)
Other Operating Expenditures	223,176,824	194,530,382	\$ (28,646,442)
<b>Subtotal</b>	<b>\$ 385,251,645</b>	<b>\$ 355,580,325</b>	<b>\$ (29,671,320)</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	18,069,532	19,419,224	\$ 1,349,692
<b>Total Operating Expenditures</b>	<b>\$ 403,321,177</b>	<b>\$ 374,999,549</b>	<b>\$ (28,321,628)</b>
<b>Capital Investments</b>			
CalHEERs	\$ 16,266,027	\$ 24,773,115	\$ 8,507,088
Other	\$ 8,000,000	\$ 5,226,296	\$ (2,773,704)
<b>Total - Capital Project Expenditures</b>	<b>\$ 24,266,027</b>	<b>\$ 29,999,411</b>	<b>\$ 5,733,384</b>
<b>Total Budgeted Expenditures</b>	<b>\$ 427,587,204</b>	<b>\$ 404,998,960</b>	<b>\$ (22,588,245)</b>

**FY 2022-23 Proposed Budget Changes**

The fiscal year 2022-23 proposed budget requests \$5.6 million in additional funding. This includes \$3.1 million in additional personnel funds and \$2.5 million in other operating funds (**Table 4**).

**Table 4**  
**FY 2021-22 Approved Budget Compared to FY 2022-23 Proposed Budget**

	Fiscal Year 2022-23	Fiscal Year 2022- 23	Difference
	Baseline Budget	Proposed Budget	Between Baseline and Proposed FY 2022-23 Budget
<b>Positions</b>	1441	1467	26
Personnel Expenditures	161,049,943	164,193,714	3,143,771
Other Operating Expenditures	194,530,382	197,009,299	2,478,917
<b>Subtotal</b>	<b>\$ 355,580,325</b>	<b>\$ 361,203,013</b>	<b>5,622,688</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	19,419,224	19,419,224	-
<b>Total Operating Expenditures</b>	<b>\$ 374,999,549</b>	<b>\$ 380,622,237</b>	<b>\$ 5,622,688</b>
<b>Capital Investments</b>			
CalHEERs	\$ 24,773,115	\$ 24,773,115	
Other	\$ 5,226,296	\$ 5,226,296	
<b>Total - Capital Project Expenditures</b>	<b>\$ 29,999,411</b>	<b>\$ 29,999,411</b>	<b>\$ -</b>
<b>Total Budgeted Expenditures</b>	<b>\$ 404,998,960</b>	<b>\$ 410,621,648</b>	<b>\$ 5,622,688</b>

### Personnel Expenditures

The fiscal year 2022-23 proposed budget for personnel expenses of \$164.3 million represents a \$3.1 million increase over the baseline budget. The increase in personnel expenses results from adding 26 additional positions (**Table 5**). Total permanent staffing increased by 26 authorized positions over the baseline, from 1,441 to 1,467.

### Staffing Changes

The fiscal year 2022-23 proposed budget eliminated 15 vacant positions from the baseline and added 41 new positions, resulting in a net increase in staffing totaling 26 (**Table 5**).

**Table 5  
FY 2022-23 Proposed Budget Changes: Staff and Personnel**

<b>Division</b>	<b>Positions</b>	<b>Dollars</b>
Plan Management	3	\$285,846
Policy, Eligibility & Research	3	\$260,190
Marketing	6	\$780,833
Sales & Outreach	6	\$695,955
Program Integrity	-1	\$-95,981
Communications & External Affairs	1	\$93,918
Communications & External Affairs	-1	\$-272,158
Service Center	6	\$716,686
Service Center	-10	\$-794,884
Information Technology	9	\$1,146,686
Executive	2	\$172,874
Health Equity, Quality Transformation	3	\$285,097
Financial Management Division	-3	\$-338,151
Human Resources	2	\$206,860
<b>Total</b>	<b>26</b>	<b>\$3,143,771</b>

**Other Operating Expenditures**

The proposed fiscal year 2022-23 budget for OOE totals \$197.0 million (**Table 6**). OOE represents all day-to-day operating expenditures. The fiscal year 2022-23 proposed OOE are \$2.5 million more than the baseline expenditures (**Table 6**). OOE includes all contract and operational expenses, such as paid media, CalHEERS, IT enterprise services, the Service Center surge vendor, Navigators, Covered California for Small Business administration, sales and administrative support, IT contractors, etc.

**Table 6  
FY 2022-23 Proposed OOE Budget Augmentations**

<b>Item</b>	<b>Dollar Value</b>
PCAP Contracting Services	\$1,200,000
Enterprise-Wide Managing of IT Services	\$711,226
Information Security Data Discovery	\$560,000
Consumer Experience Investment	\$500,000
IT Access Management Automation	\$360,000
Audit Software	\$250,000
Diversity, Equity, and Inclusion Roadmap	\$190,000
Training Software	\$14,280
Equipment for New Staff	\$82,000
Transfer from Baseline Funding	\$-900,000
Reclass to Personnel to Fund New Staff	\$-488,589
<b>Total</b>	<b>\$2,478,917</b>

**Budget Expenditures by Functional Area and Budget Unit**

**Table 7  
Functional Budget Area Key to Covered California Budget Units**

<b>Functional Area</b>	<b>Budget Unit</b>
Plan Management, Eligibility and Health Transformation	Plan Management
	Policy, Eligibility and Research
	Health Equity and Quality Transformation
Marketing, Outreach/Sales and Other	Marketing
	Outreach and Sales
	Program Integrity
	Communications and External Affairs
Service Center and Consumer Experience	Service Center
	Ombuds Office
	Customer Care
Technology	CalHEERS
	Information Technology
Administration	Business Services
	Financial Management
	Human Resources
	Office of Legal Affairs
	Covered California University
	Executive Office
	Equal Employment Opportunity Office
Capital Projects	Capital Investment

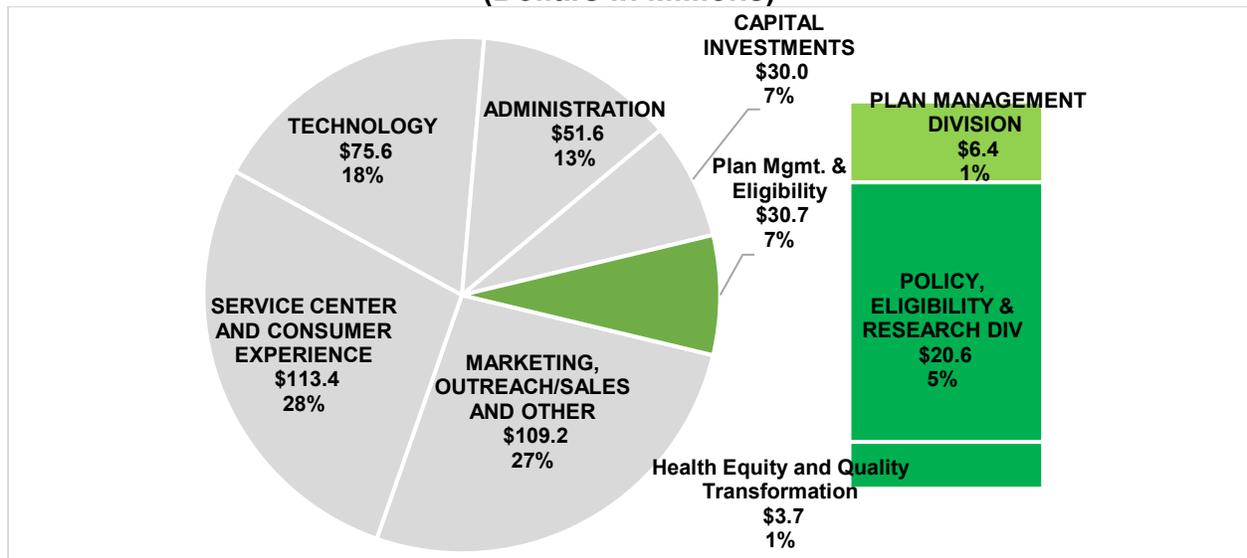
## Plan Management, Eligibility and Health Transformation

The Plan Management, Eligibility and Health Transformation functional area includes the Plan Management Division; the Policy, Eligibility and Research Division; and Health Equity and Quality Transformation Division. The proposed budget for fiscal year 2022-23 is \$30.7 million.

### Plan Management, Eligibility and Health Transformation: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	100	101	110
Personnel Expenditures	\$ 14,619,821	\$ 13,903,270	\$ 14,734,403
Other Operating Expenditures	\$ 13,902,830	\$ 14,356,890	\$ 14,374,890
<b>Subtotal</b>	<b>\$ 28,522,651</b>	<b>\$ 28,260,160</b>	<b>\$ 29,109,293</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 1,393,948	\$ 1,601,000	\$ 1,634,020
<b>Total Operating Expenditures</b>	<b>\$ 29,916,599</b>	<b>\$ 29,861,161</b>	<b>\$ 30,743,313</b>

### Plan Management, Eligibility and Health Transformation FY 2022-23 Proposed Budget = \$410.6 Million (Dollars in Millions)



## Plan Management Division

### Budget Unit Description

The Plan Management Division's purpose is to improve the cost, quality and accessibility of health care delivered to consumers by selecting, negotiating with, and holding Covered California's contracted health insurance companies accountable for delivering quality health care while fostering improvements in care delivery that can benefit all Californians<sup>19</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	30	30	33
Personnel Expenditures	\$ 4,418,705	\$ 3,976,251	\$ 4,262,097
Other Operating Expenditures	\$ 2,551,783	\$ 1,788,566	\$ 1,794,566
<b>Subtotal</b>	<b>\$ 6,970,487</b>	<b>\$ 5,764,817</b>	<b>\$ 6,056,663</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 354,466	\$ 350,118	\$ 364,856
<b>Total Operating Expenditures</b>	<b>\$ 7,324,953</b>	<b>\$ 6,114,935</b>	<b>\$ 6,421,519</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Plan Management Division reduced their baseline budget by \$1.2 million. Personnel expenditures were reduced by \$442 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$763 thousand. The reduction resulted from transferring consulting

<sup>19</sup> The Director of Plan Management is an exempt position. It will have a monthly salary in FY 2022-23 of \$15,876. This information is reported in compliance with Government Code 100503, Section 2(A).

and contracting dollars to the Health Equity and Quality Transformation Division. Other reductions of the baseline include eliminating specific budget line items not longer needed or reducing planned expenditures.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Plan Management Division requests \$291,846 in additional funding for fiscal year 2022-23 for three new staff who will provide increased capacity to monitor health plan quality of care and network adequacy, develop proposals for more competitive pricing options, and make recommendations for tailoring benefit designs to better meet the needs of Covered California's consumers

### **Key Objectives for Fiscal Year 2022-23**

The Plan Management Division will focus on the following core areas in fiscal year 2022-23:

- Conduct regular negotiating, oversight, and accountability processes for the 12 contracted health plan issuers and six contracted dental plan issuers, as well as consider applications for new health plan issuers.
- Execute 2023 QHP contracts with changes targeted to promote affordability, quality, and access to care.

In addition to core division functions and ongoing initiatives listed above, Plan Management (including Health Equity and Quality Transformation) anticipates these key new strategies in the upcoming fiscal year:

- Build upon lessons learned from its health plan issuer contracting experience, continue engaging with external stakeholders, and increase alignment with other purchasers to improve the value and quality of care delivered to individual market consumers and Californians in general.
- Monitoring contractual requirements in the QHP issuer contracts for the 2023-25 contract term, including implementation of the Quality Transformation Initiative program to drive quality performance improvements from QHP Issuers, and requirements from contract attachments focused on behavioral health innovation, addressing health equity and promotion of advance primary care, as guided by Covered California's vision for health care in 2030.
- Work with its contracted QHP issuers, aligned purchasers and other interested stakeholders to ensure Covered California enrollees, and Californians in general, receive the best possible health care despite the ongoing COVID-19 pandemic.

- Develop the Quality Transformation Initiative payment methodology, which includes the measurement of quality measures tied to significant financial penalties for poor performance.
- Develop and refresh Qualified Dental Plan (QDP) contract for 2024-2026 contract period, focused on quality and equity initiatives, disparities reductions, health promotion, and targeted measurements to drive improvements in care delivery.

## Policy, Eligibility and Research Division

### Budget Unit Description

The Policy, Eligibility and Research Division, through its Eligibility Branch, ensures appropriate implementation of program-eligibility rules. The Policy and Research Branch provides accurate, complete, and timely policy and data analysis to support evidence-based decision-making, with a focus on analyzing both enrollment and the care provided by contracted health plans to support Plan Management’s work to hold health plans accountable<sup>20</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	54	54	57
Personnel Expenditures	\$ 7,011,790	\$ 7,059,038	\$ 7,319,228
Other Operating Expenditures	\$ 11,297,830	\$ 12,222,830	\$ 12,228,830
<b>Subtotal</b>	<b>\$ 18,309,620</b>	<b>\$ 19,281,868</b>	<b>\$ 19,548,058</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 869,516	\$ 1,055,023	\$ 1,055,821
<b>Total Operating Expenditures</b>	<b>\$ 19,179,136</b>	<b>\$ 20,336,891</b>	<b>\$ 20,603,878</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Policy, Eligibility and Research Division reduced their baseline budget by \$972 thousand. Personnel expenditures were reduced by \$47 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$925 thousand. The reduction was the net effect of

<sup>20</sup> The Policy, Eligibility and Research Division Director is an exempt position. It will have a monthly salary in FY 2022-23 of \$16,562. This information is reported in compliance with Government Code 100503, Section 2(A).

absorbing contract dollars from the Marketing Division, eliminating specific budget line items no longer needed, or reducing planned expenditures.

### Fiscal Year 2022-23 Budget Adjustments

Covered California is seizing the opportunity presented by the Plan Choice and Assister Portal (PCAP) project to implement improvements that will lead to a smoother consumer experience and address system-related impediments to enrollment. The Policy, Eligibility, and Research division (PERD) requests \$266,191 for fiscal year 2022-23 related to this effort. The Consumer Experience (CX) survey has cataloged consumer experience issues and offered twenty specific recommendations for improvement. PERD will add three new staff who will collaborate with the IT staff and PCAP contractors to ensure that these recommendations are incorporated into the design, testing, and implementation of the new enrollment portal.

### **Key Objectives for Fiscal Year 2022-23**

The Policy, Eligibility and Research Division will focus on the following core areas in fiscal year 2022-23:

- Implement facilitated enrollment experience for individuals losing Medi-Cal coverage and gaining eligibility for subsidized coverage through Covered California (Senate Bill 260, Statutes of 2019).
- Implement 2023 affordability enhancements enacted through federal and/or state legislation.
- Participate in development of custom enrollment solution under the Plan Choice and Assister Portal (PCAP) project including development of system design to help consumers choose a plan that maximizes their affordability benefits.
- Use Healthcare Evidence Initiative data to support Covered California's equity and quality transformation agenda, and to assess member affordability and total cost of care.
- Provision of timely analysis and research to policy makers regarding the coverage and care experience of Covered California to inform national and state policy.
- Successful transition to a new hybrid working environment to maintain employee engagement and satisfaction.

## Health Equity and Quality Transformation Division

### Budget Unit Description

The Health Equity and Quality Transformation Division (EQT), under the leadership of the chief medical officer, supports Covered California’s mission to “...*improve health care quality, lower costs, and reduce health disparities*....”

In partnership with stakeholders and purchaser partners, the EQT Division provides expertise and analysis — and holds health plan issuers accountable — so that Covered California enrollees and all Californians receive high-quality, equitable care to improve their health. EQT is organized into the Population Care, Quality Improvement, and Health Informatics and Clinical teams<sup>21</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	16	17	20
Personnel Expenditures	\$ 3,189,326	\$ 2,867,981	\$ 3,153,078
Other Operating Expenditures	\$ 53,217	\$ 345,494	\$ 351,494
<b>Subtotal</b>	<b>\$ 3,242,543</b>	<b>\$ 3,213,476</b>	<b>\$ 3,504,573</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 169,967	\$ 195,860	\$ 213,343
<b>Total Operating Expenditures</b>	<b>\$ 3,412,510</b>	<b>\$ 3,409,335</b>	<b>\$ 3,717,916</b>

<sup>21</sup> The Chief Medical Officer, Director, in the Health Equity Quality Transformation Division is an exempt position. It will have a monthly salary in FY 2022-23 of \$34,563. This information is reported in compliance with Government Code 100503, Section 2(A).

## Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

### Adjustments to the Baseline

The Health Equity and Quality Transformation Division reduced their baseline budget by \$29 thousand. Personnel expenditures were reduced by \$321 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were increased by \$292 thousand. The increase was the result of assuming specific contract services from Plan Management Division.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Health Equity and Quality Transformation requests an additional \$291,097 for fiscal year 2022-23 to fund three research positions. These staff will strengthen the division's efforts for ensuring health plan accountability related to the quality, equity, and delivery system transformation provisions of the model contract, which significantly increases the quality and health equity requirements for our Qualified Health Plans (QHPs) issuers.

The new staff will also work in collaboration with the Plan Management division to implement the "25-2-2" policy of monitoring plans that perform poorly on quality and will conduct quality assessments of new QHPs. Finally new staff will help the Covered California meet the requirements of AB 929 for public reporting of quality, equity, and cost data.

### **Key Objectives for Fiscal Year 2022-23**

The Health Equity and Quality Transformation Division will focus on the following core areas in fiscal year 2022-23:

- In conjunction with Plan Management Division, implement and hold contracted health plan issuers accountable for major contractual revisions to Attachment 1 and Attachment 2 taking effect for the 2023-25 contract term. Priority areas include disparities reduction, behavioral health, value-based payments to support advanced primary care and integrated delivery systems, data exchange, and initiatives to address affordability and cost.
- Implement the Quality Transformation Initiative, a program that ties QHP issuer performance on a parsimonious core set of quality measures to significant financial incentives to spur improved performance. Implementation of the QTI requires establishing performance assessment processes, developing a payment calculation and collection process in conjunction with Plan Management and

Financial Management Divisions, developing a methodology to tie equity metrics to financial incentives, and leveraging the Clinical Leaders' Forum to support QTI core measure improvement.

- Work with contracted health plan issuers, aligned purchasers and other key private and public stakeholders to promote investments in primary care as the foundation of a high functioning delivery system.
- Improve demographic data collection to support disparities initiatives and develop methodology in consultation with state and national experts and policymakers to create disparities reduction targets that can be incorporated into QTI.
- Develop a comprehensive framework to efficiently and effectively use various data sources such as the Quality Rating System, the Healthcare Evidence Initiative (HEI), and other Qualified Health Plan direct submissions to enhance QHP issuer accountability for quality and health equity performance.
- Advance and expand public reporting on plan performance using newly available data to share learnings from the qualified health plan issuer contract Attachment 1 requirements with a focus on cost, quality, and health disparities.
- Identify opportunities for alignment with other health information technology initiatives and, in conjunction with Policy, Eligibility, and Research Division, establish policy to standardize collection and exchange of healthcare information.
- Advance and strengthen alignment with Medi-Cal and CalPERS through continued collaboration on priority areas including disparities, common measures for financial incentives, behavioral health, value-based payments, and population health management.

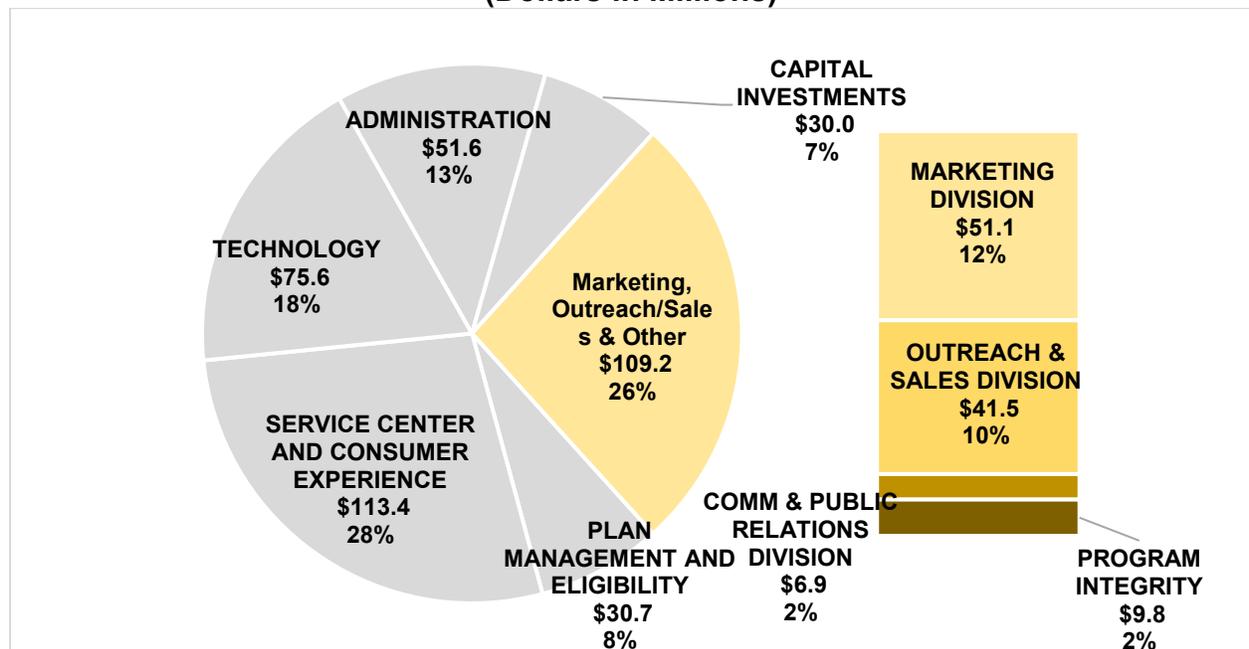
## Marketing, Outreach/Sales and Other

Marketing, Outreach/Sales and Other includes the following divisions: Marketing, Outreach and Sales, Communications and External Affairs, and Program Integrity. The proposed budget for fiscal year 2022-23 is \$109.2 million.

### Marketing, Outreach/Sales and Other: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	184	182	193
Personnel Expenditures	\$ 24,781,408	\$ 23,882,886	\$ 25,085,453
Other Operating Expenditures	\$ 96,900,868	\$ 78,541,468	\$ 78,817,468
<b>Subtotal</b>	<b>\$ 121,682,276</b>	<b>\$ 102,424,354</b>	<b>\$ 103,902,921</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 5,344,512	\$ 5,341,717	\$ 5,341,493
<b>Total Operating Expenditures</b>	<b>\$ 127,026,788</b>	<b>\$ 107,766,071</b>	<b>\$ 109,244,413</b>

### Marketing, Outreach/Sales and Other FY 2022-23 Proposed Budget - \$410.6 (Dollars in Millions)



## Marketing Division

### Budget Unit Description

The Marketing Division is responsible for implementing Covered California’s comprehensive marketing campaign strategy to motivate Californians to enroll in or renew their health insurance through Covered California. Covered California’s marketing and advertising efforts are anchored in effectively reaching the diverse cultures, regions, ethnicities, and languages of California<sup>22</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	29	28	34
Personnel Expenditures	\$ 4,190,973	\$ 4,004,472	\$ 4,785,305
Other Operating Expenditures	\$ 58,584,844	\$ 43,906,950	\$ 43,918,950
<b>Subtotal</b>	<b>\$ 62,775,817</b>	<b>\$ 47,911,422</b>	<b>\$ 48,704,255</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 2,593,570	\$ 2,355,660	\$ 2,364,932
<b>Total Operating Expenditures</b>	<b>\$ 65,369,387</b>	<b>\$ 50,267,082</b>	<b>\$ 51,069,187</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Marketing Division reduced their baseline budget by \$14.8 million. Personnel expenditures were reduced by \$186 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$14.7 million. The reduction was the net effect of transferring contract dollars from the Marketing Division to the Policy, Eligibility & Research Division, eliminating specific budget line items no longer needed, or reducing planned expenditures.

<sup>22</sup> The Director of the Marketing Division is an exempt position. It will have a monthly salary in FY 2022-23 of \$15,941. This information is reported in compliance with Government Code 100503, Section 2(A).

## Fiscal Year 2022-23 Proposed Budget Adjustments

The Marketing division requests \$792 thousand in additional funding for fiscal year 2022-23 to add a manager and five new Marketing Specialists who will spearhead targeted outreach efforts directed at individuals disenrolling from Medi-Cal, losing employer sponsored insurance, or uninsured as reported by the Franchise Tax Board. Some of the new Marketing personnel will also assist in developing multi-lingual marketing content to improve outreach to populations for whom English is not their primary language.

### **Key Objectives for Fiscal Year 2022-23**

The Marketing Division will focus on the following core areas in in fiscal year 2022-23:

- Maximize the efficiency of the Marketing Division's budget by realigning the spending allocations between paid media campaign and significantly expanded direct response efforts resulting from SB260 implementation.
- Develop strategic and tactical plans for open and special enrollment with the primary goals of driving enrollment and retention, while also supporting DEI (Diversity, Equity & Inclusion) goals with tailored and targeted outreach to key ethnic subpopulations (Hispanic, Asian, Black/African American and LGBTQ) that reflects their social, cultural, and linguistic needs.
- Continue to conduct strategic research projects to gain insights about members, uninsured consumers, and specialized populations projects will include message testing, creative concept testing and deep-dive research into areas where further understanding would improve program efficacy and the consumer journey.
- Utilizing consumer lists of historically 'hard-to-reach' populations from new partnerships with other state departments and health insurance companies as prescribed by state law, Covered California will develop and implement a tactical communications plan to reach out and deliver specific direct messaging that addresses each of these unique consumer population's situations to maximize awareness of Covered California as an option for health insurance. These populations include consumers that have terminated health coverage from insurance carriers in California, consumers that have paid a tax penalty for not having health insurance, consumers transitioning from Medi-Cal to Covered California and unemployed consumers receiving unemployment insurance.

## Outreach and Sales Division

### Budget Unit Description

The purpose of the Outreach and Sales Division is to educate, support, and empower Covered California’s 20,000 sales partners in order to inform, facilitate, and expand the number of eligible individuals enrolled in affordable, quality health care coverage. The division oversees contract, compliance, regulatory and policy responsibility for all sales channel partner programs to ensure program integrity and consumer protection. Sales channel partners include independent insurance agents and the Navigator program, which is a partnership with community organizations across the state who have experience in reaching and assisting California’s diverse populations and have proven success enrolling consumers in health care programs. The division also operates the Covered California for Small Business program that helps small businesses get coverage that can better meet the needs of the business and their employees. The Outreach and Sales Division has two components: the individual market and Covered California for Small Business<sup>23</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	62	62	68
Personnel Expenditures	\$ 8,135,815	\$ 8,009,979	\$ 8,705,934
Other Operating Expenditures	\$ 34,030,474	\$ 30,778,308	\$ 30,790,308
<b>Subtotal</b>	<b>\$ 42,166,289</b>	<b>\$ 38,788,287</b>	<b>\$ 39,496,242</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 1,847,650	\$ 2,005,582	\$ 2,017,249
<b>Total Operating Expenditures</b>	<b>\$ 44,013,939</b>	<b>\$ 40,793,869</b>	<b>\$ 41,513,491</b>

<sup>23</sup> The Outreach and Sales Division Director is an exempt position. It will have a monthly salary in FY 2022-23 of \$19,259. This information is reported in compliance with Government Code 100503, Section 2(A).

## **Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes**

### Adjustments to the Baseline

The Outreach and Sales Division reduced their baseline budget by \$3.4 million. Personnel expenditures were reduced by \$125 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$3.3 million. The reduction was the net effect of the elimination a contract that expired, and removing specific budget line items no longer needed, or reducing planned expenditures.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Outreach & Sales division requests \$707,955 in additional funding for fiscal year 2022-23 to add six new staff members dedicated to improving services provided to sales agents and other stakeholders participating in Covered California for Small Business. The additional staff will enable the Outreach & Sales division to meet the increased demand for customer service from key stakeholder groups, perform critical financial and enrollment reconciliation functions, and address program compliance and overall business development functions.

### **Key Objectives for Fiscal Year 2022-23**

The Outreach and Sales Division will focus on the following core areas in the fiscal year 2022-23 proposed budget:

- Continue active outreach, communications, and education programs to more than 20,000 certified enrollers who provide person-to-person enrollment assistance to hundreds of thousands of Californians who seek their guidance each year. The program includes improving virtual training programs and providing guidance and education that are especially relevant in today's environment where consumers need help on a real-time basis. In addition, we will continue to support the Navigator program through a competitive selection process to extend the program for 2023-2024 and beyond.
- Execute on the multi-year plan to upgrade Covered California for Small Business's enrollment and eligibility platform and processes. The improved capability will enable the program to efficiently and accurately onboard employer groups, employees and covered dependents and increase the number of Californians who can access affordable and comprehensive health coverage. The plan provides for additional staffing, technology enhancements and long-term cost and quality control.

- Partner with other Covered California divisions and the Department of Health Care Services to educate, support, and empower sales channel partners following the end of the national Public Health Emergency, and beyond, so that they can support and facilitate a seamless transition of eligible individuals from Medi-Cal to Covered California health coverage.

## Communications and External Affairs Division

### Budget Unit Description

The Communications and External Affairs Division serves multiple functions, including developing, coordinating, and executing an extensive program of media relations and public communications that support enrollment; developing an overarching strategy for the public-facing website content on CoveredCA.com; and maintaining federal and state government relations, tribal relations and stakeholder support and engagement<sup>24</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	30	29	29
Personnel Expenditures	\$ 4,736,918	\$ 4,122,648	\$ 3,944,408
Other Operating Expenditures	\$ 2,840,550	\$ 2,555,710	\$ 2,557,710
<b>Subtotal</b>	<b>\$ 7,577,468</b>	<b>\$ 6,678,358</b>	<b>\$ 6,502,118</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 378,847	\$ 391,193	\$ 375,883
<b>Total Operating Expenditures</b>	<b>\$ 7,956,315</b>	<b>\$ 7,069,551</b>	<b>\$ 6,878,001</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Communications and External Affairs Division reduced their baseline budget by \$899 thousand. Personnel expenditures were reduced by \$614 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$284 thousand. The reduction is the result of the

<sup>24</sup> The Director of Communications and Public Relations is an exempt position. It will have a monthly salary in FY 2022-23 of \$20,282. This information is reported in compliance with Government Code 100503, Section 2(A).

eliminating specific budget line items no longer needed or reducing planned expenditures.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Communications & External Affairs division requests \$95,918 in additional funding for fiscal year 2022-23 to fund the addition of a User Experience (UX) Design specialist who will develop additional content for the Covered California public website. Web-related projects will include simplifying the 'help' experience, developing landing pages for QHP information, improving the dental section, redesigning the CCSB website so that it is up to date, creating a tailored Spanish experience based on user testing, and increasing the website's focus on the Covered California's mission and vision.

### **Key Objectives for Fiscal Year 2022-23**

Communications and External Affairs will focus on the following core areas in Fiscal Year 2022-23 proposed budget:

- Expand strategies to bolster external relations by expanding existing networks and strengthening outreach and education for both state and federal government officials and stakeholders.
- Fortify efforts to inform federal and state policy makers on policies that leverage and build on the Affordable Care Act and that provide a model for current and future policy change, including the American Rescue Plan as well as state legislative and budget action.
- Promote enrollment through extensive and innovative earned, owned, and paid media efforts designed to educate consumers and the media about Covered CA, the availability of premium and cost sharing subsidies, transitions from Medi-Cal to Covered CA, coverage options and the value of coverage.
- Raise awareness of Covered California's efforts and lessons learned through proactive outreach to national and statewide news outlets as well as prominent health-related outlets.
- Develop a strategic plan to improve the consumer experience of CoveredCA.com through evidence-based updates aimed at increasing understanding and ease of use.
- Provide communications expertise and support across the organization to further the goals of individual divisions, including writing, designing, and developing

messaging for significant publications such as the budget, annual report, rate booklet, policy issue briefs and external presentations.

- Provide support to the Executive Director and senior leadership in establishing and maintaining relationships with stakeholders, elective officials, Administration leadership, media, and others.

## Program Integrity Division

### Budget Unit Description

The Program Integrity Division consists of two Branches. Its Reconciliation of Enrollment and Membership Branch ensures accuracy and alignment of data between Covered California and carrier systems and conducts system testing and performance review of CalHEERS. Its Program Oversight and Compliance Branch conducts internal and external audits and assists all divisions in identifying and remediating enterprise-wide risks. The division encourages accountability, transparency, effectiveness, efficiency, and risk management by independently reviewing key business areas to help ensure compliance with federal and state laws, regulations, and policies<sup>25</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	63	63	62
Personnel Expenditures	\$ 7,717,703	\$ 7,745,787	\$ 7,649,806
Other Operating Expenditures	\$ 1,445,000	\$ 1,300,500	\$ 1,550,500
<b>Subtotal</b>	<b>\$ 9,162,703</b>	<b>\$ 9,046,287</b>	<b>\$ 9,200,306</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 524,445	\$ 589,282	\$ 583,428
<b>Total Operating Expenditures</b>	<b>\$ 9,687,148</b>	<b>\$ 9,635,569</b>	<b>\$ 9,783,735</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Program Integrity Division reduced their baseline budget by \$116 thousand. Personnel expenditures were increased by \$28 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent

<sup>25</sup> The Program Integrity Division Director is an exempt position. It will have a monthly salary in FY 2022-23 of \$16,562. This information is reported in compliance with Government Code 100503, Section 2(A).

salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$144 thousand. The reduction is the result of the eliminating specific budget line items no longer needed or reducing planned expenditures.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Program Integrity division requests an additional \$250,000 in funding for fiscal year 2022-23 to aid the Office of Audit Services (OAS), in completing risk-based assessments and audits. The risk-based auditing and audit issues software will streamline the audit process, provide a consolidated audit, and risk platform, track and monitor corrective action plans for internal audits and audits performed by the federal government and state control agencies, and provide data analytics support.

### **Key Objectives for Fiscal Year 2022-23**

The Program Integrity Division will focus on the following core areas in fiscal year 2022-23:

- Ensure the accuracy and consistency of consumer eligibility information between CalHEERS and the carrier systems, particularly those who transition from Medi-Cal to Covered California.
- Streamline and enhance the CalHEERS testing processes to further promote operational efficiencies.
- Refine and enhance data analytics and processes to detect potential fraud, waste, and abuse trends.
- Strengthen the enterprise-wide risk intelligent culture throughout Covered California.
- Improve and protect organizational value by providing independent and objective assurance, advice, and insight.
- Embed diversity, equity, and inclusion efforts into the new hybrid work environment.

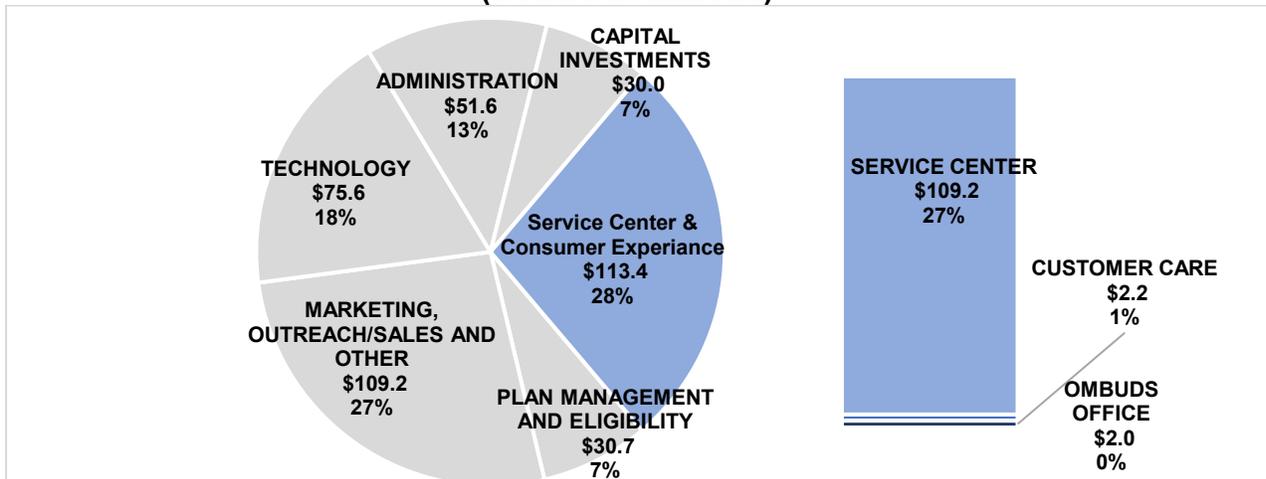
## Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office, and Customer Care. The total proposed budget for fiscal year 2022-23 is \$113.4 million<sup>26</sup>.

### Service Center and Consumer Experience: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	831	831	827
Personnel Expenditures	\$ 74,955,080	\$ 74,942,809	\$ 74,864,611
Other Operating Expenditures	\$ 38,651,781	\$ 31,003,500	\$ 31,515,500
<b>Subtotal</b>	<b>\$ 113,606,861</b>	<b>\$ 105,946,309</b>	<b>\$ 106,380,111</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 6,626,323	\$ 7,134,705	\$ 7,016,810
<b>Total Operating Expenditures</b>	<b>\$ 120,233,184</b>	<b>\$ 113,081,014</b>	<b>\$ 113,396,921</b>

### Service Center and Consumer Experience FY 2022-23 Proposed Budget \$410.6 (Dollars in Millions)



<sup>26</sup> The Service Center Division Director is an exempt position. It will have a monthly salary in FY 2022-23 of \$15,122. This information is reported in compliance with Government Code 100503, Section 2(A).

## Service Center

### Budget Unit Description

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans and promptly resolving challenges that prevent them from receiving health and dental benefits. These efforts ensure consumers receive the right care at the right time at an affordable price, retain coverage and are satisfied with Covered California products and services. The Service Center consists of the following office operational branches:

1. Sacramento Contact Center Operations Branch
2. Fresno Contact Center Operations Branch
3. Internal Compliance and Support Branch
4. Consumer Relations and Resolution Branch
5. Resource Planning and Management Branch
6. Strategic Innovation and Implementation Branch

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	808	808	804
Personnel Expenditures	\$ 71,954,090	\$ 71,951,193	\$ 71,872,995
Other Operating Expenditures	\$ 37,707,781	\$ 30,550,500	\$ 30,562,500
<b>Subtotal</b>	<b>\$ 109,661,871</b>	<b>\$ 102,501,693</b>	<b>\$ 102,435,495</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 6,410,763	\$ 6,912,796	\$ 6,775,477
<b>Total Operating Expenditures</b>	<b>\$ 116,072,634</b>	<b>\$ 109,414,489</b>	<b>\$ 109,210,972</b>

## Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

### Adjustments to the Baseline

The Service Center reduced their baseline budget by \$7.1 million. Personnel expenditures were increased by \$2.8 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$7.2 million. The reduction is the result of reducing the budget for California Department of Social Services appeals services, a reduction to office expenses, and a reduction in Faneuil.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Service Center eliminated ten vacant technician positions (-795,884) and requests six new staff (\$728,687) who will utilize statistical sampling and measurement techniques to investigate and audit customer service responses, develop metrics, and identify areas in need of improvement.

### **Key Objectives for Fiscal Year 2022-23**

The Service Center division will continue its core focus on effectively responding to as many consumer inquiries as possible by leveraging all available planning tools and resources. Through March 2022 in fiscal year 2021-22, the Service Center provided personal assistance almost 1.7 million times to consumers and there were an additional 1 million occasions of consumers being served through responses provided by the Integrated Voice Response automated response system that addresses consumers' issues with recorded messages.

For fiscal year 2021-22, consumers registered a very high level of satisfaction in the services provided, stating they were satisfied 96% of the time. The Service Center's goal is to maintain the rate at which consumers who complete calls are "very satisfied" at or above the 85 percent mark in the coming year. Additional key deliverables for the upcoming fiscal year are:

- **Open-enrollment support:** The Service Center anticipates almost 1 million consumer contacts during open enrollment through inbound calls, outbound enrollment campaigns and live chat interactions. This forecast is comparable to fiscal year 2021-22 volumes. The division's goal is to meet key performance objectives, improve the consumer experience, and enable more consumers access to affordable care. In the very high call volume period of open enrollment, Covered California has always "staffed up" and at the same time recognized that it is not possible to meet daily service goals in a fiscally sound manner. With the

surge staffing capacity, the Service Center looks to meet service-level goals and abandonment rates consistent with fiscal year 2021-22.

- **Special-enrollment support:** Early projections anticipate over 1.5 million consumer contacts during the special-enrollment period, which is forecasted to be comparable to fiscal year 2020-21 volumes. Funding should allow the Service Center to have resources where most needed to effectively handle consumer contacts and maintain the abandonment rate from fiscal year 2021-22 of less than 2 percent. There remains a degree of uncertainty in planning for the volumes and types of calls for the coming year, including the unknown impact to call volumes because of the Public Health Emergency Unwind (SB260) and the proposed IRS rule to fix the “family glitch” and affordability of employer coverage for an employee’s dependents.
- **Ancillary Service Center functions:** In addition to inbound phone and live chat support, the Service Center is responsible for the processing of enrollment verification documents, Licensed Insurance Agent call center overflow support, appeals, escalations, processing of State exemptions, and subsidy tax disputes. The funding for additional inbound phone and live chat allows the Service Center to repurpose existing staff to support these ancillary programs during critical periods.

## Ombuds Office

### Budget Unit Description

The Ombuds Office consists of two units. Its Ombuds Affairs Unit provides consumers an objective, unbiased and accessible resource when other resolution or customer service channels have been exhausted. Its Appeals Fulfillment Unit serves as an independent resource to implement Administrative Law Judge decisions following eligibility-determination appeals. Together, these units identify systemic challenges and promote solutions to prevent issues from recurring to improve the experience of Covered California consumers<sup>27</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	15	15	15
Personnel Expenditures	\$ 1,798,068	\$ 1,814,482	\$ 1,814,482
Other Operating Expenditures	\$ 52,000	\$ 52,000	\$ 52,000
<b>Subtotal</b>	<b>\$ 1,850,068</b>	<b>\$ 1,866,482</b>	<b>\$ 1,866,482</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 111,551	\$ 126,595	\$ 124,318
<b>Total Operating Expenditures</b>	<b>\$ 1,961,620</b>	<b>\$ 1,993,078</b>	<b>\$ 1,990,800</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Ombuds Office increased their baseline budget by \$16 thousand. Personnel expenditures were increased by \$16 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary

<sup>27</sup> The Ombud's Office Director is an exempt position. It will have a monthly salary in FY 2022-23 of \$11,183. This information is reported in compliance with Government Code 100503, Section 2(A).

increase, and merit salary adjustments. Baseline Other Operating Expenditures were not adjusted.

### Fiscal Year 2022-23 Proposed Budget Adjustments

No changes were requested to the baseline personnel or OOE budgets.

### **Key Objectives for Fiscal Year 2022-23**

The Ombuds Office will focus on the following core areas in fiscal year 2022-23:

- Complete a comprehensive Root Cause Analysis process to identify systemic issues.
- Revisit the use of Ombuds services internally/externally and promote awareness, understanding to leading to a collaborative culture.
- Provide high quality customer service by introducing follow-up communications and service-satisfaction surveys.

## Customer Care Division

### Budget Unit Description

The Customer Care Division's purpose is to optimize and enhance the consumer experience regardless of service channel (e.g., self-serve, through the Covered California Service Center, via a Covered California Licensed Insurance Agent or Certified Enrollment Counselor). Ultimately, this work involves a high level of coordination, transparency, and collaboration throughout the organization to understand and facilitate improvement of the consumer experience during all phases of the consumer journey. This effort is foundational to Covered California's purpose of making health insurance more affordable and easier to purchase for individuals and small businesses<sup>28</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	8	8	8
Personnel Expenditures	\$ 1,202,922	\$ 1,177,134	\$ 1,177,134
Other Operating Expenditures	\$ 892,000	\$ 401,000	\$ 901,000
<b>Subtotal</b>	<b>\$ 2,094,922</b>	<b>\$ 1,578,134</b>	<b>\$ 2,078,134</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 104,009	\$ 95,313	\$ 117,015
<b>Total Operating Expenditures</b>	<b>\$ 2,198,931</b>	<b>\$ 1,673,447</b>	<b>\$ 2,195,149</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Customer Care Division reduced their baseline budget by \$516 thousand. Personnel expenditures were decreased by \$26 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent

<sup>28</sup> The Customer Care Division Director is an exempt position. The position is currently vacant. This information is reported in compliance with Government Code 100503, Section 2(A).

salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were reduced by \$491 thousand. The reduction is the result of eliminating a contract that had expired contract.

### Fiscal Year 2022-23 Proposed Budget Adjustments

Covered California is seizing the opportunity presented by the Plan Choice and Assister Portal (PCAP) project to implement improvements that will lead to a smoother consumer experience and address system-related impediments to enrollment. As part of this effort, the Customer Care Division requests an additional \$500,000 in funding to renew the annual Consumer Experience (CX) survey. Working with the contractor, the Customer Care division will continue to identify consumer experience issues and develop recommendations for improvement that will inform the design of the new enrollment portal.

### **Key Objectives for Fiscal Year 2022-23**

The Customer Care Division will focus on the following core areas in fiscal year 2022-23:

- Develop consumer experience strategic roadmap and implementation plan. Foster organizational alignment on priorities.
- Develop organizational key performance indicators to measure the success of consumer experience improvement initiatives and return on investment.
- Continue enhancing Covered California's Chatbot, CiCi, by simplifying and streamlining assistance for the most common consumer inquiries (e.g., providing consumers with the ability to reset passwords and usernames, check account and enrollment status, and opt in/opt out functionality for individuals transitioning from Medi-Cal to Covered California, etc.).
- Conduct quantitative and qualitative consumer research to gain insight into consumer comprehension and familiarity with specific health care terminology and concepts. Use findings to guide how Covered California communicates complex information to our consumers.

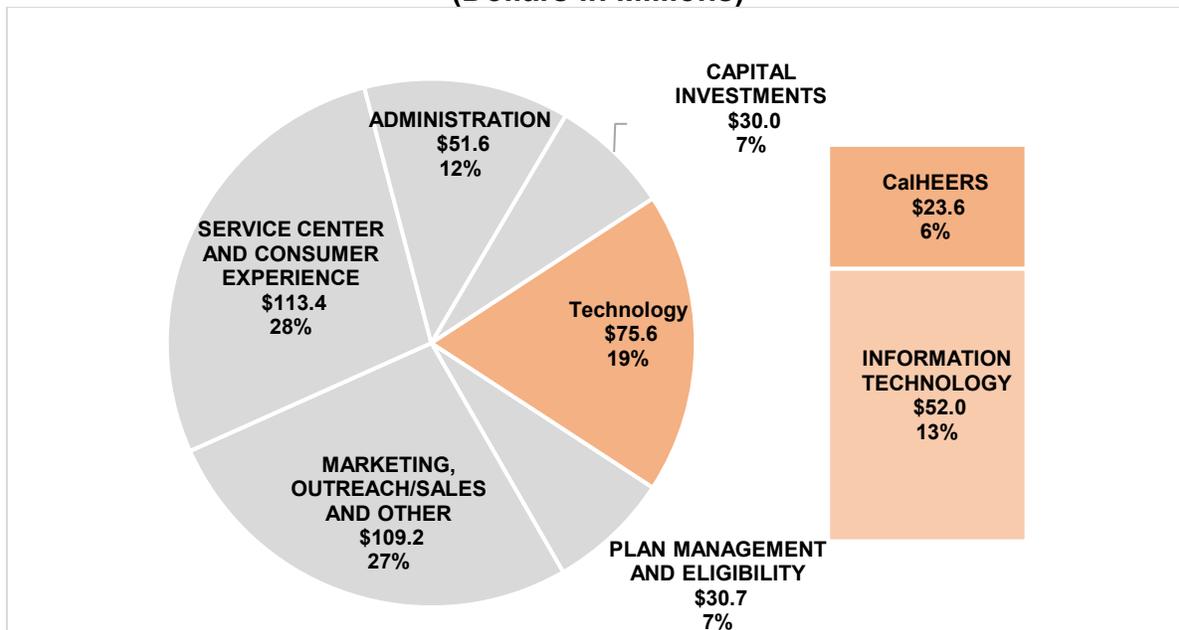
## Technology

Technology includes the Information Technology (IT) Division and the consumer enrollment system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The total proposed fiscal year 2022-23 budget is \$75.6 million.

### Technology: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	100	102	111
Personnel Expenditures	\$ 16,497,459	\$ 16,779,017	\$ 17,925,703
Other Operating Expenditures	\$ 53,694,541	\$ 53,650,889	\$ 55,111,526
<b>Subtotal</b>	<b>\$ 70,192,000</b>	<b>\$ 70,429,906</b>	<b>\$ 73,037,229</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 2,087,661	\$ 2,463,878	\$ 2,586,516
<b>Total Operating Expenditures</b>	<b>\$ 72,279,661</b>	<b>\$ 72,893,783</b>	<b>\$ 75,623,745</b>

### Technology FY 2022-23 Proposed Budget= \$410.6 (Dollars in Millions)



# CalHEERS

## Budget Unit Description

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) is a single streamlined application for affordable health insurance programs in California. CalHEERS provides health plan eligibility determination and qualified health plan comparison shopping and enrollment for millions of Medi-Cal and Covered California consumers in one convenient web-based solution.

CalHEERS is jointly sponsored by Covered California and the California Department of Health Care Services. California's Office of Systems Integration oversees CalHEERS project roadmap, maintenance, and operations on behalf of the sponsoring organizations. The project is governed by an executive steering committee that represents each of the participating agencies and that has guided the project since its inception in 2013.

## Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>			
Personnel Expenditures	\$ -	\$ -	
Other Operating Expenditures	\$ 24,399,041	\$ 24,133,973	\$ 23,645,384
<b>Subtotal</b>	<b>\$ 24,399,041</b>	<b>\$ 24,133,973</b>	<b>\$ 23,645,384</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ -	\$ -	\$ -
<b>Total Operating Expenditures</b>	<b>\$ 24,399,041</b>	<b>\$ 24,133,973</b>	<b>\$ 23,645,384</b>

## **Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes**

### Adjustments to the Baseline

CalHEERS reduced their baseline budget by \$265 thousand. The reduction was the result of decreasing the CDSS SAWS (statewide automated welfare system) budget line item.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The CalHEERS operating budget was used to fund three requested positions established in the Information Technology Division. The positions included three Information Technology Specialist III positions. This resulted in a reduction of \$489 thousand to the CalHEERS budget.

### **Key Objectives for Fiscal Year 2022-23**

CalHEERS will focus on the following core areas in fiscal year 2022-23:

- Continue to provide an easy to navigate, integrated eligibility determination, enrollment and retention solution providing consumer-centric product features as quickly as possible to support the delivery of affordable, high-quality healthcare to millions of California consumers.
- Improve consumer plan choice enhancements and the ability of agents and assisters to support consumer health plan enrollment via delivery of the Plan Choice and Assister Portal project.
- Cost-effectively realize the agility, performance, scalability, and security of last year's transition of the CalHEERS system from our former on-premises data center to Amazon's AWS cloud infrastructure by redeploying legacy technology components as cloud-native solutions.
- Complete the implementation of auto-enrollment of consumers moving from Medi-Cal to Covered California coverage based on income redeterminations (supported by Senate Bill 260) to ensure that marketplace eligible individuals who will lose Medi-Cal coverage following the end of the Public Health Emergency have the option to transition seamlessly to Covered California qualified health plans.

# Information Technology Division

## Budget Unit Description

The Information Technology Division provides program and project management, technology, and information security services supporting health plan eligibility and enrollment, innovation, strategic initiatives, and operations to Covered California consumers, stakeholders, and business divisions - including oversight of the ongoing development and operations of CalHEERS.

Three branches carry out specific functions in the Information Technology Division: Technology Solutions and Program Management, Technology Infrastructure and Operations, and the Information Security Office<sup>29</sup>.

## Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	100	102	111
Personnel Expenditures	\$ 16,497,459	\$ 16,779,017	\$ 17,925,703
Other Operating Expenditures	\$ 29,295,500	\$ 29,516,916	\$ 31,466,142
<b>Subtotal</b>	<b>\$ 45,792,959</b>	<b>\$ 46,295,933</b>	<b>\$ 49,391,845</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 2,087,661	\$ 2,463,878	\$ 2,586,516
<b>Total Operating Expenditures</b>	<b>\$ 47,880,620</b>	<b>\$ 48,759,810</b>	<b>\$ 51,978,361</b>

## Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

### Adjustments to the Baseline

The Information Technology Division increased their baseline budget by \$503 thousand. Personnel expenditures were increased by \$282 thousand, which constituted the net

<sup>29</sup> The Director of Information Technology is an exempt position. It will have a monthly salary in FY 2022-23 of \$22,750. This information is reported in compliance with Government Code 100503, Section 2(A).

effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures increased by a net of \$221 thousand. The net increase is the result of increasing Salesforce software license purchases by \$3 million, absorbing service contracts from Marketing related to Salesforce, and other reductions in budget line items.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Information Technology division requests an additional \$3.9 million in funding for fiscal year 2022-23 to address five different proposals and add 9 additional staff. A total of \$1.2 of the additional funding is requested for a consulting contract associated with the Plan Choice and Assister Portal (PCAP) project. PCAP replaces the current commercial-off-the shelf "Get Insured" consumer enrollment portal with a State of California owned and designed custom enrollment solution.

The Information Technology division requests \$523 thousand to replace the contractors currently staffing the IT service desk with five dedicated employee-IT analysts. The new in-house staff will also enable IT to provide expanded hours of service desk availability, from 6am to 10pm, to support employees working-from-home.

Additionally, Information Technology requests one additional Information Technology Specialist at \$152,589 and purchasing ServiceNow software at a cost of \$711,226 that will enable the division to better support and manage the service desk and several other in-house information systems and resources.

To strengthen Covered California's IT security, the Information Technology division requests \$360,000 for software to automate and better control and manage access to Covered California systems and data. The Information Technology division also requests \$560,000 to purchase Information Security, Data Discovery and Data Classification software that will be used to protect our information assets. Data discovery and classification will reduce the probability of unauthorized data disclosure

### **Key Objectives for Fiscal Year 2022-23**

The Information Technology Division will focus on the following core areas in fiscal year 2022-23:

- Support the Equity and Quality Transformation, Plan Management, and Policy, Eligibility and Research division's ability to measure, monitor and collaborate with qualified health plans to advance quality of care standards and improvements on behalf of our enrollees.

- Intentionally promote Diversity, Equity, and Inclusion within ITD and across Covered California’s ecosystem by elevating diverse perspectives, seeking fairness and equity in our discussions and decisions, and adopting inclusive approaches as we recruit, retain, and promote a dynamic workforce, supportive leadership, and a productive culture within ITD.
- Provide Covered California employees and contractors with solutions to thrive in a hybrid work environment as we reimagine the relationships between our physical workplace environment, technology, organizational change management, and human productivity.
- Collaborate with business divisions and our CalHEERS partners and stakeholders to ensure that marketplace eligible individuals who will lose Medi-Cal coverage following the end of the Public Health Emergency have the option to transition seamlessly to Covered California qualified health plans.
- Provide cost-effective oversight of the ongoing development, maintenance, and operation of CalHEERS, including delivering significant platform enhancements supporting consumer choice and the ability of agents and assisters to support consumer health plan enrollment via the Plan Choice and Assister Portal project and cloud-native technology adoption with our Amazon Web Services (AWS) cloud infrastructure.
- Secure and safeguard Covered California’s brand and reputation by promoting a security program that increases enterprise-wide cybersecurity awareness and enhances security operations and incident management.
- Empower CCIT staff to be the IT employer of choice and the most effective technology service provider in the State.

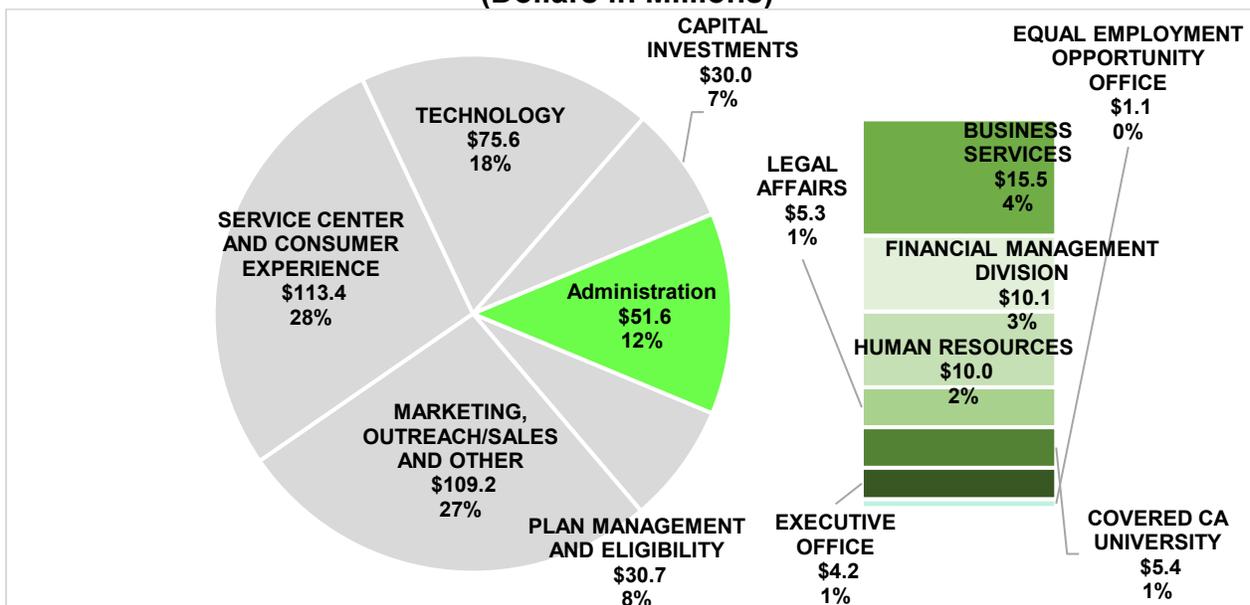
## Administration

Administration includes the following program areas: the Business Services Branch, the Financial Management Division, the Human Resources Branch, the Office of Legal Affairs, Covered California University, the Executive Office, and the Equal Employment Opportunity Office. The total proposed budget for fiscal year 2022-23 is \$51.6 million.

### Administration: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	225	225	226
Personnel Expenditures	\$ 31,221,053	\$ 31,541,961	\$ 31,583,544
Other Operating Expenditures	\$ 20,026,804	\$ 16,977,635	\$ 17,189,915
<b>Subtotal</b>	<b>\$ 51,247,857</b>	<b>\$ 48,519,596</b>	<b>\$ 48,773,459</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 2,617,087	\$ 2,877,924	\$ 2,840,386
<b>Total Operating Expenditures</b>	<b>\$ 53,864,944</b>	<b>\$ 51,397,520</b>	<b>\$ 51,613,845</b>

### Administration FY 2022-23 Proposed Budget = \$410.6 Million (Dollars in Millions)



## Business Services Branch

### Budget Unit Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; carrying out health, safety, and wellness services; providing central support functions for administrative programs enterprise-wide; ensuring facilities are well maintained and secure and managing our physical resources through facilities operations.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	41	41	41
Personnel Expenditures	\$ 4,838,220	\$ 5,079,091	\$ 5,079,091
Other Operating Expenditures	\$ 10,669,871	\$ 9,597,690	\$ 9,597,690
<b>Subtotal</b>	<b>\$ 15,508,091</b>	<b>\$ 14,676,781</b>	<b>\$ 14,676,781</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 724,711	\$ 802,794	\$ 788,299
<b>Total Operating Expenditures</b>	<b>\$ 16,232,802</b>	<b>\$ 15,479,574</b>	<b>\$ 15,465,079</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Business Services Branch decreased their baseline budget by \$831 thousand. Personnel expenditures were increased by \$240 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures decreased by \$1.1 million. The net decrease is the result of eliminating leases, brokerage fees, and reducing security budget line items for facilities vacated.

#### Fiscal Year 2022-23 Proposed Budget Adjustments

No changes were requested to the baseline personnel or OOE budgets.

## **Key Objectives for Fiscal Year 2022-23**

The Business Services Branch will focus on the following core areas in fiscal year 2022-23:

- Implementing the Reimagine Transition to a Hybrid Office Model through:
- The strategic planning of our real estate. Some locations will be decommissioned to consolidate our physical footprint, resulting in a significant, long-term rent savings to Covered California.
- Implementing DocuSign Contract Lifecycle Management (CLM), an electronic contract approval and management workflow system by July 2022. This electronic process will streamline Business Services functions related to contract development and signing.
- Updating and streamlining our Covered California Administrative Manual, forms, and records retention schedules on SharePoint Online to provide current information that is also easy to find.
- Fully implementing the Business Continuity Plan electronic platform to provide emergency communications to our employees (e.g., our employees will be able to confirm they are safely out of harm's way during an emergency). This system will allow us to be more agile when responding to emergencies and notify staff in real-time.

## Financial Management Division

### Budget Unit Description

The Financial Management Division plans, implements and guides all Covered California financial activities, including finance, accounting, forecasting, budgeting, and governmental compliance. The division consists of two branches: Accounting and Accounting Systems Operations and Financial Planning and Forecasting Operations. Within those units lie critical accounting functions, including payroll, financial reporting, accounts receivable and payable, financial modeling, financial forecasting, and financial systems<sup>30</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	58	58	55
Personnel Expenditures	\$ 7,752,829	\$ 7,800,584	\$ 7,462,433
Other Operating Expenditures	\$ 2,533,991	\$ 2,030,491	\$ 2,030,491
<b>Subtotal</b>	<b>\$ 10,286,820</b>	<b>\$ 9,831,075</b>	<b>\$ 9,492,924</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 557,186	\$ 614,200	\$ 579,919
<b>Total Operating Expenditures</b>	<b>\$ 10,844,007</b>	<b>\$ 10,445,275</b>	<b>\$ 10,072,843</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Financial Management Division decreased their baseline budget by \$456 thousand. Personnel expenditures were increased by \$48 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures

<sup>30</sup> The Chief Financial Officer is an exempt position. It will have a monthly salary in FY 2022-23 of \$20,000. This information is reported in compliance with Government Code 100503, Section 2(A).

decreased by \$503 thousand. The decrease is the result of reducing contract dollars for accounting services.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Financial Management Division eliminated three vacant staff positions for a savings of \$338 thousand.

### **Key Objectives for Fiscal Year 2022-23**

The Financial Management Division will focus on the following core areas in fiscal year 2022-23:

- Continue to document and evaluate internal controls over financial reporting
- Design, develop, and implement continuous reporting of effectuated enrollment, descriptive statistics, terminations, plan sections, and average gross premiums through SAS and Tableau.
- Continue to incorporate analytic tools, such as SAS, to better utilize FISCAL accounting data to create actionable information for better decisions.
- Explore SAS analytic tools to refine the enrollment forecasting methodology.
- Continue to explore external datasets that may aid in forecasting enrollment, disenrollment, and potential enrollment populations.
- Update the Financial Management Division strategic plan
- Migrate the invoice approval process into Docusign to better align with the new work environment.

## Human Resources Branch

### Budget Unit Description

The Human Resources Branch (HRB) provides overall policy direction on human resource management and administrative support functions related to the management of employees via the following units: Labor Relations Office, Employment and Classification Services (Classification and Research, Career Services and Talent Acquisition), Payroll and Benefits, Performance Management, Digital Innovation and Operations and Disability Management. Each of these units strives to ensure that the HRB core values of creativity, integrity, communication, respect, people, and community serve as our guiding principles to drive key objectives.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	54	54	56
Personnel Expenditures	\$ 6,790,197	\$ 7,044,775	\$ 7,251,635
Other Operating Expenditures	\$ 3,555,305	\$ 2,211,482	\$ 2,215,482
<b>Subtotal</b>	<b>\$ 10,345,502</b>	<b>\$ 9,256,257</b>	<b>\$ 9,467,117</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 549,613	\$ 576,764	\$ 581,169
<b>Total Operating Expenditures</b>	<b>\$ 10,895,115</b>	<b>\$ 9,833,021</b>	<b>\$ 10,048,286</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Human Resources Branch decreased their baseline budget by \$1.1 million. Personnel expenditures were increased by \$254 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures decreased by \$1.3 million. The decrease is the result of the completion of the contract portion of the Workday Human Capital Management solution (HCM).

## Fiscal Year 2022-23 Proposed Budget Adjustments

The Human Resources Branch requests an additional \$210,859 in funding for fiscal year 2022-23 to add two additional staff to complete the implementation and provide ongoing support for the HCM. With the adoption of Workday, many manual human resources processes were automated. However, the transition to this system still requires resources to assist with on-going business process enhancements, new feature requests, change management, and maintenance and operation activities.

### **Key Objectives for Fiscal Year 2022-23**

The Human Resources Branch will focus on the following core areas in fiscal year 2022-23:

- Embed diversity, equity and inclusion into all human resources processes and practices to support the organization's value of building and sustaining a diverse workforce at all levels and establishing a culture of inclusivity, purpose, and belonging.
- Encourage a culture of inclusivity, purpose, and belonging by increasing team engagement, motivation, and collaboration.
- Implement career development workshops for all Covered California employees
- Continue to implement and improve the onboarding and offboarding experience with a focus on the new hybrid working environment.
- Evaluate and enhance personnel services provided to ensure our employees experience excellent customer service.
- Review and update HRB policies, processes, and procedures, as needed, to support the needs of employees, supervisors/managers, and departmental stakeholders.
- Continue to focus on employee relations support while accounting for the new hybrid working environment to promote continued connection amongst employees and their supervisors/managers and foster a results-driven culture.
- Execute efficient and effective recruitment and selection processes and practices to aid the organization's ability to achieve its mission.
- Identify and implement enhancements to Workday, to ensure operational efficiency and positive user experience.
- Enhance SharePoint to improve the overall experience that will allow information to be stored, accessed, and shared more efficiently and intuitively for our customers.
- Develop and execute training and materials to improve the Workday user experience.
- Develop and deliver specialized labor relations and performance management training to supervisors/managers to support positive and effective employee relations.

- Develop and deliver specialized training to employees and supervisors/managers on disability management services and processes to promote a safer, more productive workplace.

## Office of Legal Affairs

### Budget Unit Description

The Office of Legal Affairs offers a wide range of legal services to all Covered California staff by providing preventive legal advice and consultation to ensure compliance with laws and to mitigate legal liability. The Office of Legal Affairs interfaces with state and federal regulatory agencies and provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts, and operations. The Office of Legal Affairs ensures that all legal agreements are fulfilled, and that Covered California operates within its legal authority. Additionally, the Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California<sup>31</sup>.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	24	23	23
Personnel Expenditures	\$ 3,859,074	\$ 3,679,286	\$ 3,679,286
Other Operating Expenditures	\$ 1,380,500	\$ 1,343,000	\$ 1,343,000
<b>Subtotal</b>	<b>\$ 5,239,574</b>	<b>\$ 5,022,286</b>	<b>\$ 5,022,286</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 270,043	\$ 297,170	\$ 291,811
<b>Total Operating Expenditures</b>	<b>\$ 5,509,618</b>	<b>\$ 5,319,455</b>	<b>\$ 5,314,097</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

The Office of Legal Services decreased their baseline budget by \$217 thousand. Personnel expenditures decreased by \$179 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures

<sup>31</sup> The Director of the Office of Legal Affairs is an exempt position. It will have a monthly salary in FY 2022-23 of \$17,861. This information is reported in compliance with Government Code 100503, Section 2(A).

decreased by \$37 thousand. The decrease is the result of eliminating budget line items not longer needed.

During fiscal year 2021-22, the Office of Legal Services transferred one position to the Executive Office. This resulted in a reduction in baseline staffing from 24 to 23.

#### Fiscal Year 2022-23 Proposed Budget Adjustments

No changes were requested to the baseline personnel or OOE budgets.

#### **Key Objectives for Fiscal Year 2022-23**

The Office of Legal Affairs will focus on the following core areas in fiscal year 2022-23:

- Complete refresh of Covered California’s statutorily required criminal background check process for applicants, employees, contractors, agents, and enrollment partners, to improve the efficiency and timeliness of reviews and approvals and ensure that consumers have ample access to enrollment assistance.
- Work closely with the Health Consumer Alliance to ensure smooth transitions for consumers losing Medi-Cal coverage and gaining eligibility for subsidies through Covered California as the new auto-enrollment program launches and the Public Health Emergency ends.
- Provide technical assistance and guidance on a potential new state affordability program, the winding down of American Rescue Plan subsidies, and any future benefits as initially proposed in the Build Back Better Act as the landscape of various state and federal financial assistance programs continues to shift.
- Refine Covered California’s process of analyzing federal regulations and sub-regulatory guidance as well as drafting responsive comment letters based on input from Covered California divisions to better identify whether to comment, the intended audience, and the purpose of a comment letter. These improvements will allow for better coordination between divisions and maximize the efficacy of Covered California’s comments.
- Continue to refine Covered California’s newly established Data Governance Charter and Committee, charged with facilitating the organization’s responsible use of millions of sensitive enrollee health records and proprietary provider reimbursement rates received pursuant to AB 929 (2019) and the Health Evidence Initiative and ensuring this information is appropriately safeguarded while allowing for useful analysis to inform data-driven policies and research.

## Covered California University

### Budget Unit Description

Covered California University is the enterprise training and knowledge management branch. The branch collaborates with programs and interacts across the organization to leverage subject matter experts in a vast array of disciplines, acts as a consultant on information dissemination and training initiatives, and maintains written materials and training courses that support the organization and its partners. The branch administers the technology that supports information and training, including the Customer Relationship Management Knowledgebase and Absorb Learning Management System. The branch consists of the following sections: Training Design and Delivery Section, the Knowledge Management Section and Operations and Special Projects.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	31	31	31
Personnel Expenditures	\$ 4,101,931	\$ 4,137,699	\$ 4,137,699
Other Operating Expenditures	\$ 850,537	\$ 931,772	\$ 931,772
<b>Subtotal</b>	<b>\$ 4,952,468</b>	<b>\$ 5,069,471</b>	<b>\$ 5,069,471</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 275,888	\$ 319,451	\$ 313,697
<b>Total Operating Expenditures</b>	<b>\$ 5,228,357</b>	<b>\$ 5,388,922</b>	<b>\$ 5,383,168</b>

### Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

Covered California University increased their baseline budget by \$117 thousand. Personnel expenditures increased by \$36 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures increased by \$81 thousand. The increase is the result of adding funding for the leadership development academy.

## Fiscal Year 2022-23 Proposed Budget Adjustments

No budget changes were requested to the baseline personnel or OOE budgets.

### **Key Objectives for Fiscal Year 2022-23**

Covered California University will focus on the following core areas in fiscal year 2022-23:

- Continue to assess learning and development needs to provide knowledge and training services to all Covered California employees, service channels, vendors, and partners through a variety of methods, including instructor-led, virtual instructor-led and eLearning using our learning management system.
- Research, develop and publish approved policy, procedure, and technology changes in the form of task guides, talking points and Salesforce Knowledge articles for use by the department to support consumers.

In addition to its core functions and ongoing initiatives listed above, Covered California University anticipates these key new strategies in the upcoming fiscal year:

- Develop Diversity, Equity, and Inclusion training tracks for all levels of the organization.
- Lead Future of Work change management efforts to transition to a hybrid workforce including Team Charter development by division and hybrid-centered new employee welcome.
- Manager and Supervisor course development tailored to our Covered California culture and organizational needs.
- Research and determine requirements for Learning Management System upgrade, or replacement, to expand mixed reality and blended learning capabilities, integrations and improve data reporting.
- Secure funding and resources for implementation of the Enterprise Content Management system in order to automate content management workflows.

## **Executive Office**

### **Budget Unit Description**

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive Office staff are responsible for Covered California's day-to-day operations and are tasked with facilitating and supporting Covered California's employees and a broad community of individuals and groups to provide customers (including staff, the Board, stakeholders, and the public) with the direction, information, tools, and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning, and adjusting efforts to meet goals and serve consumers.

The Office of Organizational Culture, Inclusion and Engagement (OOCIE) provides leadership in the areas of workforce and succession planning, employee engagement, and diversity, equity, and inclusion to ensure Covered California is considered an employer of choice and to create and support a workforce reflective of our core values and the people we serve<sup>32</sup>.

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<sup>32</sup> The Executive Office has five exempt positions. They include the Executive Director with a monthly salary in FY 2022-23 of \$37,500, the Chief Deputy Executive Director, Operations with a monthly salary in FY 2022-23 of \$22,621, the Chief Deputy Executive Director, Program with a monthly salary in FY 2022-23 of \$28,753, the Chief Deputy Executive Director, General Counsel with a monthly salary in FY 2022-23 of \$26,791, and the Administrative Services Division Director and Deputy Chief Operations Officer with a monthly salary in FY 2022-23 of \$13,313. This information is reported in compliance with Government Code 100503, Section 2(A).

## Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	11	12	14
Personnel Expenditures	\$ 3,217,457	\$ 2,973,442	\$ 3,146,316
Other Operating Expenditures	\$ 783,600	\$ 626,500	\$ 820,500
<b>Subtotal</b>	<b>\$ 4,001,057</b>	<b>\$ 3,599,942</b>	<b>\$ 3,966,816</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 188,022	\$ 201,776	\$ 220,238
<b>Total Operating Expenditures</b>	<b>\$ 4,189,079</b>	<b>\$ 3,801,718</b>	<b>\$ 4,187,054</b>

## Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

### Adjustments to the Baseline

The Executive Office decreased their baseline budget by \$401 thousand. Personnel expenditures decreased by \$244 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures decreased by \$157 thousand. The decrease is the net effect of various reductions in consulting contracts and the addition of strategic planning funding.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Executive division requests \$366,874 in additional funding in fiscal year 2022-23 for staffing, software, and consulting hours to implement a Diversity, Equity, and Inclusion (DEI) program at Covered California and implement DEI roadmap recommendations developed by Deloitte Consulting. Two additional permanent staff requested at a cost of \$176 thousand, and \$190 thousand in consulting services are requested for fiscal year 2022-23, with further investment planned over the next three budget years. Once implemented, the initiatives within the DEI Roadmap will shape 1) how Covered California recruits, hires and retains diverse talent across the organization, 2) establish a data driven approach towards DEI decision-making, 3) embed DEI into our organizational culture, and 4) expand organizational foundations for promoting, supporting, and driving diversity, equity, and inclusion strategy and an inclusive culture.

## **Key Objectives for Fiscal Year 2022-23**

The Executive Office will focus on the following core areas in fiscal year 2022-23:

- Update our organization's Workforce and Succession Plan with the goal of ensuring internal business continuity by creating and preparing a pipeline of qualified talent to assume mission-critical positions as they are vacated.
- Prioritize diversity, equity, and inclusion in our operational practices, decision-making, and culture through the implementation of a comprehensive diversity, equity, and inclusion Strategic Roadmap.
- Promote and measure employee engagement activities to foster a workplace culture where our employees feel inspired, connected, and appreciated.

# Equal Employment Opportunity Office

## Budget Unit Description

The Equal Employment Opportunity Office is responsible for implementing, coordinating, and monitoring civil rights compliance for Covered California’s workforce and consumers. The Equal Employment Opportunity Office ensures that Covered California is compliant with federal and state laws regarding diversity, equity, and accessibility. The office also partners with other program areas to develop initiatives that increase accessibility and foster diversity. It reports on appointments, brings issues of concern regarding equal employment opportunity to the executive director, and recommends appropriate action<sup>33</sup>.

## Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
<b>Positions</b>	6	6	6
Personnel Expenditures	\$ 661,345	\$ 827,084	\$ 827,084
Other Operating Expenditures	\$ 253,000	\$ 236,700	\$ 250,980
<b>Subtotal</b>	<b>\$ 914,345</b>	<b>\$ 1,063,784</b>	<b>\$ 1,078,064</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	\$ 51,622	\$ 65,769	\$ 65,253
<b>Total Operating Expenditures</b>	<b>\$ 965,967</b>	<b>\$ 1,129,554</b>	<b>\$ 1,143,318</b>

## Highlights for Proposed Fiscal Year 2022-23 Budget and Key Changes

### Adjustments to the Baseline

The Equal Employment Opportunity Office increased their baseline budget by \$149 thousand. Personnel expenditures increased by \$165 thousand, which constituted the net effect of modifying the assumed vacancy rate, assumed benefit rate, a 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures

<sup>33</sup> The Equal Employment Opportunity Officer is an exempt position. It will have a monthly salary in FY 2022-23 of \$12,019. This information is reported in compliance with Government Code 100503, Section 2(A).

decreased by \$16 thousand. The decrease is the net effect of a contract reduction, elimination of one-time expenditures, and increased funding for travel and training.

### Fiscal Year 2022-23 Proposed Budget Adjustments

The Equal Employment Opportunity Office requests an additional \$14 thousand in funding year 1 of a 3-year contract to provide Sexual Harassment Prevention training, as required under government code 12950.1. This new material will replace the on-line Department of Fair Employment & Housing (DFEH) Sexual Harassment Prevention training for supervisors and managers with an interactive web-based training from EverFi. This would provide new material for our supervisors and managers who have previously taken the DFEH training while maintaining the flexibility of an on-demand remote platform. Additionally, the EverFi training is state-specific, so it meets California state requirements. It is updated on an ongoing basis so it would provide the most up-to-date material. Unlike other training that focus primarily on identifying problematic situations, the EverFi training focuses on attitudes and actions for prevention.

### **Key Objectives for Fiscal Year 2022-23**

The Equal Employment Opportunity Office will focus on the following core areas in fiscal year 2022-23:

- Complete a comprehensive Root Cause Analysis process to identify systemic issues.
- Revisit the use of Ombuds services internally/externally and promote awareness, understanding to leading to a collaborative culture.
- Provide high quality customer service by introducing follow-up communications and service-satisfaction surveys.

## Capital Investments

### Budget Unit Description

The Capital Investments budget unit identifies expenditures that are classified as capital assets. Capital assets for purposes of the capital investment budget unit include expenditures totaling \$5,000 or more that have a useful life greater than one-year. This includes tangible and intangible assets. For budgetary accounting, these expenditures are expensed in the year in which the expenditures are incurred. The procurement, design, construction, maintenance, and operation of capital assets, including intangible assets, are vital activities of Covered California. These investments are generally significant and are primarily related to CalHEERS and or lease hold improvements.

### Budget Unit: Multi-Year View

	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2022-23
	Approved Budget	Baseline Budget	Proposed Budget
Capital Investments - CalHEERS	\$ 16,266,027	\$ 24,773,115	\$ 24,773,115
Capital Investments - Other	\$ 8,000,000	\$ 5,226,296	\$ 5,226,296
<b>Total Investment Expenditures</b>	<b>\$ 24,266,027</b>	<b>\$ 29,999,411</b>	<b>\$ 29,999,411</b>

### Highlights for Proposed FISCAL YEAR 2022-23 Budget and Key Changes

#### Adjustments to the Baseline

Covered California continues to make investments in its future by updating and incorporating enhancements to its systems infrastructure. In fiscal year 2022-23, an \$8.5 million increase in the CalHEERS baseline budget is added to implement the Plan Choice and Assister Portal (PCAP).

PCAP replaces the current commercial-off-the shelf "Get Insured" consumer enrollment portal with a State of California owned and designed custom enrollment solution.

To ensure that Covered California's workforce effectively transitions to a hybrid model office, \$5.2 million is invested in technology infrastructure, representing a \$2.8 million reduction to the Other Capital Investments baseline.

### **Key Objectives for Fiscal Year 2022-23**

Capital Investments will focus on the following core areas in fiscal year 2022-23:

- Continue Implementation of the Plan Choice and Assister Portal (PCAP).
- Continue modifications of the CalHEERS system to ensure it remains current and effective
- Continue to design a workspace that enables Covered California's workforce to effectively transition to a hybrid model office.

### III. Fiscal Year 2021-22 Budget Highlights and Projected Year-End Results

Fiscal year 2021-22 financial results exceeded expectations, with actual/forecasted revenues exceeding budgeted totals and actual/forecasted operating expenditures coming in less than budgeted. The fiscal year 2021-22 budget projected an operating loss of \$32.5 million and a decline in net position of \$28 million. This was based on projected operating and non-operating revenues of \$399.5 million and operating and capital expenditures of \$427.6 million. Actual/forecasted operating and non-operating revenues are estimated to total \$405.6 million and operating and capital expenditures are estimated to equal \$391.7 million. This results in income from operations of \$11.2 million and an increase in net position of \$13.9 million (**Table 8**).

In fiscal year 2021-22, Covered California reached a significant milestone, enrolling nearly 1.8 million Californians into marketplace coverage. The enrollment represented a record level for the exchange. The remarkable enrollment resulted from the enhanced federal subsidies offered through the ARPA, signed into law in March of 2021. To facilitate enrollment for Californians seeking to take advantage of the subsidies, Covered California announced a special enrollment period extending from April through December 2021. In February 2022, effectuated enrollment totaled 1,738,707, representing an increase of 179,503 over the February 2021 total of 1,559,204.

Other notable events occurring in fiscal year 2021-22 included continued economic recovery and falling unemployment rates, several new waves of Covid infections, which extended the public health emergency, and rising inflation levels.

#### **Fiscal Year 2021-22 Budget Priorities**

During fiscal year 2021-22, Covered California made investments to support the increased levels of enrollment and consumer service activity that were expected to occur in response to the availability of ARPA's enhanced subsidies. In addition, Covered California:

- funded research efforts to evaluate new consumer affordability proposals,
- moved forward with the transition to a Work-From-Home, hybrid office model, and
- initiated a major technology project to replace Covered California's commercial off the shelf enrollment portal with a new, customized, State of California owned and designed enrollment portal.

The fiscal year 2021-22 budget included the following budget adjustments:

- Eliminated \$30 million in one-time marketing expenditures allocated in the fiscal year 2020-21 budget for pandemic outreach.
- Reduced enhanced funding enacted in fiscal year 2020-21 for increased customer service support from \$11.6 million to \$3.1 million.
- Recognized the end of the State Employee Personal Leave Program (PLP), which reduced employee salaries by 9.23 percent during fiscal year 2020-21.
- Left the assessment fee on qualified health plans participating in the individual market for 2022 at 3.25 percent.

The fiscal year 2021-22 budget added \$11.7 million in budget augmentations above baseline expenses. These included:

- \$3.9 million to fund the restoration of the previously negotiated 2.5 percent general salary increase suspended in July 2020.
- \$1.9 million to fund 21 new positions associated with workload increases and critical projects.
- \$3.15 million to fund additional customer service “surge” capacity.
- \$940 thousand for technical upgrades to Service Center software and systems.
- \$900 thousand to support the Health Evidence Initiative.
- \$300 thousand to upgrade security and incidence response services.

### **Projected FISCAL YEAR 2021-22 Year-End Results**

The Covered California board-approved budget for fiscal year 2021-22 was \$427.6 million, with \$403.3 million approved for operations and \$24.3 million approved for capital projects. This included 1,440 staff positions (**Table 8**).

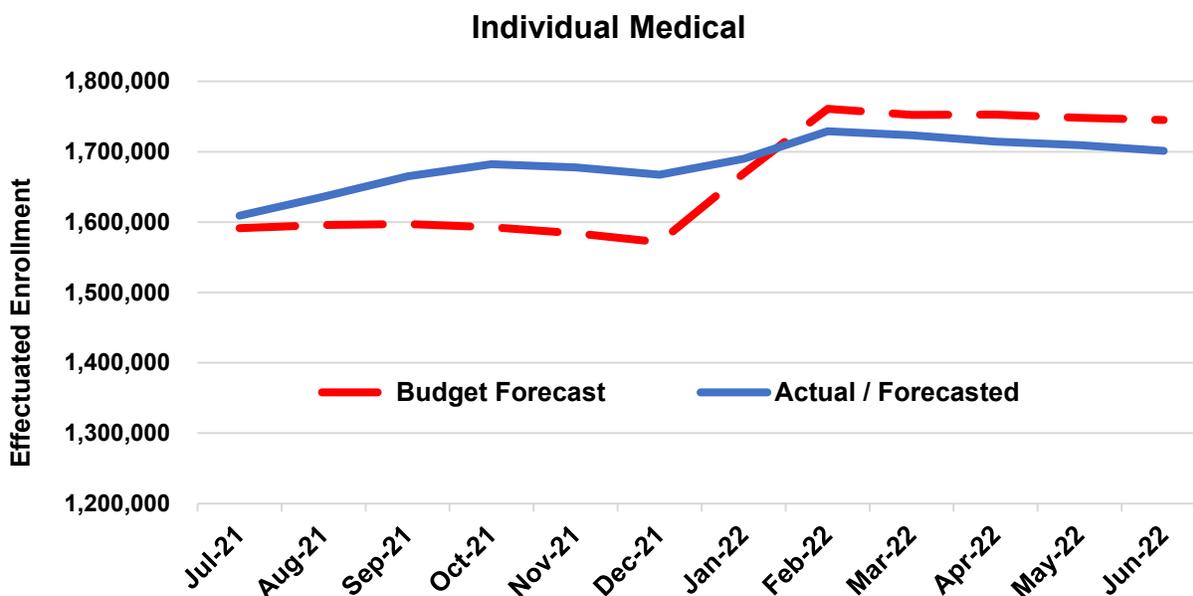
Covered California’s fiscal year 2021-22 approved comprehensive budget assumed total operating revenues of \$395.1 million, and total operating and capital expenditures of \$427.6 million, resulting in an \$32.5 million operating deficit. The budget also assumed \$4.5 million in non-operating revenue, resulting in an overall decrease in net position of \$28 million (**Table 8**).

Covered California’s forecasted financial outcome for fiscal year 2021-22, as of April 2022, now projects an overall increase in net position of \$13.9 million. The favorable budget variance in operating results is driven by higher than forecasted revenue and lower than budgeted expenditures.

Based on actual enrollment totals through March 2022, and the forecast for the remainder of the fiscal year, it is estimated that operating revenues will total \$402.9 million, which is \$7.8 million greater than budgeted. This \$7.8 million favorable operating revenue variance is driven by higher than projected enrollment and slightly higher fee revenue per-member-per month (PMPM).

Covered California realized greater than forecasted enrollment during the first six months of the 2021-22 fiscal year (**Figure 4**). The budget had anticipated that half of the expected new enrollments resulting from the ARPA subsidies would occur in 2021 and half would occur in 2022. However, the inflow of ARPA-related enrollments occurred sooner. During the first half of the fiscal year (July to December), actual enrollment was 4.2 percent greater than the levels forecasted in the budget, while in the second half of the fiscal year (January to June) enrollment is forecasted to be 1.6 percent less than originally predicted. For the full fiscal year, individual medical plan member months are estimated to exceed budgeted member months by 242,973, or 1.2 percent. PMPM fee revenue is forecasted to average \$18.66, which is \$0.09 more than the budgeted PMPM of \$18.58.

**Figure 4**  
**Individual Medical Plan Enrollment for Fiscal Year 2021-22; Budget Forecast Compared to Actual and Forecasted.**



Total individual medical plan revenues are forecasted to be \$377.9 million, 2 percent greater than the budgeted total. Individual Dental plan and Covered California for Small

Business revenues are also forecasted to exceed budget projections by \$429,213 (21 percent) and \$1,135,229 (5 percent) respectively.

Total operating and capital expenditures for fiscal year 2021-22 are projected to equal \$391.6 million, which is \$35.9 million less than the approved budget. Covered California is forecasted to recognize a favorable personnel expenditure variance of \$9.3 million. This favorable budget variance primarily results from a higher than anticipated vacancy rate. While the budget assumed a vacancy rate of 5.8 percent, the actual vacancy rate hovered near ten percent throughout the fiscal year. In addition, the benefit rate used to budget personnel was slightly higher than the actual (58% vs. 55.5%). The fiscal year 2020-21 personnel expenditure estimate also included the \$260 per month Healthcare Cash Payment (HCP), negotiated between the State and SEIU. This amount was included in the budget, but the HCP was subsequently eliminated.

Other Operating Expenditures (OOE) are also forecasted to reflect a favorable budget variance of \$22.2 million (or 9.9 percent less than budgeted). This favorable budget variance aligns with past trends, where actual expenditures do not align with budgeted expenditures. This represents the fourth year in a row where the favorable budget variance in the OOE category exceeded \$20 million.

As noted, budgeted capital expenditures for fiscal year 2021-22 included \$16.3 million for Covered California's share of improvements to the CalHEERS system and \$8 million for expenditures related to the transition to a work-from home / hybrid office model. Combined, the capital investments totaled \$24.3 million. The forecasted capital expenditures for fiscal year 2021-22 are projected to total \$18.8 million, which is \$5.5 million less than budgeted. The favorable budget variance is primarily driven by scheduling delays in implementing a portion of the CalHEERS upgrades, as well as supply chain-related shipping delays of new office equipment.

The budget had projected non-operating revenue from interest earned from the Surplus Money Investment Fund (SMIF) to be \$4.5 million. This forecast was based on an expectation that interest rates would rise throughout the fiscal year in tandem with an improving economy. However, as the Federal Reserve continued to keep interest rates low and has only recently moved to raise them; therefore, we now project only \$976 thousand in non-operating revenue.

Overall, Covered California's budgetary net position is forecasted to increase by \$13.4 million, \$41.9 million greater than the budgeted decrease in net position of \$28 million (**Table 8**).

**Table 8**  
**Statement of Revenues, Expenditures, and Changes in Net Position, FISCAL**  
**YEAR 2021-22**

	FY 2021-22 Approved Budget	FY 2021-22 Actual/Forecasted	Variance
<b>Operating Revenues</b>			
Individual Market (Med. & Dental)	\$ 372,862,785	\$ 379,542,514	\$ 6,679,729
CCSB (Medi. & Dental)	\$ 22,217,771	\$ 23,353,000	\$ 1,135,229
<b>Total Operating Revenue</b>	<b>\$ 395,080,556</b>	<b>\$ 402,895,514</b>	<b>\$ 7,814,958</b>
<b>Operating Expenditures</b>			
Personnel Expenditures	162,074,821	152,723,180	\$ 9,351,641
Other Operating Expenditures	223,176,824	200,896,308	\$ 22,280,516
<b>Subtotal</b>	<b>\$ 385,251,645</b>	<b>\$ 353,619,488</b>	<b>\$ 31,632,157</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	18,069,532	19,262,677	\$ (1,193,145)
<b>Total Operating Expenditures</b>	<b>\$ 403,321,177</b>	<b>\$ 372,882,165</b>	<b>\$ 30,439,012</b>
<b>Capital Investments</b>			
CalHEERs	\$ 16,266,027	\$ 14,266,027	2,000,000
Other	\$ 8,000,000	\$ 4,500,000	3,500,000
<b>Total - Capital Project Expenditures</b>	<b>\$ 24,266,027</b>	<b>\$ 18,766,027</b>	<b>\$ 5,500,000</b>
<b>Total Operating &amp; Capital Expenditures</b>	<b>\$ 427,587,204</b>	<b>\$ 391,648,192</b>	<b>\$ 35,939,012</b>
<b>Income/(Loss) From Operations</b>	<b>\$ (32,506,648)</b>	<b>\$ 11,247,322</b>	<b>\$ 43,753,970</b>
<b>Non-Operating Income</b>	<b>\$ 4,500,000</b>	<b>\$ 2,675,815</b>	<b>\$ (1,824,185)</b>
<b>Change in Net Position</b>	<b>\$ (28,006,648)</b>	<b>\$ 13,923,137</b>	<b>\$ 41,929,785</b>

## IV. Enrollment and Revenue Forecast

### Introduction

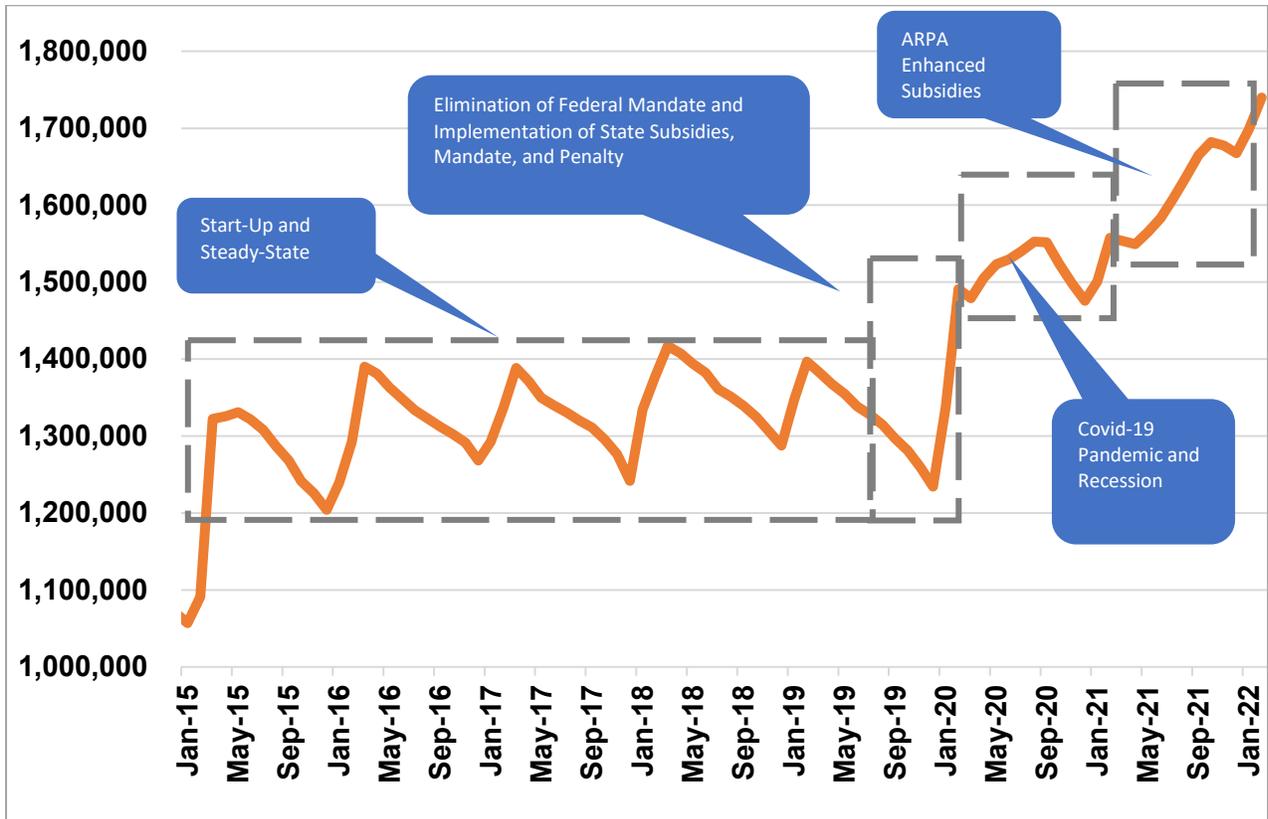
Chapter four provides Covered California’s enrollment and revenue projections. It describes the forecasting strategy and includes a discussion of major assumptions incorporated into the models. We discuss three alternate enrollment scenarios based on different outcomes related to the ARPA extension and future economic trends and provide multi-year enrollment estimates for each scenario. These correspond to High, Base, and Low forecasts. We discuss the changes in premium growth that we anticipate in the current economic environment, the drivers of premium growth, and why premium growth may vary depending on whether ARPA is extended or expires. Finally, we provide revenue estimates from the individual medical, individual dental, and Covered California for Small Business lines of operation under each of the three scenarios or forecasts.

Covered California’s historical enrollment trajectory has followed four distinct periods between the program’s inception in 2014 and the present: a start-up and steady-state phase; a phase characterized by the elimination of the federal mandate and implementation of state subsidies as well as a state mandate and penalty; the COVID-19 pandemic phase; and a phase characterized by enhanced subsidies under the ARPA. These periods have each reflected strong annual open enrollment gains as well as policy changes that have incentivized marketplace enrollment.

The last three years have been particularly eventful for Covered California. The post-pandemic events that occurred during 2020 and 2021 presented both unprecedented challenges and opportunities. The COVID-19 pandemic raised Covered California’s enrollment to a new normal, a level of enrollment that was not observed during the first six years of the program’s history (**Figure 5**).

From a forecasting perspective, the past two fiscal years have been especially challenging. Major policy changes such as the introduction of the first state health care mandate, marketplace subsidies and tax penalty, followed by a once-in-a-century pandemic, and the American Rescue Plan’s major enhancements to federal premium tax credits all had to be incorporated into the prior forecasts. As we approach fiscal year 2022-23, we are once again facing a challenging forecasting environment with extreme uncertainty. The unwinding of the public health emergency, inflationary pressures, uncertainty over the fate of APRA’s enhanced subsidies, potential risk pool changes, and health care cost trends all present complicating factors to be considered while developing fiscal year 2022-23 projections.

**Figure 5**  
**Covered California Effectuated Enrollment Since Inception**



## Forecasting Strategy

Covered California’s enrollment projection incorporates different policy assumptions, each layered onto a base statistical time-series forecast and used to develop final forecasts for various possible scenarios. The forecasting strategy relies on historical data to predict future values using time-series forecasting models.

## Historical Covered California Enrollment Trends

The recurring seasonal properties of Covered California’s historical enrollment trends make time-series models appropriate for forecasting future enrollment. Covered California’s enrollment trend was largely stable between 2015 and 2019. The enrollment trend displayed a regular seasonal pattern, with a peak after each open enrollment period and a steady decline afterward throughout the year. After open enrollment, the

outflows exceed the inflows, resulting in a negative trend. Absent a special enrollment period, individuals may only enroll if they have a qualifying life event.<sup>34</sup>

Covered California established extended special enrollment periods (SEPs) in 2020 and 2021 in response to the pandemic and the ARPA enhanced subsidies, respectively.

These periods resulted in an enrollment pattern that differed from the normal saw-tooth enrollment pattern observed between 2015 and 2019, with a much greater proportion of new enrollments occurring mid-year during the 2020 and 2021 SEPs and a smaller proportion occurring later during the 2021 and 2022 open enrollment periods, compared to previous years.

Plan selections and effectuations during the 2022 open enrollment were comparable to expectations, while the December 2021 termination rate was lower than expected as the ARPA enhanced subsidies contributed to greater renewals. These factors have produced sustained high enrollment going into fiscal year 2022-23. Unless there is some unexpected policy or economic change, the qualifying life event requirement will be in effect throughout Plan Year 2022. As a result, enrollment is expected to steadily decline throughout 2022 until the open enrollment coverage begins in January 2023.

### **Base Time-Series Model**

For the fiscal year 2022-2023 individual enrollment forecast, Covered California has employed a time-series forecasting methodology. This methodology captures long-term increases or decreases in enrollment, known seasonal patterns, and fluctuations due to policy, economic, and labor market conditions, especially those that effect subsidy amounts. The overarching goal of time-series forecasting is to predict future enrollment as accurately as possible, using historical enrollment data and knowledge of future events. Time-series models range from simple time trend, exponential smoothing, or autocorrelation models to highly sophisticated models such as the Auto-Regressive Integrated Moving Average (ARIMA) model. The ARIMA model factors in the historical trends, seasonal patterns, and cyclical or stable enrollment trend in available data to forecast future values of a time series. The ARIMA models are non-structural, data-driven models, and assume the continuation of policies and other factors that contribute to enrollment. Covered California conducted comprehensive data preparation and exploration to determine which time-series model specification would be best suited to predict future enrollment as accurately as possible.

Model-building involved examining ARIMA diagnostic statistics to determine whether future values in the series can be predicted based on prior values and exploring goodness-of-fit statistics as part of testing multiple model specifications with varied combinations of autoregressive and moving-average terms. Covered California carefully examined goodness-of-fit statistics that included the Mean Absolute Percent Error (MAPE) and Akaike Information Criterion (AIC), which measure model accuracy and determine which model best fits the data. For the fiscal year 2022-2023 forecast,

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<sup>34</sup> Individuals must cite a qualifying life event to enroll for coverage outside of the open enrollment period. Examples of a life event include loss of coverage, for example due to job loss, change of residence, family or age changes leading to loss of coverage, or changes in income.

Covered California has determined that an ARIMA specification with 12-month seasonality, one autoregressive term, and one moving-average term best balances parsimony and model fit.

Covered California validated the ARIMA model by predicting actual enrollment values. The monthly predicted enrollment output that the ARIMA model produced is the Base Model output, which is adjusted for policy and economic changes as noted in the next section.

Based on the time-series predicted monthly enrollment values, Covered California calculates the monthly effectuations, terminations, and plan selections using seasonal historical average patterns. A full base forecast contains both the predicted enrollment values and the enrollment/disenrollment pattern that would be implied by the enrollment values. Covered California adopts a rolling forecast process, through which the approved budget forecast is adjusted to incorporate new enrollment data and reflect the impact of any unexpected policy shifts or abrupt labor market changes. As such, the forecasted enrollment values are updated monthly.

### **Impact of Policy and Economic Changes**

In the second stage of the forecasting process, Covered California incorporates the potential impact of upcoming policy changes or program modifications. Forecasting the effect of policy and economic changes involves using internal and external research to estimate the number of individuals who may be eligible to enroll in Covered California because of the policy change or program modification, and then estimating the number of individuals within that universe willing or likely to enroll in, or disenroll from, a Covered California health plan. These estimates are applied to predicted values from the ARIMA model. There are three central types of adjustments made in the forecast, as discussed below.

#### *Availability of Federal and State Subsidy Funds*

As noted, the item with the greatest influence over the enrollment trend is action by Congress to either extend ARPA's enhanced subsidies beyond 2022 or allow them to expire at the end of the year. In early 2021, prior to the availability of ARPA's enhanced subsidies, Covered California applied a set of "willingness to pay" assumptions to estimate the *take-up rate* or percentage of additional subsidy eligible uninsured individuals who were likely to enroll, based on their individual contribution towards their monthly premium. Willingness-to-pay refers to the maximum price at or below which a consumer will buy a product or a service. In the context of demand for health care services, willingness to pay focuses on the valuation of benefits by consumers and their maximum willingness to pay for it. The "willingness to pay" estimates were derived from a published article by Finkelstein and colleagues.<sup>35</sup>

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<sup>35</sup> Finkelstein, Amy, Nathaniel Hendren, and Mark Shepard. 2019. "Subsidizing Health Insurance for Low-Income Adults: Evidence from Massachusetts." *American Economic Review*, 109 (4): 1530-67. URL: <https://www.aeaweb.org/articles?id=10.1257/aer.20171455>

To estimate the loss of enrollment following the possible expiration of ARPA’s enhanced subsidies, Covered California reversed the process using the dollar increase in individual contribution towards their monthly premium for each existing enrollee, Covered California applied the “willingness to pay” assumptions to estimate the percentage of existing enrollees who would remain enrolled despite the considerable increase in individual contribution towards their premiums resulting from the expiration of the ARPA subsidies.

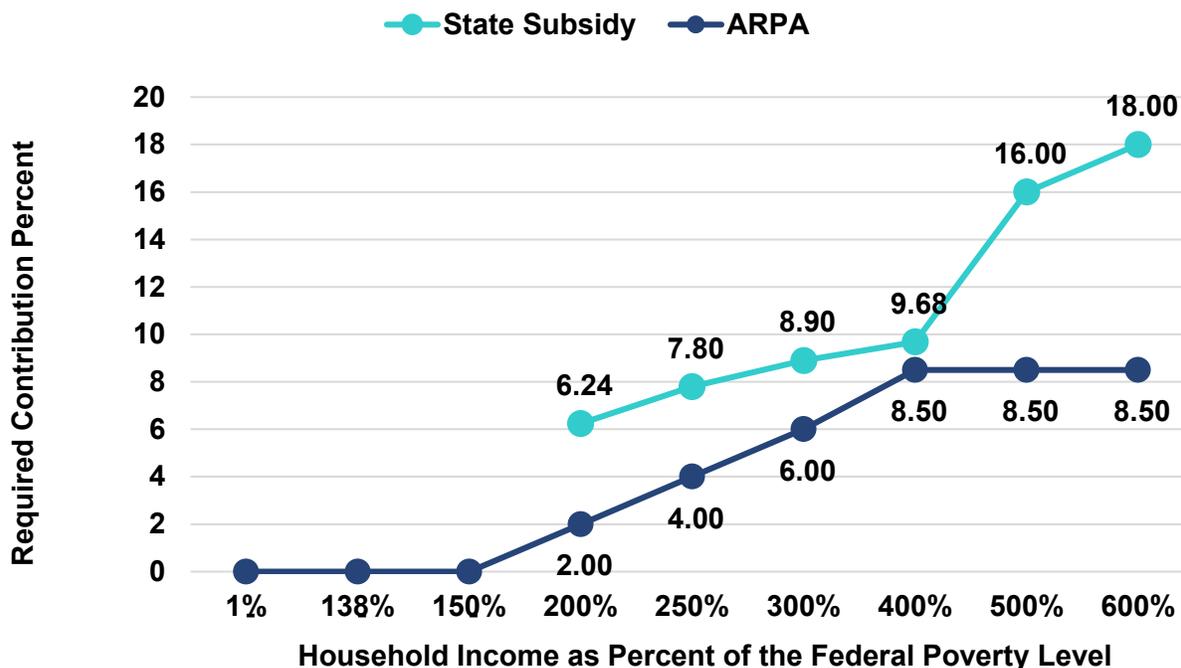
The current estimates of disenrollment following the expiration of the ARPA subsidies are based on a subpopulation of enrollees who first signed up for coverage after April 12, 2021, who remained enrolled in the February 2022 member month and who were receiving a subsidy. These estimates also utilized the willingness-to-pay results of the Finkelstein study, which found that insurance take-up declined by about 25 percent for each \$40 increase in premiums among new enrollees. Projected increases in the average net premium were estimated by household income as a percent of FPL, so the disenrollment estimates accounts for the differential impact of cost increases for lower-income individuals.

Applying this methodology, Covered California used its own administrative data and the Federal Department of Health and Human Services’ Office of the Assistant Secretary for Planning, and Evaluation (ASPE) projections released on March 23<sup>36</sup> to estimate that between 153,000 and 246,000 current enrollees could disenroll if ARPA subsidies expire, even if a state subsidy program is reinstated (**Figure 6**). The exact disenrollment number depends on several factors, including but not limited to the extent of inflation and its impact on lower-income individuals. The decrease in enrollment will be less in fiscal year 2022-23, and greater in the next two fiscal years. This is because the decreases would occur during the second half of the FISCAL YEAR 2022-23.

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<sup>36</sup> Projected Coverage and Subsidy Impacts If the American Rescue Plan’s Marketplace Provisions Sunset in 2023, Table 1, D. Keith Branham, Christine Eibner, Federico Giroso, Jodi Liu, Kenneth Finegold, Christie Peters, and Benjamin D. Sommers, March 23,2022

**Figure 6: Maximum Household Income to be Spent on Second Lowest Cost Silver Plan**



Note: Figure 6 displays state subsidy curve from the California premium assistance program introduced in January 2020. A restored state subsidy program may utilize different income-based contribution requirements.

## Impact of the Expiration of the Public Health Emergency

### *Medi-Cal Inflows*

Prior to the announcement of the public health emergency roughly 5,000 individuals a month transitioned from the Medi-Cal program to Covered California.<sup>37</sup> These include individuals with seasonal employment whose income fluctuates throughout the year, as well as others with incomes above the 138 percent of federal poverty level threshold for Medicaid, but without access to employer-sponsored insurance. Under normal circumstances, states are required to review Medicaid eligibility annually. However, during the pandemic, the federal Families First Coronavirus Response Act suspended Medicaid redeterminations for the duration of the Public Health Emergency and inflows from Medi-Cal to Covered California were substantially reduced. Medi-Cal redeterminations are expected to resume in October 2022, and inflows from Medi-Cal are anticipated to increase relative to inflows during the pandemic.

Beginning in November 2022, approximately one-third of the overall flows from Medi-Cal will be comprised of enrollment gains under SB 260, (“Automatic Health Care

<sup>37</sup> New effectuations after the implementation of the SB 260 auto-plan-selection policy are projected to be higher than in the 2019 reference period. Senate Bill No. 260, Chapter 845. URL: [https://leginfo.ca.gov/faces/billTextClient.xhtml?bill\\_id=201920200SB260](https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200SB260)

Coverage Enrollment”) which requires automatic enrollment of individuals transitioning from Medi-Cal onto Covered California plans. Affirmative consent from the enrollee is necessary for the automatic plan selection to effectuate coverage, which may reduce the expected enrollment from SB 260. The theoretical premise underlying SB 260 is that a substantial portion of those transitioning out of Medi-Cal were eligible for large subsidies and yet do not effectuate in Covered California because of real or perceived impediments in transitioning between the two benefit programs. By auto-enrolling individuals losing Medi-Cal coverage, it is hoped that those who did not previously choose to effectuate will consent to being effectuated when the net premium is nominal.

Covered California used administrative data from 2018 to estimate the volume when redeterminations resume. The volume of additional Medi-Cal inflows is estimated to be roughly 15,800 effectuations monthly, assuming that ARPA level of subsidies are available for the entirety of the forecast period. If ARPA is not renewed, inflows are projected to decrease because take-up rates will be lower when subsidies are reduced.

During the pause in redeterminations starting in March 2020, the Medi-Cal population increased from 12.5 million to 14.2 million as of December 2021 and it is projected to rise to 14.9 million by October 2022. If the Public Health Emergency ends as expected around mid-July 2022, the Department of Health Care Services (DHCS) projects that Medi-Cal enrollment will be negatively affected beginning in the November 2022 month of eligibility. The DHCS Fiscal Forecasting Division projects that during a 12-month back log clearing process (between November 2022 and October 2023), that about 163,000 Medi-Cal beneficiaries each month will become ineligible for Medi-Cal and likely be seeking other forms of health care coverage, including enrolling with Covered California, and normal volumes of redetermination will resume in November 2023.

Covered California used DHCS internal projections and published estimates from the Urban Institute<sup>38</sup> to estimate the number of subsidy-eligible individuals who will lose Medi-Cal coverage and be auto-enrolled during the 12-month PHE redetermination period. Of the estimated 163,000 individuals leaving Medi-Cal each month, 80.7 percent (or 131,526) may be potentially eligible for Covered California before considering income. Based on research by the Urban Institute, 27.5 percent of these would be eligible for marketplace subsidies and have incomes up to 400 percent of FPL and be eligible for ACA subsidies, and 5.9 percent would have incomes over 400 percent of FPL and be eligible for subsidies under the ARPA. In the case of California restoring state subsidies for individuals over 400 percent of FPL, most of the additional 5.9 percent would be eligible for state subsidies instead.

Based on this methodology, about 15,812 monthly effectuations between November 2022 and October 2023, seasonally adjusted, are expected if ARPA subsidies remain in force, falling to 13,293 monthly effectuations under 2020 state subsidy parameters with a sustained macroeconomic recovery, and 9,453 monthly effectuations under state

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<sup>38</sup> What Will Happen to Unprecedented High Medicaid Enrollment after the Public Health Emergency? Matthew Buettgens, Andrew Green, The Urban Institutes, September 2021. URL: [What Will Happen to Unprecedented High Medicaid Enrollment After the Public Health Emergency - RWJF](#)

subsidy parameters with a harsher macroeconomic environment characterized by persistent high inflation.

Thereafter, monthly inflows from Medi-Cal should return to normal, and Covered California uses 2018 administrative data to estimate the volume under a normal redetermination process. New effectuations, however, would be higher than in the 2018 reference period, due to the SB 260 auto-plan-selection policy. Going forward, the monthly enrollment from Medi-Cal beginning in November 2023 is forecasted to be around 9,979 if ARPA subsidies remain available, 8,380 if ARPA enhanced subsidies expire and state subsidies are reinstated with a sustained macroeconomic recovery, and 6,873 if ARPA enhanced subsidies expire and state subsidies are reinstated with a harsher macroeconomic environment.

### **Impact of Economic and Labor Market Changes**

Changes in the business cycle ripple through the labor market and may result in movement of individuals from one source of health care coverage to another. For Covered California, these transitions may result in enrollment inflows by certain groups and enrollment outflows by other groups. During stable economic times, individuals transition between Covered California, Medi-Cal, Employer Sponsored Insurance (ESI), the individual market off the exchange, and even may become uninsured for a time.

During economic shocks, Covered California performs as a safety net, providing coverage to individuals when they lose ESI coverage. As the job market changes in response to economic slowdowns, individuals may lose jobs that provide their health care coverage. During the economic recovery period there may be a net outflow to ESI, individuals will return to work and regain employer-based coverage.

According to the Employment Development Department, California's unemployment rate was 4.9 percent as of March 2022 and 90 percent of jobs lost during March and April of 2020 had been regained.<sup>39</sup> While Covered California experienced a net inflow of enrollees transitioning from employer sponsored insurance in 2020 as unemployment levels spiked, we now expect inflows to return to the pre-pandemic levels.

Scenarios 1 and 2 assume a continuation of the current economic recovery and they adopt the California Department of Finance (DOF) November 2021 forecast of quarterly California unemployment rate as the economic backdrop. High-quality forecasts of the California economy (e.g., DOF and UCLA Anderson School) mostly concur in their quarterly estimates of California unemployment, with differences of no more than 0.2 percentage points. Under these economic forecasts, inflows and outflows between Covered California and employer-sponsored insurance return to the levels from prior to the pandemic.

Scenario 3 assumes a harsher economic environment in which persistently high rates of inflation create financial distress for low-income consumers, causing a greater number to terminate coverage in the face of rising individual contributions towards premiums. Most economists consider inflation highly regressive, falling hardest on low-income

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<sup>39</sup> [https://edd.ca.gov/en/about\\_edd/news\\_releases\\_and\\_announcements/unemployment-march-2022/](https://edd.ca.gov/en/about_edd/news_releases_and_announcements/unemployment-march-2022/)

people<sup>40</sup>. Financial prognosticators are divided as to whether the recent high levels of inflation represent a peak and will soon fall, or whether tight labor markets, supply chain disruptions, and commodity shortages will result in inflation remaining high over a longer period. Scenario 3 assumes the latter and begins with the estimate from a recently released paper from the HHS Assistant Secretary for Planning and Evaluation (ASPE)<sup>41</sup> of 361,000 individuals in California losing individual coverage and becoming uninsured if ARPA’s subsidies are not renewed. However, because that estimate does not take into account the restoration of the California state subsidy, which will partially mitigate the loss of enrollment, the forecast reduces it by the estimated number of individuals who will retain enrollment due to the state subsidies.

### Individual Medical Enrollment Forecast

As noted, Covered California developed enrollment forecasts based on three scenarios reflecting potential policy and economic outcomes. The assumptions incorporated into each scenario are summarized in **Table 9**.

**Table 9**  
**Summary of Enrollment Assumptions Under Three Possible Scenarios**

Factor	Scenario 1	Scenario 2	Scenario 3
<b>ARPA Enhanced Subsidies</b>	ARPA subsidies will be extended beyond 2022. This scenario assumes that ARPA-incentivized enrollment will retain coverage. Enrollment continues at the higher trend.	ARPA subsidies will not be extended, but California’s legislature restores a State Subsidy program and provides funding through FY 2024-25. Enrollment losses materialize, resulting in roughly 153,000 exits.	ARPA subsidies will not be extended, but California’s legislature restores a State Subsidy program and provides funding through FY 2024-25. This scenario leverages a higher disenrollment estimate based on projections derived from the ASPE and adjusted to reflect the restoration of the state subsidy. Enrollment losses materialize, resulting in roughly 246,000 exits.
<b>Macroeconomic Environment</b>	Assumes continued recovery, and labor market stabilizes to pre-pandemic levels.	Assumes continued recovery, and labor market stabilizes to pre-pandemic levels.	Assumes a harsher macroeconomic environment, characterized by persistent high inflation, and greater financial stress for lower-income Californians.
<b>Medi-Cal Flows/PHE</b>	Assumes that the public health emergency will be lifted in July 2022, and that Medi-Cal redeterminations will resume in October 2022. Under scenario 1, the take-up by individuals leaving Medi-Cal and eligible for marketplace coverage is expected to be higher due to the availability	Assumes that the public health emergency will be lifted in July 2022 and that Medi-Cal redeterminations will resume in October 2022. However, under this scenario, it is assumed that inflows from Medi-Cal to Covered California are somewhat lower relative to scenario 1, reflecting a lower willingness to pay	Assumes that the public health emergency will be lifted in July 2022 and that Medi-Cal redeterminations will resume in October 2022. However, under this scenario, it is assumed that inflows from Medi-Cal to Covered California are somewhat lower relative to scenarios 1 and 2, reflecting a lower willingness to pay higher individual

<sup>40</sup> The Widely Carried Pain of Inflation, Federal Reserve Bank of Minneapolis, February 16,2022.

<sup>41</sup> Projected Coverage and Subsidy Impacts If the American Rescue Plan’s Marketplace Provisions Sunset in 2023, Table 1, D. Keith Branham, Christine Eibner, Federico Giroso, Jodi Liu, Kenneth Finegold, Christie Peters, and Benjamin D. Sommers, March 23,2022

Factor	Scenario 1	Scenario 2	Scenario 3
	of generous ARPA subsidies that significantly benefit individuals in lower-income groups.	higher individual contributions toward premiums. Terminations in response to higher individual contributions are expected to be heavier among younger, healthier enrollees, altering the case-mix and resulting in a slightly older and more expensive population.	contributions toward premiums, which is exacerbated by acute financial pressures on individuals in lower-income cohorts. As in scenario 2, terminations in response to higher individual contributions are expected to be heavier among younger, healthier enrollees, altering the case-mix and resulting in an older and more expensive population.
<b>Premium Growth Y-O-Y</b>	Increases in the average premiums are more modest than scenarios 1 and 2.	Increases in the average premiums under scenario 2 are higher than under scenario 1 in 2024, and 2025. This is driven by expectations that the risk mix will be modified due to enrollment losses.	Increases in the average premiums under scenario 3 are higher than under scenarios 1 and 2 in 2024, and 2025. This is driven by assumptions that the risk mix will be modified by enrollment losses, and inflationary pressures will impact willingness to pay decisions.
<b>Enrollment Forecast</b>	Average monthly enrollment in FY 2022-23 is forecast to be 1,711,296. After that enrollment settles to a new normal with monthly average covered lives in the 1.7 million range for FY 2022-23, through 2023-24, and 2024-25.	Average monthly enrollment in FY 2022-23 is forecast to be 1,630,293, a decrease of 81,003 compared to scenario 1. Under this scenario, the number of covered lives falls back into the level that followed the implementation of the California state marketplace subsidy, with average monthly enrollment in the 1.5 to 1.6 million range for FY 2022-23, through 2023-24, and 2024-25.	The number of covered lives falls back into the level that preceded the implementation of the California state marketplace subsidy. Average monthly enrollment in FY 2022-23 is forecast to be 1,576,377, a decrease of 134,919 compared to scenario 1. Average monthly enrollment drops to the 1.4 to 1.5 million range for FY 2022-23, 2023-24, and 2024-25.
<b>ESI Flows</b>	Inflows and outflows from and to ESI are expected to return to normal rates. The labor market is not projected to materially alter the flow rate of individuals transitioning between jobs and the state of unemployment	Inflows and outflows from and to ESI are expected to return to normal rates in the near term. The labor market is not projected to materially alter enrollment. However, the higher cost faced by those leaving ESI will deter some from enrolling based on the elastic nature of health insurance in which a higher price means lower consumption.	Inflows and outflows from and to ESI are expected to return to normal rates in the near term. The labor market is not projected to materially alter enrollment. However, the higher cost faced by those leaving ESI will deter some from enrolling (notion of elastic nature of health insurance, higher price means lower consumption). In this case, the willingness to pay and elastic nature will result in slightly lower take-up rates. Individuals will face high inflation and possibly higher insurance costs net of subsidies.
<b>Assessment Fee</b>	3.25 percent of gross premium	3.25 percent of gross premium	3.25 percent of gross premium

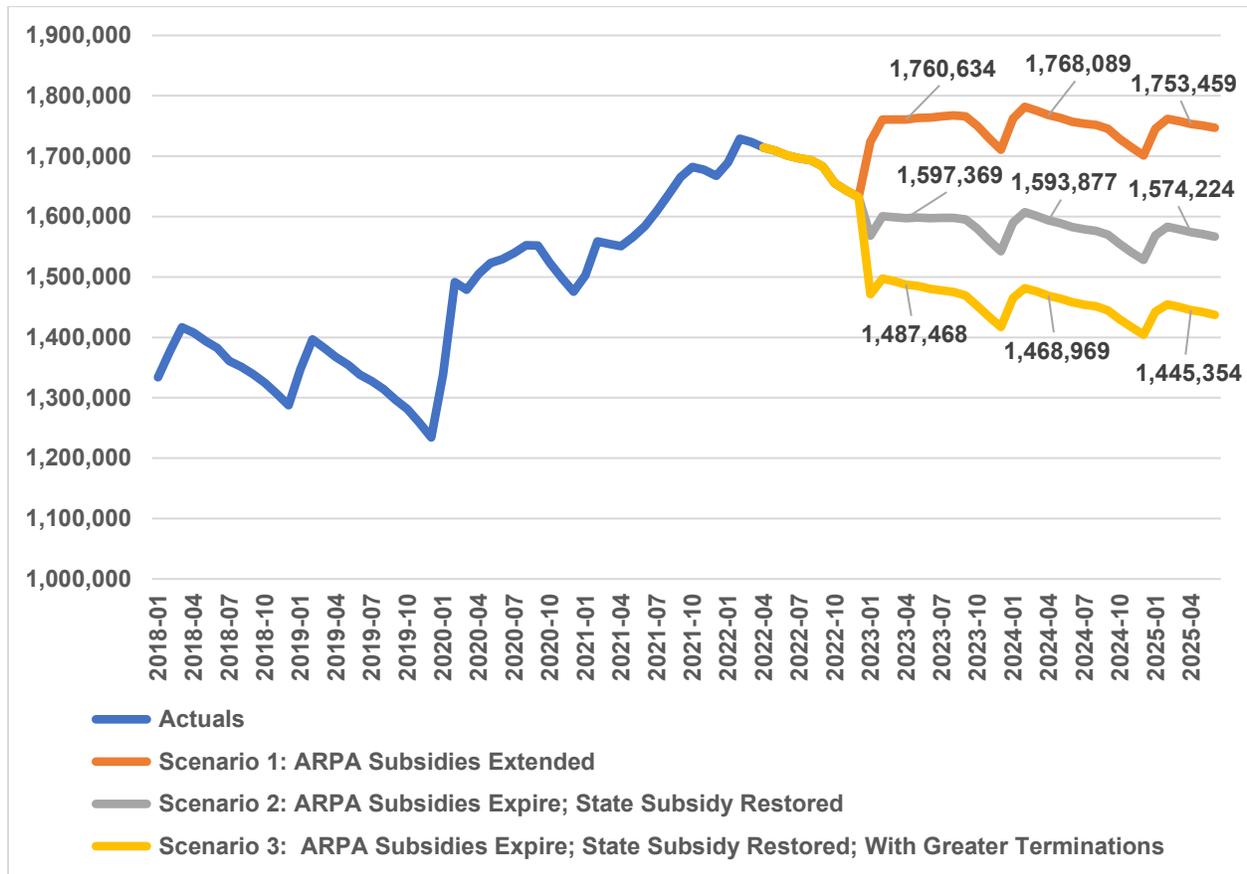
In 2020, because of the pandemic-induced recession, Covered California experienced an inflow of roughly 130,000 additional enrollees comprised of middle-income

consumers taking advantage of the State Subsidies available for the first time, lower-income consumers complying with the state insurance mandate and penalty, and uninsured workers seeking coverage in a time of medical uncertainty. However, Covered California also experienced net outflows to Medi-Cal and the ranks of the uninsured. Inflows from Medi-Cal to Covered California, typically more than 70,000 annually, were substantially reduced after Medi-Cal redeterminations were suspended due to the pandemic. In fiscal year 2021-22, with the availability of generous ARPA subsidies, Covered California enrollment reached an all-time high of 1.7 million, with more enrollees than ever paying essentially no premium.

With the looming expiration of ARPA subsidies beginning in 2023, and the expected resumption of Medi-Cal redeterminations in October 2022, the direction of enrollment inflows and outflows appear to be set to revert to pre-pandemic levels, although the velocity and timing of such a reversal is uncertain and dependent on the strength of replacement subsidies and other potential policy supports.

Considering the uncertainty regarding the size and shape of the subsidy package in Plan Year 2023 and beyond, Covered California produced three enrollment forecast scenarios based on the availability of federal or state subsidies. Scenarios 2 and 3 model enrollment and revenue assume that the ARPA subsidies will not be renewed and that the California legislature restores the state subsidy. Specifically, Scenario 2 assumes that the 2021 state subsidy program design is reinstated beginning on January 1, 2023, but there will be comparatively lower levels of disenrollment as inflation subsides and more favorable economic conditions prevail. Scenario 1 assumes that ARPA-level subsidies will continue through the end of the forecast period. Finally, Scenario 3 assumes that Congress will not renew ARPA and there are higher levels of disenrollment due to higher levels of inflation that disproportionately affect individuals in lower income groups. Forecasted enrollment is depicted in **Figure 7**.

**Figure 7**  
**Trend in Enrollment with Forecasted Levels for Scenarios 1, 2, and 3; FY 2018-19**  
**Through FY 2024-25**



Note: Data labels refer to the April member months.

### Scenario 1—High: ARPA's Enhanced Subsidies Extended

In Scenario 1, Covered California enrollment settles to a new normal with monthly average enrollment in the 1.7 million to 1.8 million range for each of fiscal year 2022-23, 2023-24, and 2024-25. Covered California projects an average monthly enrollment of 1,711,296 in fiscal year 2022-2023, which would be 1.6 percent greater than the 1,683,669 forecasted for fiscal year 2021-22 (Table 10).

Scenario 1 assumes that Congress passes legislation to extend ARPA's enhanced subsidies beyond 2022. Additionally, it assumes that the public health emergency will be lifted in July 2022, and that Medi-Cal redeterminations will resume in October 2022. It is estimated that the Medi-Cal population will have grown to just under 14.9 million by that time, up from 12.5 million in March 2020. As a result, inflows from Medi-Cal to Covered California are expected to be heavier than prior to the pandemic as the Department of Health Care Services conducts its redeterminations and works off the backlog of the 2.9 million beneficiaries that would have been added to the Medi-Cal population since March 2020. Under scenario 1, the take-up by individuals leaving Medi-Cal and eligible for marketplace coverage is expected to be higher due to the

availability of generous ARPA subsidies that significantly benefit individuals in lower-income groups.

Covered California prepared the forecast assuming continuation of the favorable labor market trends and economic recovery from the pandemic, based on the latest publicly available forecast of unemployment rates estimated by the California Department of Finance.

### **Scenario 2—Base: ARPA's Enhanced Subsidies Not Extended, But 2020 Level State Subsidies Restored**

Scenario 2 assumes that ARPA's enhanced federal subsidies are not extended, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 through April 2021, when ARPA's subsidies were made available. In Scenario 2, Covered California returns to enrollment levels reflecting the 2020 California Premium Subsidy program but without ARPA-related enrollment gains. In this scenario, ARPA-related disenrollment is projected to be roughly 153,000, with monthly average enrollment in the 1.5 million to 1.6 million range for each of fiscal year 2022-23, 2023-24, and 2024-25. If State Subsidies are available in accordance with the previous program design, Covered California projects an average monthly enrollment of 1,630,293 in fiscal year 2022-23, which would be 3.2 percent less than the 1,683,669 forecasted for fiscal year 2021-22 (**Table 10**). Average monthly enrollment would fall further in fiscal year 2023-24 and fiscal year 2024-25 to an estimated 1,586,564 and 1,566,035 respectively.

As with Scenario 1, Scenario 2 assumes that the public health emergency will be lifted in July 2022 and that Medi-Cal redeterminations will resume in October 2022. However, under this scenario, it is assumed that inflows from Medi-Cal to Covered California are somewhat lower relative to scenario 1, reflecting a lower willingness to pay higher individual contributions due to relatively less generous level of assistance provided by the state subsidy program compared to the ARPA subsidies.

Terminations in response to higher individual contributions are expected to be heavier among younger, healthier enrollees, altering the case-mix and resulting in a somewhat older population. Consequently, estimates of increases in the average premiums under scenario 2 are higher than under scenario 1 in 2024, and 2025.

### **Scenario 3—Low: ARPA's Enhanced Subsidies Not Extended; More Disenrollment**

In Scenario 3, Covered California projects an average monthly enrollment of 1,576,377 in fiscal year 2022-2023, which would be 6.4 percent less than the 1,683,669 forecasted for fiscal year 2021-2022 (**Table 10**).

Scenario 3, like scenario 2, assumes that ARPA's enhanced federal subsidies are not extended, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 through April 2021, when ARPA's subsidies were made available. However, Scenario 3 assumes that the impact of the American Rescue Plan's expiration at the end of Plan Year 2022 is of a magnitude

comparable to that projected by the Federal Department of Health and Human Services' Office of the Assistant Secretary for Planning and Evaluation (ASPE) on March 23, 2022. With a likely State Subsidy program backfill, Covered California analyses indicate that 115,000 of the 361,000 ASPE-projected terminations may be averted. In this scenario, ARPA-related disenrollment is projected to be roughly 246,000. This disenrollment calculation reflects the possibility of a harsher macroeconomic environment, characterized by persistent high inflation, and greater levels of financial stress for lower-income Californians, battered by rising prices for housing, food, and fuel. Under this scenario, the number of covered lives falls back into the level that preceded the implementation of the California state marketplace subsidy, with average monthly enrollment in the 1.4 to 1.5 million range for fiscal years 2022-23, 2023-24, and 2024-25.

As with Scenario 1, Scenario 3 assumes that the public health emergency will be lifted in July 2022 and that Medi-Cal redeterminations will resume in October 2022. However, under this scenario, it is assumed that inflows from Medi-Cal to Covered California are somewhat lower relative to scenarios 1 and 2, reflecting lower willingness to pay higher individual contributions, which is exacerbated by acute financial pressures from inflation impacting individuals in lower-income cohorts.

As in scenario 2, terminations in response to higher individual contributions are expected to be heavier among younger, healthier enrollees. This will alter the case-mix and result in an older and more expensive population. Consequently, estimates of increases in the average premiums under scenario 3 are higher than under scenarios 1 and 2 in plan years 2024, and 2025.

**Table 10**  
**Individual Medical Plan Enrollment Forecasts**  
**Effectuated Enrollment (Average Monthly Enrollment)**

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Actual / Forecasted	Projected	Projected	Projected
<b>Scenario 1</b>	1,683,669	1,711,296	1,758,192	1,742,630
<b>Scenario 2</b>	1,683,669	1,630,293	1,586,564	1,566,035
<b>Scenario 3</b>	1,683,669	1,576,377	1,461,714	1,439,452

*Note:* FY 2021-22 actual/forecasted values are the same across the three scenarios because actual values replace forecasts for all months except May and June 2022. For these months, the policy and economic context do not differ among the three scenarios.

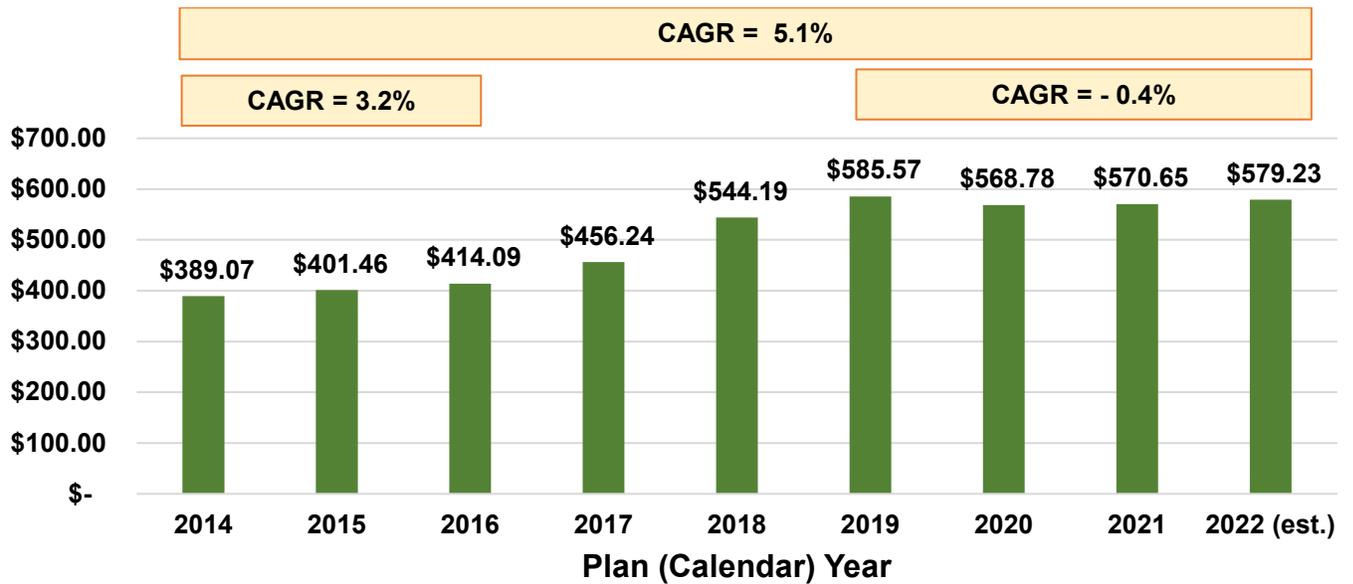
## **Covered California Premium Projection**

The projection of changes in premiums is a critical element of the overall process of projecting revenue. A comprehensive review of literature and analysis of relevant economic and medical expenditures and costs data was conducted to arrive at recommended assumptions for premium growth rates for the next three fiscal years.

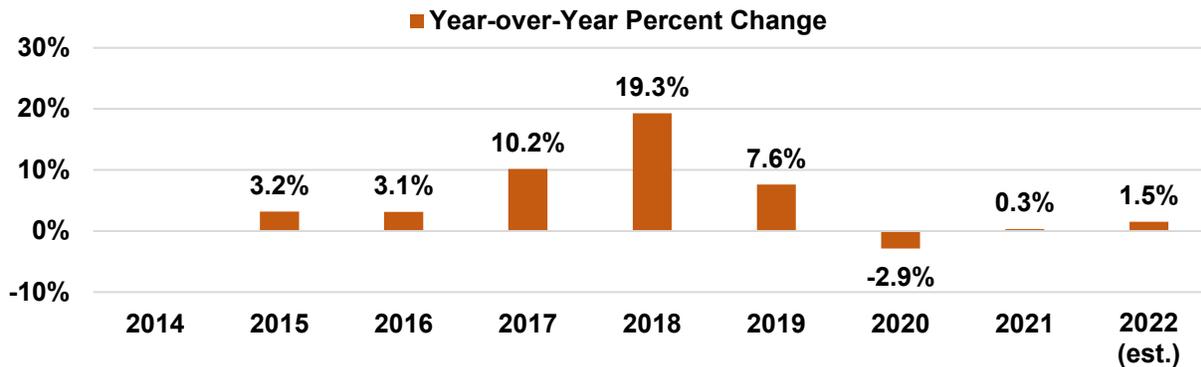
Covered California has observed several distinct patterns of premium growth, as demonstrated in Figures 8 and 9. In 2015 and 2016, average gross premiums rose at a moderate 3.2 percent annual pace. However, between 2017 and 2019, average gross premiums rose at a much steeper pace: 10.2 percent in 2017 and 19.3 percent in 2018. This reflected the combined impact of medical inflation and federal policy changes related to the ACA. Specifically, the large changes during this period resulted from “Silver loading” in which health insurers raised rates in response to a reduction in federal support for ACA-mandated cost sharing reductions, which are administered based on incomes relative to the FPL.

Between 2020 and 2022 premium growth was largely flat. Actual Covered California premiums decreased by 2.9 percent in 2020 and increased by only 0.3 percent in 2021. The average compound annual growth rate (CAGR) was -0.4 percent between 2019 and 2022. A small increase in the number of younger enrollees, the availability of a greater number of participating carriers in most Covered California market areas leading to greater competition, and a substantial decrease in elective medical care and utilization in response to the COVID-19 pandemic, were all contributing factors to the absence of significant premium growth. Since Covered California’s inception (2014 to 2022), the CAGR was 5.1 percent.

**Figure 8**  
**Average Gross Premium by Year, Plan Year 2014 through 2022**



**Figure 9**  
**Percent Change in Average Gross Premium, Plan Year 2014 through 2022**

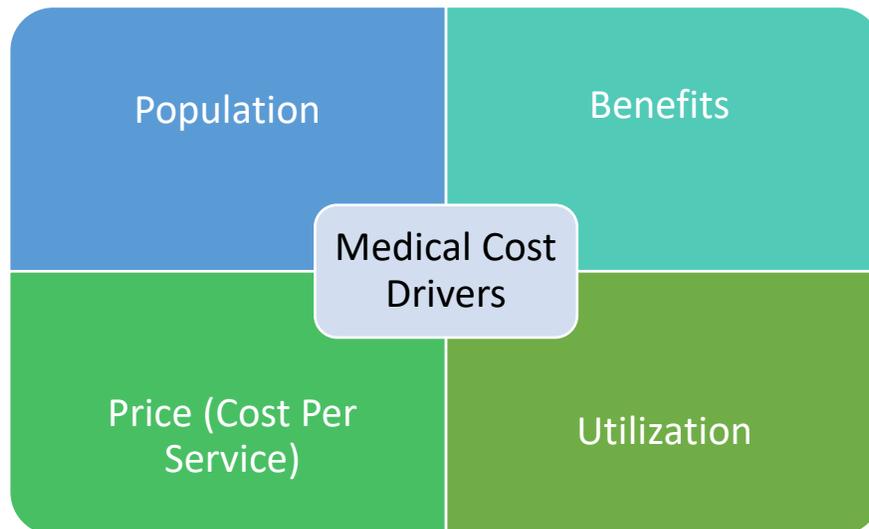


### Changes in Medical Cost Drivers

The Medical cost trend is defined as the projected percentage increase in the cost to treat patients from one year to the next, assuming that benefits remain the same. Insurance companies use these projections to calculate health plan premiums for the

coming year.<sup>42</sup> Overall, health care cost trends are driven by four factors: Population, Benefits, Price (Cost Per Service), and Utilization.

**Figure 10**  
**Medical Cost Drivers**



## Population

Health care premiums reflect the underlying health characteristics of the covered population. A population comprised of a large proportion of children and younger non-elderly adults will generate less medical spending than a population largely comprised of older adults having a greater prevalence of chronic health conditions.

Should the ARPA enhanced subsidies not be extended we would expect those disenrolling in response to higher contributions towards premiums to include a larger proportion of younger enrollees. This would shift the case mix of the remaining enrolled population who would be somewhat older and possibly more expensive on average.

In California, geography also plays a role<sup>43</sup>. Over half of the Covered California enrollee population resides in Los Angeles and Southern California, and this proportion has increased slightly between 2019 and 2021. Because premiums are significantly lower in

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<sup>42</sup> "Medical Cost Trend: Behind The Numbers 2022." Trine Tsouderos, Gurpreet Singh, and In Sung Yuh. *Health Affairs* Sponsored Post. URL: <https://www.healthaffairs.org/sponsored-content/medical-cost-trend-behind-the-numbers-2022>

<sup>43</sup> In California, What's Driving the Variation in Total Cost of Care — Volume or Price? Jeffrey Rideout, California Health Care Foundation, February 1, 2017

Southern California than they are in Northern California, the observed shift in the regional distribution of the population may result in changes in average gross premiums.

## **Benefits**

Covered California offers standardized benefits in terms of services that are covered by plans. However, there is variation in the level of medical cost sharing by enrollees<sup>44</sup>. Metal tiers with greater levels of cost sharing have lower premiums and metal tiers with less cost sharing have higher premiums.

Covered California's enrolled population displays a high degree of price sensitivity to premiums. Shifts from higher-priced to lower priced metal tiers, i.e., Silver to Bronze, as well as shifts from a higher priced to a lower priced health plan within the same metal tier could occur in response to an increase in individual premiums following the expiration of ARPA. This would have the effect of lowering average premiums. Should the ARPA enhanced subsidies expire, the downward impact on premiums from actions by consumers to seek out lower-priced coverage could offset the upward impact from changes in the case-mix.

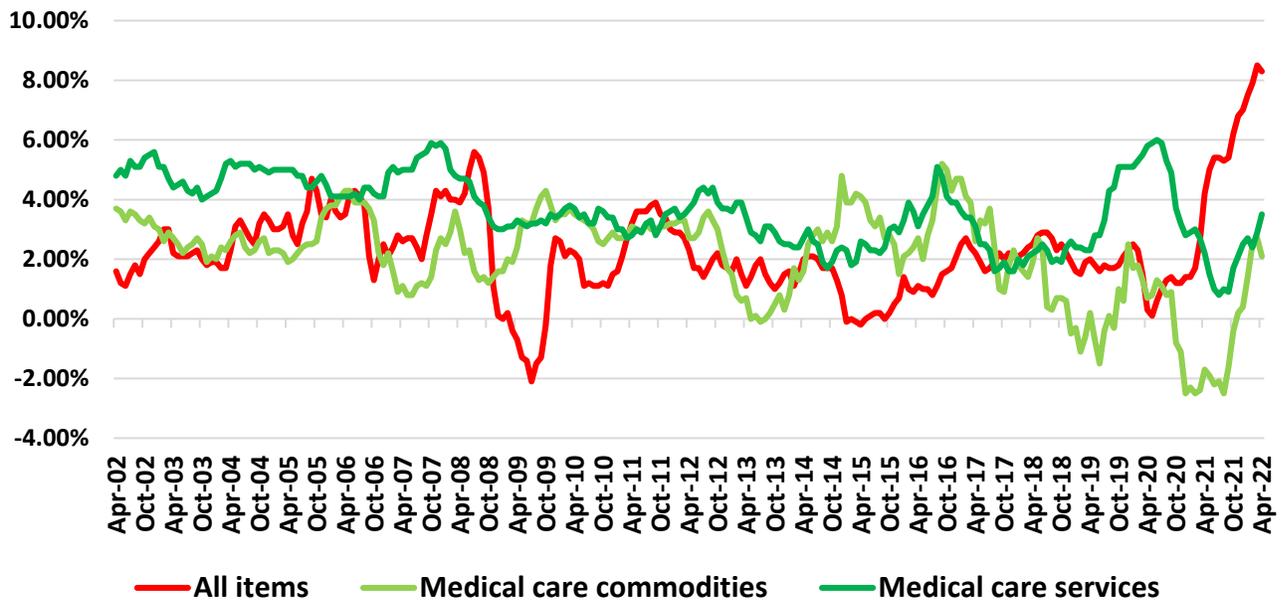
## **Price (Cost Per Service)**

The cost of health insurance premiums since 1960 has risen faster than both inflation and wage growth. Sustained medical inflation is the result of the cost of goods, services, salaries, and wages paid to providers, pharmaceuticals, medical equipment, and supplies, and increased administrative costs. Multiple projections, produced by the Bureau of Labor Statistics, by the Centers for Medicare and Medicaid Services (CMS), and several private research entities converge on approximately four to five percent premium growth in 2023 to 2025.

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<sup>44</sup> 2021 Patient-Centered Benefit Designs and Medical Cost Shares, Covered California. URL: <https://www.coveredca.com/pdfs/2021-Health-Benefits-table.pdf>

**Figure 11**  
**12-month Percentage Change, Consumer Price Index**



Source: Bureau of Labor Statistics, 12-month percentage change, Consumer Price Index, selected categories, URL: <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category-line-chart.htm>

Figure 11 displays the decrease in medical commodities and medical service indices that began in April 2020. The medical commodities component includes categories such as pharmaceuticals and medical equipment. Medical services include professional services, hospital and related services, and health insurance.

The pandemic resulted in both upward and downward pressures on the medical cost trend. Laboratory costs for Covid testing, and increased hospitalizations associated with Covid involving more intensive levels of care exerted upward pressures. This was offset by a sharp decrease in elective care. Decreases in these indices appear to have bottomed out in the first half of 2021.

Factors contributing to recent escalating medical cost increases include staffing shortages in certain sectors within the health care industry, such as hospitals and nursing facilities. The Bureau of Labor Statistics April 2022 Employment Situation report notes that, employment in the health care sector is down by 250,000, or 1.5 percent, since February 2020<sup>45</sup>. It is likely that the combination of a tight health care workforce, and high general inflation may be sufficient to push labor costs higher and eventually be

<sup>45</sup> Bureau of Labor Statistics News Release, The Employment Situation – April 2022. URL: <https://www.bls.gov/news.release/pdf/empsit.pdf>

reflected in health care premiums. To the extent that general inflation remains high, including prices for such basics as food, fuel, and housing, this will create upward additional pressure on labor costs.

## Utilization

Utilization of medical services decreased significantly in 2020 following the onset of the Covid pandemic. Ambulatory visits declined, many elective procedures were postponed, and many people delayed or went without medical care they otherwise would have received. A major increase in the use of telemedicine also contributed to the sharp drop in in-person health-system encounters. Over the past year, medical utilization appears to be returning to normal levels. “Implicit utilization” (spending growth minus changes in prices) suggests that overall health sector utilization increased by 3.2% year over year in February 2022, with a twelve-month average increase of 2.9%<sup>46</sup>.

## Premium Growth Estimates

During the past two to three fiscal years a combination of factors has operated to hold down Covered California premiums. General inflation has been low. The state health care mandate, marketplace subsidy, and tax penalty brought in more younger enrollees. The availability of more participating carriers created competition and gave enrollees lower cost plans to choose from. Lastly, the decline in utilization during the pandemic also sharply reduced insurers medical costs. Now premiums appear poised to return to higher, long-term levels of growth, driven by higher prices (cost per service) and higher utilization. As noted, these estimates converge around 5 percent.

The assumptions included in the three forecast scenarios will result in different case mix outcomes, with a younger case-mix in scenario 1 and increasingly older case mix outcomes in scenario 3. For this reason, we have developed different premiums growth estimates for the three scenarios. The premium growth estimates for the specific scenarios are detailed below.

### *Scenario 1: Premium Growth Assumptions: ARPA’s Enhanced Subsidies Extended*

In Scenario 1, Covered California projects that average monthly premiums will increase by 3.0 percent in plan year 2023, 4.0 percent in plan year 2024, and 5.0 percent in plan year 2025 (**Table 12**). The continuation of generous ARPA-level subsidies beyond Plan Year 2022 will likely result in retained enrollment and a stable case-mix of the enrollee population. Because this forecast reflects a continuation of the current labor market

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<sup>46</sup> April 2022 Health Sector Economic Indicators Briefs. Altarum. URL: <https://altarum.org/publications/april-2022-health-sector-economic-indicators-briefs>

recovery, the major contributor to increases in premium growth rates is slow but steady growth in the cost of delivering health care services.

*Scenario 2: Premium Growth Assumptions: ARPA’s Enhanced Subsidies Not Extended; Less Disenrollment*

In Scenario 2, Covered California projects that average monthly premiums will increase by 5.0 percent in plan year 2023, 6.0 percent in plan year 2024, and 7.0 percent in plan year 2025 (**Table 12**). The non-renewal of enhanced ARPA-level subsidies beyond Plan Year 2022 will likely result in the disenrollment of approximately 153,000 enrollees as of December 2022, which will shift the composition of Covered California’s case-mix. It is likely that younger and healthier enrollees will disenroll at higher rates, leaving behind a Covered California population that is older and comparatively expensive to insure. In response, plans are likely to raise rates.

*Scenario 3: Premium Growth Assumptions: ARPA’s Enhanced Subsidies Not Extended; More Disenrollment*

In Scenario 3, Covered California projects that average monthly premiums will increase by 5.0 percent in plan year 2023, 7.0 percent in plan year 2024, and 10.0 percent in plan year 2025 (**Table 11**). As stated, prior, the non-renewal of enhanced ARPA-level subsidies beyond Plan Year 2022 will likely result in the disenrollment of approximately 246,000 enrollees as of December 2022, which will drastically shift the composition of Covered California’s case mix. It is likely that the loss of younger and healthier enrollees will be even more pronounced, leaving behind a Covered California population that is even older and comparatively expensive to insure. In response, plans are likely to raise rates substantially.

**Table 11**  
**Projected Premium Growth Rates: Individual Medical and Dental**

Scenario	Plan Year 2022	Plan Year 2023	Plan Year 2024	Plan Year 2025
	Actual / Forecasted	Projected	Projected	Projected
<b>Scenario 1</b>	1.8%	3.0%	4.0%	5.0%
<b>Scenario 2</b>	1.8%	5.0%	6.0%	7.0%
<b>Scenario 3</b>	1.8%	5.0%	7.0%	10.0%

Overall, Covered California’s operating revenue is derived from assessment fees set at a fixed percent of the monthly premium paid by each Covered California enrollee. The individual market assessment fee is currently set at 3.25 percent of premium. If the

average monthly premium increases or decreases, Covered California’s per-member-per-month revenue will increase or decrease proportionally.

### Individual Medical Revenue Forecast

Covered California’s revenue is the product of both volume and price. Volume is reflected in the level of enrollment. Price is the average gross premiums paid multiplied by the percent fee assessed on those premiums. The forecast assumes that the assessment fee remains at 3.25 percent during plan year 2023, unchanged from 2022.

- At the scenario 1 forecast, individual medical premiums are expected to total \$392.7 million in fiscal year 2022-23, \$417.5 million in fiscal year 2023-24, and \$432.5 million in fiscal year 2024-25.
- At the scenario 2 forecast, individual medical premiums are expected to total \$377.3 million in fiscal year 2022-23, \$387.8 million in fiscal year 2023-24, and \$407.8 million in fiscal year 2024-25.
- At the scenario 3 forecast, individual medical premiums are expected to total \$364.5 million in fiscal year 2022-23, \$359 million in fiscal year 2023-24, and \$383.9 million in fiscal year 2024-25. Forecasted assessment revenue is shown in **Table 12**.

**Table 12**  
**Individual Medical Plan Assessments**

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Actual / Forecasted	Projected	Projected	Projected
<b>Scenario 1</b>	\$377,054,129	\$392,724,442	\$417,497,819	\$432,491,085
<b>Scenario 2</b>	\$377,054,129	\$377,372,080	\$387,859,034	\$407,806,266
<b>Scenario 3</b>	\$377,054,129	\$364,499,546	\$359,096,294	\$383,909,361

*Note:* FY 2021-22 actual/forecasted values are the same across the three scenarios because actual values replace forecasts for all months except May and June 2022. For these months, the policy and economic context do not differ among the three scenarios.

### Covered California’s Individual Dental Plans for Children and Families

Covered California offers individual dental plans for children and families. Children’s dental benefits are automatically included in the health plans offered through Covered California. For children who are insured by both a health plan and a family dental plan, the two plans will coordinate benefits. Dental coverage is not an essential health benefit for adults, however, so adult dental coverage is offered separately from health insurance plans.

Covered California offers two types of dental plans: HMO (health maintenance organization) plans and PPO (preferred provider organization) plans. The participating dental plans are:

1. Delta Dental of California
2. Blue Cross: Dental
3. Blue Shield California Physician’s Services: Dental
4. Liberty Dental Plan of California
5. California Dental Network
6. Dental Health Services

The Covered California assessment fee for individual dental plans is the same for individual medical plans. It is currently 3.25 percent and is proposed to remain at 3.25 percent in 2022. Forecasted enrollment and estimated revenue from Individual Dental plans are presented below (**Table 13: Individual Dental Plan Enrollment Forecasts Effectuated Enrollment, and Table 14: Individual Dental Plan Assessments**).

**Table 13  
Individual Dental Plan Enrollment Forecasts  
Effectuated Enrollment  
(Average Monthly Enrollment)**

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Actual / Forecasted	Projected	Projected	Projected
<b>Scenario 1</b>	258,876	236,506	242,987	240,836
<b>Scenario 2</b>	258,876	225,311	219,267	216,430
<b>Scenario 3</b>	258,876	217,860	202,013	198,936

**Individual Dental Revenue Forecast**

**Table 14  
Individual Dental Plan Assessments**

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Actual / Forecasted	Projected	Projected	Projected
<b>Scenario 1</b>	\$2,488,385	\$2,224,685	\$2,365,503	\$2,450,278
<b>Scenario 2</b>	\$2,488,385	\$2,138,931	\$2,197,274	\$2,310,115
<b>Scenario 3</b>	\$2,488,385	\$2,067,006	\$2,034,158	\$2,174,313

## Covered California for Small Business

Covered California for Small Business is California's version of the Small Business Health Options Program (also known as SHOP) established under the Affordable Care Act. It is a small-group health insurance program for employers with 100 or fewer employees who want to provide health and dental insurance to their employees. In most states small group plans can be sold only to employers with 50 or fewer employees. California is one of only four states where small group plans can be sold to employers with up to 100 employees.

Under the Affordable Care Act, the same fundamental set of regulations that apply to the individual market are also applied to the small-group market. These include: no exclusion for preexisting conditions, modified community rating (meaning that insurers cannot vary rates based on health status), a standard set of essential health benefits, and a limit on the percentage of premium that insurers can devote to profits or overhead, known as a minimum "medical loss ratio."

Certain employers who offer insurance through Covered California for Small Business may be eligible for a federal tax credit. The maximum tax credit available is 50 percent of premium expenses as a for-profit employer. The maximum credit for tax-exempt employers is 35 percent. This credit applies to two consecutive tax years. To be eligible for the tax credit, the business must have fewer than 25 full-time equivalent employees, the employees must have an average annual wage of less than \$56,000 per year<sup>47</sup>, and employers must contribute at least 50 percent of the cost of insurance coverage for each employee<sup>48</sup>.

Covered California for Small Business is one of several sources of health insurance within California's small-group market. California's small-group market is estimated to provide coverage for over 2.3 million covered lives<sup>49</sup>. In 2021, Covered California for Small Business provided insurance for roughly 3 percent of the small-group market.

In 2022, Covered California for Small Business offers plans from four health insurance companies and four dental insurance companies that are available to small employers for year-round enrollment. Employers can now select to offer up to four metal tiers (Bronze, Silver, Gold and Platinum), allowing them to tailor health insurance to their budgets and employees' specific needs. This was a major recent program design change, as in previous years employers could only select to offer their employees two metal tiers. Employers may purchase health insurance with the help of a registered agent or broker.

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<sup>47</sup> This limit has been adjusted for inflation since 2014.

<sup>48</sup> Small Business Health Care Tax Credit and the SHOP Marketplace, Internal Revenue Service

<sup>49</sup> Unexpected Growth in California Health Insurance During COVID-19 Recession, Katherine Wilson, Wilson Analytics, California Health Care Foundation, September 19, 2021.

In calendar year 2021 the medical weighted average premium rate increase was 2.2 percent for CCSB. In calendar year 2022, the forecasted premium increase is 4.0 percent. At end of fiscal year 2021-22, CCSB medical enrollment is forecasted to be 73,323, an increase of 3,485 compared to fiscal year 2020-21.

## **Covered California for Small Business Enrollment and Revenue Forecast**

Covered California continues to make improvements designed to improve the Small Business's retention rate. These include expanding and enhancing the product offering from participating carriers and allowing participating employer groups to choose multi-carrier offerings to increase health insurance options for their employees.

Moving forward, efforts will focus on expanding the network of brokers offering Covered California for Small Business. As the number of groups enrolling in the program grows, retention of existing groups will become a critical area of focus.

The budget incorporates premium growth of four percent on average in Plan Years 2022-2025. The estimates capture both estimated medical inflation and the impact of policy shifts that affect the Covered California case-mix and are consistent with the Center for Medicare and Medicaid Services' (CMS) forecast of medical inflation. The CMS National Health Expenditure Projections incorporate ACA marketplace insurance plans and estimates four to five percent growth for private health insurance spending in each of 2023, 2024, and 2025.

Covered California for Small Business operating revenue is derived from assessment fees set at a fixed percent of the monthly premium paid by each Covered California for Small Business enrollee. The small group assessment fee is currently set at 5.2 percent of premium.

For fiscal year 2022-23, three enrollment and revenue forecast scenarios for Covered California for Small Business have been developed. The scenarios are driven by estimates of small business participant retention and termination. The high estimate would reflect higher employer group retention and lower terminations while the low estimate reflects comparatively lower levels of employer group retention and higher levels of termination. In the high scenario forecast, Covered California for Small Business projects end of fiscal year 2022-23 medical enrollment of 81,600. Under the high scenario forecast, revenue is projected to be \$25.7 million.

In the mid scenario forecast, Covered California for Small Business projects the average medical enrollment of 73,942, which is one percent higher than the average enrollment forecasted for end of fiscal year 2021-22 (**Table 15**). In the mid scenario forecast, Covered California for Small Business revenue is projected to be \$24.7 million for fiscal year 2022-23 (**Table 17**).

In the low scenario forecast, Covered California for Small Business projects the end of fiscal year 2022-23 enrollment of 68,087 and with revenue of \$23.2 million.

**Table 15**  
**Covered California for Small Business Enrollment Forecasts**  
**Medical Effectuated Enrollment (Average Monthly Enrollment)**

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Actual / Forecasted	Projected	Projected	Projected
<b>High</b>	73,343	77,099	84,263	92,642
<b>Mid</b>	73,180	73,942	77,217	81,583
<b>Low</b>	72,921	69,447	68,196	68,724

**Table 16**  
**Covered California for Small Business Premium Growth**

Scenario	2022 Plan Year	2023 Plan Year	2024 Plan Year	2025 Plan Year
<b>High</b>	4.0%	4.0%	4.0%	4.0%
<b>Mid</b>	4.0%	4.0%	4.0%	4.0%
<b>Low</b>	4.0%	4.0%	4.0%	4.0%

As displayed in **Table 18** below, Covered California for Small Business, generates revenue from three lines of business, small group medical plans, small group dental plans, and small group COBRA. In fiscal year 2022-23, the small group medical product will generate approximately 98 percent of total Covered California for Small Business revenue.

**Table 17**  
**Covered California for Small Business Forecasted Revenue**

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
	Actual / Forecasted	Projected	Projected	Projected
<b>High</b>				
<b>Medical</b>	\$22,867,473	\$25,223,365	\$28,672,407	\$32,783,422
<b>Dental</b>	\$141,272	\$145,322	\$164,530	\$186,334
<b>COBRA</b>	\$344,255	\$364,896	\$366,122	\$402,529

Scenario	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Total</b>	<b>\$23,353,000</b>	<b>\$25,733,583</b>	<b>\$29,203,059</b>	<b>\$33,372,286</b>
<b>Mid</b>				
<b>Medical</b>	\$22,867,473	\$24,183,581	\$26,268,131	\$28,863,670
<b>Dental</b>	\$141,272	\$139,417	\$150,842	\$164,153
<b>COBRA</b>	\$344,255	\$349,931	\$334,548	\$353,462
<b>Total</b>	<b>\$23,353,000</b>	<b>\$24,672,930</b>	<b>\$26,753,520</b>	<b>\$29,381,285</b>
<b>Low</b>				
<b>Medical</b>	\$22,867,473	\$22,704,261	\$23,192,284	\$24,308,136
<b>Dental</b>	\$141,272	\$131,003	\$133,300	\$138,358
<b>COBRA</b>	\$344,255	\$328,555	\$294,105	\$296,385
<b>Total</b>	<b>\$23,353,000</b>	<b>\$23,163,819</b>	<b>\$23,619,690</b>	<b>\$24,742,879</b>

**Table 18** presents total forecasted revenue under the Scenario 2 estimates for the Individual Medical, Individual Dental and the mid-range forecast for Covered California Small Business combined.

**Table 18  
Assessment Fee Revenue**

Market	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>On-Exchange Individual Medical</b>	\$377,054,129	\$377,372,080	\$387,859,034	\$407,806,266
<b>Individual Dental</b>	\$2,488,385	\$2,138,931	\$2,197,274	\$2,310,115
<b>Covered California for Small Business</b>	\$23,353,000	\$24,672,930	\$26,753,520	\$29,381,285
<b>Total Assessment Fee Revenue</b>	<b>\$402,895,514</b>	<b>\$404,183,941</b>	<b>\$416,809,828</b>	<b>\$439,497,666</b>

## **V. Multi-Year Budgetary Projection: Fiscal Year 2022-23 to Fiscal Year 2024-25**

Covered California's multi-year financial plan projects revenue and expenditures for three years into the future, spanning fiscal year 2022-23 through fiscal year 2024-25. The multi-year financial plan allows executives, the board, and other stakeholders to see the implications of decisions and consider a longer time horizon with respect to the budget.

This multi-year budget projection helps policymakers evaluate expenditure commitments, enrollment trends, and revenue trends. The multi-year financial plan also highlights anticipated fiscal risks and opportunities. The projection identifies significant known fiscal conditions and projects future budget conditions. Finally, the multi-year projection is a strategic planning tool.

The multi-year budget projection does not include any proposed balancing solutions or modified service levels. The budgetary outcomes reflect those that would occur assuming expenditures trends based on the fiscal year 2022-23 baseline projected forward as a workload budget.

### **Scenario 1—High: ARPA Extended Projection Detail**

Scenario 1 is characterized by the continuation of generous ARPA level subsidies beyond Plan Year 2022. Average monthly enrollment in fiscal year 2022-23 is forecast to be 1,711,296. After that enrollment settles to a new normal with monthly average covered lives in the 1.7 million range for fiscal year 2022-23, through 2023-24, and 2024-25.

Scenario 1 assumes that the public health emergency will be lifted in July 2022, and that Medi-Cal redeterminations will resume in November 2022. It is estimated that the Medi-Cal population will have grown to just under 14.9 million by that time, up from 12.5 million in March 2020. As result, inflows from Medi-Cal to Covered California are expected to be heavier than prior to the pandemic as the Department of Health Care Services conducts its redeterminations and works off the backlog. Under scenario 1, the take-up by individuals leaving Medi-Cal and eligible for marketplace coverage is expected to be higher due to the availability of generous ARPA subsidies that significantly benefit individuals in lower-income groups.

Scenario 1 reflects increases in the average premiums of 3 percent in 2023, 4 percent in 2024, and 5 percent in 2025. Authorized permanent positions are assumed to remain at the fiscal year 2022-23 proposed budget, totaling 1,467 throughout the projection period.

The scenario 1 enrollment forecast assumes the assessment on individual market premiums to be 3.25 percent for 2023 and throughout the remainder of the projection period. The Covered California for Small Business plan assessment is assumed to remain at 5.2 percent of the premium for the forecast duration. Under the scenario 1 forecast, individual medical plan average monthly enrollment is forecasted to be 1,711,296 in fiscal year 2022-23, 1,758,192 in fiscal year 2023-24, and 1,742,630 in fiscal year 2024-25.

### **Scenario 1—High Projected Budgetary Outcomes—Statement of Revenue, Expenditures, and Changes in Net Position**

Revenues and other income are projected to be greater than operating and capital expenditures in fiscal year 2022-23. Covered California is projected to generate \$420.7 million in operating revenue, while operating expenditures total \$410.6 million. This results in a projected operating income of \$10.1 million. Other income is projected to total \$1.5 million. Consequently, Covered California's net position is projected to increase by \$11.6 million (**Table 19**).

**Table 19**  
**Scenario 1—High, ARPA Extended**  
**Covered California**  
**Budgetary Projections, Statement of Revenue, Expense, and Net Income/(Loss)**  
**For FY 2022-23, FY 2023-24, and FY 2024-25**

	FY 2022-23	FY 2023-24	FY 2024-25
	Assumes ARPA Continues	Assumes ARPA Continues	Assumes ARPA Continues
<b>Operating Revenues</b>			
Individual Market (Med. & Dental)	\$ 394,949,127	\$ 419,863,321	\$ 434,941,363
CCSB (Medi. & Dental)	\$ 25,733,583	\$ 29,203,059	\$ 33,372,286
<b>Total Operating Revenue</b>	<b>\$ 420,682,710</b>	<b>\$ 449,066,380</b>	<b>\$ 468,313,649</b>
<b>Operating Expenditures</b>			
Personnel Expenditures	164,193,714	169,119,525	174,193,111
Other Operating Expenditures	197,009,299	202,919,578	209,007,165
<b>Subtotal</b>	<b>\$ 361,203,013</b>	<b>\$ 372,039,103</b>	<b>\$ 383,200,276</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	19,419,224	19,613,416	19,809,550
<b>Total Operating Expenditures</b>	<b>\$ 380,622,237</b>	<b>\$ 391,652,520</b>	<b>\$ 403,009,827</b>
<b>Capital Investments</b>			
CalHEERs	\$ 24,773,115	\$ 25,268,577	\$ 25,773,949
Other	\$ 5,226,296	\$ 5,330,822	\$ 5,437,438
<b>Total - Capital Project Expenditures</b>	<b>\$ 29,999,411</b>	<b>\$ 30,599,399</b>	<b>\$ 31,211,387</b>
<b>Total Operating &amp; Capital Expenditures</b>	<b>\$ 410,621,648</b>	<b>\$ 422,251,918</b>	<b>\$ 434,221,214</b>
<b>Income/(Loss) From Operations</b>	<b>\$ 10,061,062</b>	<b>\$ 26,814,462</b>	<b>\$ 34,092,435</b>
<b>Non-Operating Income</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>
<b>Change in Net Position</b>	<b>\$ 11,561,062</b>	<b>\$ 28,314,462</b>	<b>\$ 35,592,435</b>

In fiscal year 2023-24, operating revenues are projected to rise to \$449.1 million, while operating and capital expenditures rise to \$422.3 million. This results in a projected operating income of \$26.8 million. Other revenue is projected to total \$1.5 million. Consequently, Covered California's net position is projected to increase by \$28.3

million. Authorized positions are assumed to remain at the fiscal year 2022-23 budgeted level of 1,467.

In fiscal year 2024-25, operating revenues are projected to rise to \$468.3 million, while operating and capital expenditures rise to \$434.2 million. This results in a projected operating income of \$34.1 million. Other revenue is projected to total \$1.5 million. Consequently, Covered California's net position is projected to increase by \$35.6 million. Authorized positions are assumed to remain at the fiscal year 2022-23 budgeted level of 1,467.

### **Scenario 1—High Projected Working Capital and Liquidity**

Covered California is classified as an enterprise fund, representing a type of proprietary fund identified within Government Accounting Standards Board (GASB) pronouncements. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Covered California accounts for financial transactions in much the same way a private enterprise would. Accrual accounting and the economic resources measurement focus is used to record and report accounting transactions. This means that enterprise funds and the financial statements used to convey results focus on the long-term, including short-term assets and liabilities and long-term assets and liabilities. As a result, evaluating Net Position does not provide a valid measure of an enterprise fund's liquidity, or ability to meet current financial obligations as they come due. However, because enterprise funds distinguish between current and non-current assets and liabilities, it is possible to calculate working capital. Working capital represents the difference between current assets and current liabilities, which does provide a valid measure for evaluating liquidity. Enterprise funds must maintain adequate working capital levels to mitigate current and future risks and ensure stable services and fees. **Table 20** presents Covered California's projected working capital for fiscal years 2022-23, 2023-24, and 2024-25. Working capital increases each year throughout the projection period, growing to \$517.2 million by fiscal year 2024-25.

**Table 20**  
**Scenario 1—High**  
**Projected Working Capital**

	FY 2022-23	FY 2023-24	FY 2024-25
	Assumes ARPA Continues	Assumes ARPA Continues	Assumes ARPA Continues
Beginning Working Capital	\$ 441,711,218	\$ 453,272,280	\$ 481,586,742
Change in Working Capital	\$ 11,561,062	\$ 28,314,462	\$ 35,592,435
Ending Working Capital	<u>\$ 453,272,280</u>	<u>\$ 481,586,742</u>	<u>\$ 517,179,177</u>

**Scenario 2—Base: ARPA Enhanced Subsidies Expire—Projection Detail**

Scenario 2 assumes that ARPA's enhanced federal subsidies are not extended, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 through April 2021, when ARPA's subsidies were made available. Average monthly enrollment in fiscal year 2022-23 is forecast to be 1,630,293, a decrease of 81,003 compared to scenario 1. Under this scenario, the number of covered lives falls back into the level that followed the implementation of the California state marketplace subsidy, with average monthly enrollment in the 1.5 to 1.6 million range for fiscal year 2022-23, through 2023-24, and 2024-25.

As with Scenario 1, Scenario 2 assumes that the public health emergency will be lifted in July 2022 and that Medi-Cal redeterminations will resume in October 2022. However, under this scenario, it is assumed that inflows from Medi-Cal to Covered California are somewhat lower relative to scenario 1, reflecting a lower willingness to pay higher individual contributions toward premiums.

Terminations in response to higher individual contributions are expected to be heavier among younger, healthier enrollees, altering the case-mix and resulting in a slightly older and more expensive population. Consequently, estimates of increases in the average premiums under scenario 2 are higher than under scenario 1 in 2023, 2024, and 2025. Under scenario 2 premiums are forecast to rise by 3 percent in 2023, 6 percent in 2024, and 7 percent in 2025. Authorized permanent positions are assumed to remain at the fiscal year 2022-23 proposed budget totaling 1,467 throughout the projection period.

The ARPA enhanced subsidies expire enrollment forecast assumes the assessment on individual market premiums to be 3.25 percent for 2023 and throughout the remainder of the projection period. The Covered California for Small Business plan assessment is assumed to remain at 5.2 percent of the premium for the forecast duration. Under the

scenario 2 forecast, individual medical plan average monthly enrollment is forecasted to be 1,630,293 in fiscal year 2022-23, 1,586,564 in fiscal year 2023-24, and 1,566,035 in fiscal year 2024-25.

### **Scenario 2 Base Projected Budgetary Outcomes—Statement of Revenue, Expenditures, and Changes in Net Position**

Operating and capital expenditures are projected to be greater than Revenues in fiscal year 2022-23. Covered California is projected to generate \$404.2 million in operating revenue, while operating expenditures total \$410.6 million. This results in a projected operating loss of \$6.4 million. Other income is projected to total \$1.5 million. Consequently, Covered California's net position is projected to decrease by \$4.9 million.

In fiscal year 2023-24, operating revenues are projected to rise to \$416.8 million, while operating and capital expenditures rise to \$422.3 million. This results in a projected operating loss of \$5.4 million. Other revenue is projected to total \$1.5 million. Consequently, Covered California's net position is projected to decrease by \$3.9 million. Authorized positions are assumed to remain at the fiscal year 2022-23 budgeted level of 1,467.

In fiscal year 2024-25, operating revenues are projected to rise to \$439.5 million, while operating and capital expenditures rise to \$434.2 million (**Table 21**). This results in a projected operating income of \$5.3 million. Other revenue is projected to total \$1.5 million. Consequently, Covered California's net position is projected to increase by \$6.8 million. Authorized positions are assumed to remain at the fiscal year 2022-23 budgeted level of 1,467.

**Table 21**  
**Scenario 2—Base, ARPA Extended**  
**Covered California**  
**Budgetary Projections, Statement of Revenue, Expense, and Net Income/(Loss)**  
**For FY2022-23, FY 2023-24, and FY 2024-25**

	FY 2022-23 Assumes ARPA Expires/State Subsidies	FY 2023-24 Assumes ARPA Expires/State Subsidies	FY 2024-25 Assumes ARPA Expires/State Subsidies
<b>Operating Revenues</b>			
Individual Market (Med. & Dental)	\$ 379,511,011	\$ 390,056,308	\$ 410,116,382
CCSB (Medi. & Dental)	\$ 24,672,930	\$ 26,753,520	\$ 29,381,285
<b>Total Operating Revenue</b>	<b>\$ 404,183,941</b>	<b>\$ 416,809,828</b>	<b>\$ 439,497,667</b>
<b>Operating Expenditures</b>			
Personnel Expenditures	164,193,714	169,119,525	174,193,111
Other Operating Expenditures	197,009,299	202,919,578	209,007,165
<b>Subtotal</b>	<b>\$ 361,203,013</b>	<b>\$ 372,039,103</b>	<b>\$ 383,200,276</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	19,419,224	19,613,416	19,809,550
<b>Total Operating Expenditures</b>	<b>\$ 380,622,237</b>	<b>\$ 391,652,520</b>	<b>\$ 403,009,827</b>
<b>Capital Investments</b>			
CalHEERs	\$ 24,773,115	\$ 25,268,577	\$ 25,773,949
Other	\$ 5,226,296	\$ 5,330,822	\$ 5,437,438
<b>Total - Capital Project Expenditures</b>	<b>\$ 29,999,411</b>	<b>\$ 30,599,399</b>	<b>\$ 31,211,387</b>
<b>Total Operating &amp; Capital Expenditures</b>	<b>\$ 410,621,648</b>	<b>\$ 422,251,918</b>	<b>\$ 434,221,214</b>
<b>Income/(Loss) From Operations</b>	<b>\$ (6,437,707)</b>	<b>\$ (5,442,090)</b>	<b>\$ 5,276,453</b>
<b>Non-Operating Income</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>
<b>Change in Net Position</b>	<b>\$ (4,937,707)</b>	<b>\$ (3,942,090)</b>	<b>\$ 6,776,453</b>

**Scenario 2—Base Projected Working Capital and Liquidity**

**Table 22** presents Covered California's projected working capital for fiscal years 2022-23, 2023-24, and 2024-25. Under this scenario, Covered California's working capital declines slightly for the first two year of the projection period, but increases in the last year of the projection. Working capital declines from \$441.7 million at the start of fiscal year 2022-23 to \$439.6 million at the end of fiscal year 2024-25.

**Table 22**  
**Scenario 2—Base**  
**Projected Working Capital**

	FY 2022-23 Assumes ARPA Expires/State Subsidies	FY 2023-24 Assumes ARPA Expires/State Subsidies	FY 2024-25 Assumes ARPA Expires/State Subsidies
Beginning Working Capital	\$ 441,711,218	\$ 436,773,511	\$ 432,831,421
Change in Working Capital	\$ (4,937,707)	\$ (3,942,090)	\$ 6,776,453
Ending Working Capital	<u>\$ 436,773,511</u>	<u>\$ 432,831,421</u>	<u>\$ 439,607,874</u>

**Scenario 3—Low: ARPA Enhanced Subsidies Expire with Greater Losses of Enrollment**

Scenario 3, like scenario 2, assumes that ARPA’s enhanced federal subsidies are not extended, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 through April 2021, when ARPA’s subsidies were made available. Unlike scenario 2, however, scenario 3 assumes a harsher macroeconomic environment, characterized by persistent high inflation, slower economic growth, and greater levels of financial stress for lower-income Californians, battered by rising prices for housing, food, and fuel. Under this scenario, the number of covered lives falls back into the level that preceded the implementation of the California state marketplace subsidy, with average monthly enrollment in the 1.4 to 1.5 million range for fiscal year 2022-23, 2023-24, and 2024-25. Average monthly enrollment in fiscal year 2022-23 is forecast to be 1,576,377, a decrease of 134,919 compared to scenario 1.

As with Scenario 1, Scenario 3 assumes that the public health emergency will be lifted in July 2022 and that Medi-Cal redeterminations will resume in November 2022. However, under this scenario, it is assumed that inflows from Medi-Cal to Covered California are somewhat lower relative to scenarios 1 and 2, reflecting a lower willingness to pay higher individual contributions toward premiums, which is exacerbated by acute financial pressures on individuals in lower-income cohorts.

As in scenario 2, terminations in response to higher individual contributions are expected to be heavier among younger, healthier enrollees, but even more so. This will alter the case-mix and result in an even older and more expensive population. Consequently, estimates of increases in the average premiums under scenario 3 are higher than under scenarios 1 and 2 in 2024, and 2025. Under scenario 3 premiums are forecast to rise by 3 percent in 2023, 7 percent in 2024, and 10 percent in 2025.

Authorized permanent positions are assumed to remain at the fiscal year 2022-23 proposed budget totaling 1,467 throughout the projection period.

Scenario 3 forecast assumes the assessment on individual market premiums to be 3.25 percent for 2023 and throughout the remainder of the projection period. The Covered California for Small Business plan assessment is assumed to remain at 5.2 percent of the premium for the forecast duration. Under the scenario 3 forecast, individual medical plan average monthly enrollment is forecasted to be 1,576,377 in fiscal year 2022-23, 1,461,714 in fiscal year 2023-24, and 1,439,452 in fiscal year 2024-25.

### **Scenario 3—Low Projected Budgetary Outcomes—Statement of Revenue, Expenditures, and Changes in Net Position**

Operating and capital expenditures are projected to be greater than Revenues in fiscal year 2022-23. Covered California is projected to generate \$389.7 million in operating revenue, while operating expenditures total \$410.6 million. This results in a projected operating loss of \$20.8 million. Other income is projected to total \$1.5 million. Consequently, Covered California's net position is projected to decrease by \$19.4 million (**Table 23**).

In fiscal year 2023-24, operating revenues are projected to rise to \$384.8 million, while operating and capital expenditures rise to \$422.3 million. This results in a projected operating loss of \$37.5 million. Other revenue is projected to total \$1.5 million. Consequently, Covered California's net position is projected to decrease by \$36.0 million. Authorized positions are assumed to remain at the fiscal year 2022-23 budgeted level of 1,467.

In fiscal year 2024-25, operating revenues are projected to rise to \$410.8 million, while operating and capital expenditures rise to \$434.2 million. This results in a projected operating loss of \$23.4 million. Other revenue is projected to total \$1.5 million. Consequently, Covered California's net position is projected to decrease by \$21.9 million. Authorized positions are assumed to remain at the fiscal year 2022-23 budgeted level of 1,467.

**Table 23**  
**Scenario 3--Low**  
**ARPA Extended**  
**Covered California**  
**Budgetary Projections, Statement of Revenue, Expense, and Net Income/(Loss)**  
**For FY 2022-23, FY 2023-24, and FY 2024-25**

	FY 2022-23 Assumes ARPA Expires/Assumes Greater Enrollment Losses	FY 2023-24 Assumes ARPA Expires/Assumes Greater Enrollment Losses	FY 2024-25 Assumes ARPA Expires/Assumes Greater Enrollment Losses
<b>Operating Revenues</b>			
Individual Market (Med. & Dental)	\$ 366,566,552	\$ 361,130,452	\$ 386,083,675
CCSB (Medi. & Dental)	\$ 23,163,819	\$ 23,619,690	\$ 24,742,879
<b>Total Operating Revenue</b>	<b>\$ 389,730,371</b>	<b>\$ 384,750,142</b>	<b>\$ 410,826,554</b>
<b>Operating Expenditures</b>			
Personnel Expenditures	164,193,714	169,119,525	174,193,111
Other Operating Expenditures	197,009,299	202,919,578	209,007,165
<b>Subtotal</b>	<b>\$ 361,203,013</b>	<b>\$ 372,039,103</b>	<b>\$ 383,200,276</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	19,419,224	19,613,416	19,809,550
<b>Total Operating Expenditures</b>	<b>\$ 380,622,237</b>	<b>\$ 391,652,520</b>	<b>\$ 403,009,827</b>
<b>Capital Investments</b>			
CalHEERs	\$ 24,773,115	\$ 25,268,577	\$ 25,773,949
Other	\$ 5,226,296	\$ 5,330,822	\$ 5,437,438
<b>Total - Capital Project Expenditures</b>	<b>\$ 29,999,411</b>	<b>\$ 30,599,399</b>	<b>\$ 31,211,387</b>
<b>Total Operating &amp; Capital Expenditures</b>	<b>\$ 410,621,648</b>	<b>\$ 422,251,918</b>	<b>\$ 434,221,214</b>
<b>Income/(Loss) From Operations</b>	<b>\$ (20,891,277)</b>	<b>\$ (37,501,776)</b>	<b>\$ (23,394,660)</b>
<b>Non-Operating Income</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>
<b>Change in Net Position</b>	<b>\$ (19,391,277)</b>	<b>\$ (36,001,776)</b>	<b>\$ (21,894,660)</b>

**Scenario 3-Low Projected Working Capital and Liquidity**

**Table 24** presents Covered California's scenario 3 projected working capital for fiscal years 2022-23, 2023-24, and 2024-25. Under scenario 3, Covered California's working capital declines over the projection period. Working capital would decrease to \$364.4 million by the end of the projection period.

**Table 24**  
**Scenario 3—Low**  
**Projected Working Capital**

	FY 2022-23 Assumes ARPA Expires/Assumes Greater Enrollment Losses	FY 2023-24 Assumes ARPA Expires/Assumes Greater Enrollment Losses	FY 2024-25 Assumes ARPA Expires/Assumes Greater Enrollment Losses
Beginning Working Capital	\$ 441,711,218	\$ 422,319,941	\$ 386,318,165
Change in Working Capital	\$ (19,391,277)	\$ (36,001,776)	\$ (21,894,660)
Ending Working Capital	<u>\$ 422,319,941</u>	<u>\$ 386,318,165</u>	<u>\$ 364,423,505</u>

## **Appendix-Trend in Budgeted and Actual Operating Expenditures— Fiscal Year 2018-19 Through Fiscal Year 2020-21**

This appendix presents budgeted and actual expenditures for Covered California between fiscal year 2018-19 and fiscal year 2020-21. Presented are totals for Covered California overall as well as the five functional areas and each budget unit.

The expenditures presented include only the operational expenditures. Capital expenditures are not presented.

## Covered California

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	1,399	1,399	1,386	1,391	1,419	1,420	1,440
Personnel Expenditures	115,211,883	111,583,748	120,675,946	129,019,978	153,150,835	131,161,809	162,074,821
Other Operating Expenditures	<u>207,743,074</u>	<u>181,633,524</u>	<u>241,888,325</u>	<u>220,158,563</u>	<u>270,750,974</u>	<u>247,324,273</u>	<u>197,030,484</u>
<b>Subtotal</b>	<b>\$ 322,954,957</b>	<b>\$ 293,217,272</b>	<b>\$ 362,564,271</b>	<b>\$ 349,178,541</b>	<b>\$ 423,901,809</b>	<b>\$ 378,486,083</b>	<b>\$ 359,105,305</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	17,288,904	15,791,642	16,581,620	16,081,622	16,276,753	15,546,753	18,069,532
<b>Total Operating Expenditures</b>	<b><u><u>\$ 340,243,861</u></u></b>	<b><u><u>\$ 309,008,914</u></u></b>	<b><u><u>\$ 379,145,891</u></u></b>	<b><u><u>\$ 365,260,163</u></u></b>	<b><u><u>\$ 440,178,561</u></u></b>	<b><u><u>\$ 394,032,836</u></u></b>	<b><u><u>\$ 377,174,837</u></u></b>

## Plan Management, Eligibility and Health Transformation

The Plan Management, Eligibility and Health Transformation functional area includes the Plan Management Division; the Policy, Eligibility and Research Division; and Health Equity and Quality Transformation Division.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	75	75	87	89	100	100	100
Personnel Expenditures	\$ 8,059,380	\$ 7,237,170	\$ 10,019,900	\$ 9,371,551	\$ 13,095,880	\$ 8,837,442	\$ 14,619,821
Other Operating Expenditures	\$ 7,489,207	\$ 7,384,818	\$ 8,203,840	\$ 8,163,920	\$ 12,944,981	\$ 11,124,066	\$ 13,902,830
<b>Subtotal</b>	<b>\$ 15,548,587</b>	<b>\$ 14,621,988</b>	<b>\$ 18,223,740</b>	<b>\$ 17,535,471</b>	<b>\$ 26,040,861</b>	<b>\$ 19,961,508</b>	<b>\$ 28,522,651</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 925,513	\$ 846,586	\$ 993,793	\$ 934,973	\$ 1,115,935	\$ 944,685	\$ 1,393,948
<b>Total Operating Expenditures</b>	<b>\$ 16,474,100</b>	<b>\$ 15,468,574</b>	<b>\$ 19,217,533</b>	<b>\$ 18,470,444</b>	<b>\$ 27,156,796</b>	<b>\$ 20,906,194</b>	<b>\$ 29,916,599</b>

## Plan Management Division

### Budget Unit Description

The Plan Management Division’s purpose is to improve the cost, quality and accessibility of health care delivered to consumers by selecting, negotiating with, and holding Covered California’s contracted health insurance companies accountable for delivering quality health care while fostering improvements in care delivery that can benefit all Californians

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	34	34	41	41	46	46	30
Personnel Expenditures	\$ 3,952,995	\$ 3,627,085	\$ 5,107,007	\$ 5,020,012	\$ 6,473,194	\$ 4,403,023	\$ 4,418,705
Other Operating Expenditures	\$ 2,038,022	\$ 2,903,173	\$ 2,281,522	\$ 1,636,340	\$ 2,355,000	\$ 1,491,992	\$ 2,551,783
<b>Subtotal</b>	<b>\$ 5,991,017</b>	<b>\$ 6,530,258</b>	<b>\$ 7,388,529</b>	<b>\$ 6,656,352</b>	<b>\$ 8,828,194</b>	<b>\$ 5,895,015</b>	<b>\$ 6,970,487</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 419,566	\$ 383,785	\$ 418,240	\$ 371,552	\$ 411,893	\$ 316,188	\$ 354,466
<b>Total Operating Expenditures</b>	<b>\$ 6,410,583</b>	<b>\$ 6,914,043</b>	<b>\$ 7,806,769</b>	<b>\$ 7,027,904</b>	<b>\$ 9,240,087</b>	<b>\$ 6,211,202</b>	<b>\$ 7,324,953</b>

## Policy, Eligibility and Research Division

### Budget Unit Description

The Policy, Eligibility and Research Division, through its Eligibility Branch, ensures appropriate implementation of program-eligibility rules. The Policy and Research Branch provides accurate, complete, and timely policy and data analysis to support evidence-based decision-making, with a focus on analyzing both enrollment and the care provided by contracted health plans to support Plan Management’s work to hold health plans accountable

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	41	41	46	48	54	54	54
Personnel Expenditures	\$ 4,106,385	\$ 3,610,086	\$ 4,912,893	\$ 4,351,539	\$ 6,622,686	\$ 4,434,420	\$ 7,011,790
Other Operating Expenditures	\$ 5,451,185	\$ 4,481,645	\$ 5,922,318	\$ 6,527,580	\$ 10,589,981	\$ 9,632,074	\$ 11,297,830
<b>Subtotal</b>	<b>\$ 9,557,570</b>	<b>\$ 8,091,730</b>	<b>\$ 10,835,211</b>	<b>\$ 10,879,119</b>	<b>\$ 17,212,667</b>	<b>\$ 14,066,494</b>	<b>\$ 18,309,620</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 505,947	\$ 462,800	\$ 575,553	\$ 563,421	\$ 704,042	\$ 628,498	\$ 869,516
<b>Total Operating Expenditures</b>	<b>\$ 10,063,517</b>	<b>\$ 8,554,531</b>	<b>\$ 11,410,764</b>	<b>\$ 11,442,540</b>	<b>\$ 17,916,709</b>	<b>\$ 14,694,992</b>	<b>\$ 19,179,136</b>

## Health Equity and Quality Transformation Division

### Budget Unit Description

The Health Equity and Quality Transformation Division (EQT), under the leadership of the chief medical officer, supports Covered California’s mission to “...improve health care quality, lower costs, and reduce health disparities...”

In partnership with stakeholders and purchaser partners, the EQT Division provides expertise and analysis — and holds health plan issuers accountable — so that Covered California enrollees and all Californians receive high-quality, equitable care to improve their health. EQT is organized into the Population Care, Quality Improvement, and Health Informatics and Clinical teams

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	0	0	0	0	0	0	16
Personnel Expenditures	\$ -	\$ -	\$ -	\$ -		\$ -	\$ 3,189,326
Other Operating Expenditures	\$ -	\$ -	\$ -	\$ -		\$ -	\$ 53,217
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 3,242,543</b>					
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,967
<b>Total Operating Expenditures</b>	<b>\$ -</b>	<b>\$ 3,412,510</b>					

## Marketing, Outreach/Sales and Other

Marketing, Outreach/Sales and Other includes the following divisions: Marketing, Outreach and Sales, Communications and External Affairs, and Program Integrity.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	175	175	181	182	184	184	184
Personnel Expenditures	\$ 17,577,272	\$ 17,336,432	\$ 18,983,826	\$ 18,547,108	\$ 22,840,489	\$ 18,710,229	\$ 24,781,408
Other Operating Expenditures	\$ 88,740,500	\$ 75,429,731	\$ 94,551,529	\$ 99,055,899	\$ 128,762,072	\$ 117,608,024	\$ 96,900,868
<b>Subtotal</b>	<b>\$ 106,317,772</b>	<b>\$ 92,766,163</b>	<b>\$ 113,535,355</b>	<b>\$ 117,603,007</b>	<b>\$ 151,602,561</b>	<b>\$ 136,318,252</b>	<b>\$ 121,682,276</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 2,184,531	\$ 1,975,366	\$ 5,225,570	\$ 5,313,642	\$ 5,391,656	\$ 5,324,205	\$ 5,344,512
<b>Total Operating Expenditures</b>	<b>\$ 108,502,303</b>	<b>\$ 94,741,529</b>	<b>\$ 118,760,925</b>	<b>\$ 122,916,649</b>	<b>\$ 156,994,217</b>	<b>\$ 141,642,458</b>	<b>\$ 127,026,788</b>

## Marketing Division

### Budget Unit Description

The Marketing Division is responsible for implementing Covered California’s comprehensive marketing campaign strategy to motivate Californians to enroll in or renew their health insurance through Covered California. Covered California’s marketing and advertising efforts are anchored in effectively reaching the diverse cultures, regions, ethnicities, and languages of California

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	26	26	27	27	29	29	29
Personnel Expenditures	\$ 2,804,216	\$ 3,021,873	\$ 3,147,948	\$ 3,169,506	\$ 3,915,546	\$ 3,377,016	\$ 4,190,973
Other Operating Expenditures	\$ 58,617,000	\$ 47,409,004	\$ 63,054,992	\$ 69,565,816	\$ 89,343,702	\$ 83,313,168	\$ 58,584,844
<b>Subtotal</b>	<b>\$ 61,421,216</b>	<b>\$ 50,430,877</b>	<b>\$ 66,202,940</b>	<b>\$ 72,735,322</b>	<b>\$ 93,259,248</b>	<b>\$ 86,690,184</b>	<b>\$ 62,775,817</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 320,845	\$ 293,483	\$ 2,836,927	\$ 3,089,059	\$ 3,083,071	\$ 3,187,038	\$ 2,593,570
<b>Total Operating Expenditures</b>	<b>\$ 61,742,061</b>	<b>\$ 50,724,360</b>	<b>\$ 69,039,867</b>	<b>\$ 75,824,381</b>	<b>\$ 96,342,319</b>	<b>\$ 89,877,223</b>	<b>\$ 65,369,387</b>

## Outreach and Sales Division

### Budget Unit Description

The purpose of the Outreach and Sales Division is to educate, support, and empower Covered California’s 20,000 sales partners in order to inform, facilitate, and expand the number of eligible individuals enrolled in affordable, quality health care coverage. The division oversees contract, compliance, regulatory and policy responsibility for all sales channel partner programs to ensure program integrity and consumer protection. Sales channel partners include independent insurance agents and the Navigator program, which is a partnership with community organizations across the state who have experience in reaching and assisting California’s diverse populations and have proven success enrolling consumers in health care programs. The division also operates the Covered California for Small Business program that helps small businesses get coverage that can better meet the needs of the business and their employees. The Outreach and Sales Division has two components: the individual market and Covered California for Small Business

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	58	58	62	62	62	62	62
Personnel Expenditures	\$ 5,896,992	\$ 5,933,639	\$ 6,338,698	\$ 6,566,794	\$ 7,605,435	\$ 6,642,636	\$ 8,135,815
Other Operating Expenditures	\$ 26,168,000	\$ 24,990,296	\$ 26,957,037	\$ 26,246,156	\$ 35,164,620	\$ 30,500,511	\$ 34,030,474
<b>Subtotal</b>	<b>\$ 32,064,992</b>	<b>\$ 30,923,936</b>	<b>\$ 33,295,735</b>	<b>\$ 32,812,950</b>	<b>\$ 42,770,055</b>	<b>\$ 37,143,147</b>	<b>\$ 42,166,289</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 740,730	\$ 654,693	\$ 1,556,329	\$ 1,508,458	\$ 1,549,094	\$ 1,477,511	\$ 1,847,650
<b>Total Operating Expenditures</b>	<b>\$ 32,805,722</b>	<b>\$ 31,578,628</b>	<b>\$ 34,852,064</b>	<b>\$ 34,321,408</b>	<b>\$ 44,319,149</b>	<b>\$ 38,620,657</b>	<b>\$ 44,013,939</b>

## Communications and External Affairs Division

### Budget Unit Description

The Communications and External Affairs Division serves multiple functions, including developing, coordinating, and executing an extensive program of media relations and public communications that support enrollment; developing an overarching strategy for the public-facing website content on CoveredCA.com; and maintaining federal and state government relations, tribal relations and stakeholder support and engagement.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	28	28	29	30	30	30	30
Personnel Expenditures	\$ 3,228,519	\$ 2,842,748	\$ 3,252,646	\$ 3,206,696	\$ 4,226,080	\$ 3,140,866	\$ 4,736,918
Other Operating Expenditures	\$ 2,717,000	\$ 2,340,173	\$ 2,805,500	\$ 2,837,955	\$ 2,808,750	\$ 3,005,257	\$ 2,840,550
<b>Subtotal</b>	<b>\$ 5,945,519</b>	<b>\$ 5,182,920</b>	<b>\$ 6,058,146</b>	<b>\$ 6,044,651</b>	<b>\$ 7,034,830</b>	<b>\$ 6,146,123</b>	<b>\$ 7,577,468</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 345,525	\$ 316,059	\$ 330,578	\$ 320,729	\$ 309,750	\$ 289,084	\$ 378,847
<b>Total Operating Expenditures</b>	<b>\$ 6,291,044</b>	<b>\$ 5,498,979</b>	<b>\$ 6,388,724</b>	<b>\$ 6,365,380</b>	<b>\$ 7,344,580</b>	<b>\$ 6,435,207</b>	<b>\$ 7,956,315</b>

## Program Integrity Division

### Budget Unit Description

The Program Integrity Division consists of two Branches. Its Reconciliation of Enrollment and Membership Branch ensures accuracy and alignment of data between Covered California and carrier systems and conducts system testing and performance review of CalHEERS. Its Program Oversight and Compliance Branch conducts internal and external audits and assists all divisions in identifying and remediating enterprise-wide risks. The division encourages accountability, transparency, effectiveness, efficiency, and risk management by independently reviewing key business areas to help ensure compliance with federal and state laws, regulations, and policies.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	63	63	63	63	63	63	63
Personnel Expenditures	\$ 5,647,545	\$ 5,538,172	\$ 6,244,534	\$ 5,604,112	\$ 7,093,428	\$ 5,549,710	\$ 7,717,703
Other Operating Expenditures	\$ 1,238,500	\$ 690,258	\$ 1,734,000	\$ 405,972	\$ 1,445,000	\$ 789,088	\$ 1,445,000
<b>Subtotal</b>	<b>\$ 6,886,045</b>	<b>\$ 6,228,430</b>	<b>\$ 7,978,534</b>	<b>\$ 6,010,084</b>	<b>\$ 8,538,428</b>	<b>\$ 6,338,798</b>	<b>\$ 9,162,703</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 777,431	\$ 711,132	\$ 501,736	\$ 395,396	\$ 449,742	\$ 370,573	\$ 524,445
<b>Total Operating Expenditures</b>	<b>\$ 7,663,476</b>	<b>\$ 6,939,562</b>	<b>\$ 8,480,270</b>	<b>\$ 6,405,480</b>	<b>\$ 8,988,170</b>	<b>\$ 6,709,371</b>	<b>\$ 9,687,148</b>

## Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office, and Customer Care. The total proposed budget for fiscal year 2022-23 is \$113.4 million.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	858	858	818	819	822	822	831
Personnel Expenditures	\$ 57,071,243	\$ 53,537,329	\$ 55,803,827	\$ 62,645,590	\$ 70,466,465	\$ 63,831,453	\$ 74,955,080
Other Operating Expenditures	\$ 37,217,705	\$ 34,891,077	\$ 36,380,991	\$ 36,682,846	\$ 43,930,841	\$ 45,450,134	\$ 38,651,781
<b>Subtotal</b>	<b>\$ 94,288,948</b>	<b>\$ 88,428,405</b>	<b>\$ 92,184,818</b>	<b>\$ 99,328,436</b>	<b>\$ 114,397,306</b>	<b>\$ 109,281,587</b>	<b>\$ 113,606,861</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 10,587,870	\$ 9,684,939	\$ 6,038,135	\$ 6,022,252	\$ 5,964,364	\$ 5,792,015	\$ 6,626,323
<b>Total Operating Expenditures</b>	<b>\$ 104,876,818</b>	<b>\$ 98,113,344</b>	<b>\$ 98,222,953</b>	<b>\$ 105,350,688</b>	<b>\$ 120,361,670</b>	<b>\$ 115,073,602</b>	<b>\$ 120,233,184</b>

## Service Center

### Budget Unit Description

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans and promptly resolving challenges that prevent them from receiving health and dental benefits. These efforts ensure consumers receive the right care at the right time at an affordable price, retain coverage and are satisfied with Covered California products and services. The Service Center consists of the following office operational branches: Sacramento Contact Center Operations Branch, Fresno Contact Center Operations Branch, Internal Compliance and Support Branch, Consumer Relations and Resolution Branch, Resource Planning and Management Branch, and Strategic Innovation and Implementation Branch.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	838	838	798	798	799	799	808
Personnel Expenditures	\$ 55,256,331	\$ 51,906,770	\$ 53,782,586	\$ 60,327,941	\$ 67,583,347	\$ 61,304,363	\$ 71,954,090
Other Operating Expenditures	\$ 36,988,705	\$ 34,803,392	\$ 35,671,991	\$ 36,429,890	\$ 43,489,841	\$ 44,893,747	\$ 37,707,781
<b>Subtotal</b>	<b>\$ 92,245,036</b>	<b>\$ 86,710,162</b>	<b>\$ 89,454,577</b>	<b>\$ 96,757,831</b>	<b>\$ 111,073,188</b>	<b>\$ 106,198,110</b>	<b>\$ 109,661,871</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 10,341,067	\$ 9,459,182	\$ 5,870,611	\$ 5,866,848	\$ 5,793,510	\$ 5,629,025	\$ 6,410,763
<b>Total Operating Expenditures</b>	<b>\$ 102,586,103</b>	<b>\$ 96,169,345</b>	<b>\$ 95,325,188</b>	<b>\$ 102,624,679</b>	<b>\$ 116,866,698</b>	<b>\$ 111,827,135</b>	<b>\$ 116,072,634</b>

## Ombuds Office

### Budget Unit Description

The Ombuds Office consists of two units. Its Ombuds Affairs Unit provides consumers an objective, unbiased and accessible resource when other resolution or customer service channels have been exhausted. Its Appeals Fulfillment Unit serves as an independent resource to implement Administrative Law Judge decisions following eligibility-determination appeals. Together, these units identify systemic challenges and promote solutions to prevent issues from recurring to improve the experience of Covered California consumers

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	13	13	13	13	15	15	15
Personnel Expenditures	\$ 1,090,055	\$ 1,131,910	\$ 1,181,028	\$ 1,495,552	\$ 1,779,841	\$ 1,446,445	\$ 1,798,068
Other Operating Expenditures	\$ 215,000	\$ 85,701	\$ 117,000	\$ 14,075	\$ 52,000	\$ 33,359	\$ 52,000
<b>Subtotal</b>	<b>\$ 1,305,055</b>	<b>\$ 1,217,611</b>	<b>\$ 1,298,028</b>	<b>\$ 1,509,627</b>	<b>\$ 1,831,841</b>	<b>\$ 1,479,804</b>	<b>\$ 1,850,068</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 160,422	\$ 146,741	\$ 88,986	\$ 92,803	\$ 100,606	\$ 87,172	\$ 111,551
<b>Total Operating Expenditures</b>	<b>\$ 1,465,477</b>	<b>\$ 1,364,353</b>	<b>\$ 1,387,014</b>	<b>\$ 1,602,430</b>	<b>\$ 1,932,447</b>	<b>\$ 1,566,976</b>	<b>\$ 1,961,620</b>

## Customer Care Division

### Budget Unit Description

The Customer Care Division’s purpose is to optimize and enhance the consumer experience regardless of service channel (e.g., self-serve, through the Covered California Service Center, via a Covered California Licensed Insurance Agent or Certified Enrollment Counselor). Ultimately, this work involves a high level of coordination, transparency, and collaboration throughout the organization to understand and facilitate improvement of the consumer experience during all phases of the consumer journey. This effort is foundational to Covered California’s purpose of making health insurance more affordable and easier to purchase for individuals and small businesses

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	7	7	7	8	8	8	8
Personnel Expenditures	\$ 724,857	\$ 498,649	\$ 840,213	\$ 822,097	\$ 1,103,277	\$ 1,080,645	\$ 1,202,922
Other Operating Expenditures	\$ 14,000	\$ 1,984	\$ 592,000	\$ 238,881	\$ 389,000	\$ 523,028	\$ 892,000
<b>Subtotal</b>	<b>\$ 738,857</b>	<b>\$ 500,632</b>	<b>\$ 1,432,213</b>	<b>\$ 1,060,978</b>	<b>\$ 1,492,277</b>	<b>\$ 1,603,673</b>	<b>\$ 2,094,922</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 86,381	\$ 79,015	\$ 78,538	\$ 62,601	\$ 70,247	\$ 75,818	\$ 104,009
<b>Total Operating Expenditures</b>	<b>\$ 825,238</b>	<b>\$ 579,647</b>	<b>\$ 1,510,751</b>	<b>\$ 1,123,579</b>	<b>\$ 1,562,524</b>	<b>\$ 1,679,491</b>	<b>\$ 2,198,931</b>

## Technology

Technology includes the Information Technology (IT) Division and the consumer enrollment system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS).

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	76	76	82	84	94	94	100
Personnel Expenditures	\$ 9,261,742	\$ 9,396,437	\$ 10,527,630	\$ 11,314,893	\$ 15,308,340	\$ 12,968,786	\$ 16,497,459
Other Operating Expenditures	\$ 59,901,600	\$ 50,414,717	\$ 82,365,692	\$ 60,672,461	\$ 65,689,168	\$ 56,400,397	\$ 53,694,541
<b>Subtotal</b>	<b>\$ 69,163,342</b>	<b>\$ 59,811,154</b>	<b>\$ 92,893,322</b>	<b>\$ 71,987,354</b>	<b>\$ 80,997,508</b>	<b>\$ 69,369,183</b>	<b>\$ 70,192,000</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 937,853	\$ 857,873	\$ 1,831,300	\$ 1,532,379	\$ 1,559,418	\$ 1,420,494	\$ 2,087,661
<b>Total Operating Expenditures</b>	<b>\$ 70,101,195</b>	<b>\$ 60,669,028</b>	<b>\$ 94,724,622</b>	<b>\$ 73,519,733</b>	<b>\$ 82,556,926</b>	<b>\$ 70,789,678</b>	<b>\$ 72,279,661</b>

# CalHEERS

## Budget Unit Description

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) is a single streamlined application for affordable health insurance programs in California. CalHEERS provides health plan eligibility determination and qualified health plan comparison shopping and enrollment for millions of Medi-Cal and Covered California consumers in one convenient web-based solution.

CalHEERS is jointly sponsored by Covered California and the California Department of Health Care Services. California’s Office of Systems Integration oversees CalHEERS project roadmap, maintenance, and operations on behalf of the sponsoring organizations. The project is governed by an executive steering committee that represents each of the participating agencies and that has guided the project since its inception in 2013.

## Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>							
Personnel Expenditures					\$ -	\$ -	\$ -
Other Operating Expenditures	\$ 36,884,626	\$ 30,133,635	\$ 54,294,132	\$ 39,818,818	\$ 40,665,068	\$ 35,817,185	\$ 24,399,041
<b>Subtotal</b>	<b>\$ 36,884,626</b>	<b>\$ 30,133,635</b>	<b>\$ 54,294,132</b>	<b>\$ 39,818,818</b>	<b>\$ 40,665,068</b>	<b>\$ 35,817,185</b>	<b>\$ 24,399,041</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Operating Expenditures</b>	<b>\$ 36,884,626</b>	<b>\$ 30,133,635</b>	<b>\$ 54,294,132</b>	<b>\$ 39,818,818</b>	<b>\$ 40,665,068</b>	<b>\$ 35,817,185</b>	<b>\$ 24,399,041</b>

## Information Technology Division

### Budget Unit Description

The Information Technology Division provides program and project management, technology, and information security services supporting health plan eligibility and enrollment, innovation, strategic initiatives, and operations to Covered California consumers, stakeholders, and business divisions - including oversight of the ongoing development and operations of CalHEERS.

Three branches carry out specific functions in the Information Technology Division: Technology Solutions and Program Management, Technology Infrastructure and Operations, and the Information Security Office.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	76	76	82	84	94	94	100
Personnel Expenditures	\$ 9,261,742	\$ 9,396,437	\$ 10,527,630	\$ 11,314,893	\$ 15,308,340	\$ 12,968,786	\$ 16,497,459
Other Operating Expenditures	\$ 23,016,974	\$ 20,281,083	\$ 28,071,560	\$ 20,853,643	\$ 25,024,100	\$ 20,583,212	\$ 29,295,500
<b>Subtotal</b>	<b>\$ 32,278,716</b>	<b>\$ 29,677,520</b>	<b>\$ 38,599,190</b>	<b>\$ 32,168,536</b>	<b>\$ 40,332,440</b>	<b>\$ 33,551,998</b>	<b>\$ 45,792,959</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 937,853	\$ 857,873	\$ 1,831,300	\$ 1,532,379	\$ 1,559,418	\$ 1,420,494	\$ 2,087,661
<b>Total Operating Expenditures</b>	<b>\$ 33,216,569</b>	<b>\$ 30,535,393</b>	<b>\$ 40,430,490</b>	<b>\$ 33,700,915</b>	<b>\$ 41,891,858</b>	<b>\$ 34,972,492</b>	<b>\$ 47,880,620</b>

## Administration

Administration includes the following program areas: the Business Services Branch, the Financial Management Division, the Human Resources Branch, the Office of Legal Affairs, Covered California University, the Executive Office, and the Equal Employment Opportunity Office.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	215	215	218	217	219	220	225
						\$ 0	
Personnel Expenditures	\$ 23,242,246	\$ 24,076,380	\$ 25,340,763	\$ 27,140,836	\$ 31,439,661	\$ 26,813,899	\$ 31,221,053
Other Operating Expenditures	\$ 14,394,062	\$ 13,513,181	\$ 20,386,273	\$ 15,583,437	\$ 19,423,912	\$ 16,741,653	\$ 20,026,804
<b>Subtotal</b>	<b>\$ 37,636,308</b>	<b>\$ 37,589,561</b>	<b>\$ 45,727,036</b>	<b>\$ 42,724,273</b>	<b>\$ 50,863,573</b>	<b>\$ 43,555,552</b>	<b>\$ 51,247,857</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 2,653,137	\$ 2,426,879	\$ 2,492,822	\$ 2,278,376	\$ 2,245,379	\$ 2,065,354	\$ 2,617,087
<b>Total Operating Expenditures</b>	<b>\$ 40,289,445</b>	<b>\$ 40,016,440</b>	<b>\$ 48,219,858</b>	<b>\$ 45,002,649</b>	<b>\$ 53,108,952</b>	<b>\$ 45,620,905</b>	<b>\$ 53,864,944</b>

## Business Services Branch

### Budget Unit Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; carrying out health, safety, and wellness services; providing central support functions for administrative programs enterprise-wide; ensuring facilities are well maintained and secure and managing our physical resources through facilities operations.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	38	38	39	40	40	40	41
Personnel Expenditures	\$ 3,439,083	\$ 3,802,952	\$ 4,104,724	\$ 4,368,790	\$ 5,225,481	\$ 4,464,640	\$ 4,838,220
Other Operating Expenditures	\$ 6,469,486	\$ 8,139,725	\$ 9,799,360	\$ 8,993,676	\$ 10,336,245	\$ 10,720,042	\$ 10,669,871
<b>Subtotal</b>	<b>\$ 9,908,569</b>	<b>\$ 11,942,677</b>	<b>\$ 13,904,084</b>	<b>\$ 13,362,466</b>	<b>\$ 15,561,726</b>	<b>\$ 15,184,682</b>	<b>\$ 15,508,091</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 468,927	\$ 428,937	\$ 684,985	\$ 648,313	\$ 612,036	\$ 637,133	\$ 724,711
<b>Total Operating Expenditures</b>	<b>\$ 10,377,496</b>	<b>\$ 12,371,614</b>	<b>\$ 14,589,069</b>	<b>\$ 14,010,779</b>	<b>\$ 16,173,762</b>	<b>\$ 15,821,816</b>	<b>\$ 16,232,802</b>

## Financial Management Division

### Budget Unit Description

The Financial Management Division plans, implements and guides all Covered California financial activities, including finance, accounting, forecasting, budgeting, and governmental compliance. The division consists of two branches: Accounting and Accounting Systems Operations and Financial Planning and Forecasting Operations. Within those units lie critical accounting functions, including payroll, financial reporting, accounts receivable and payable, financial modeling, financial forecasting, and financial systems.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	58	58	58	57	57	57	58
Personnel Expenditures	\$ 5,876,460	\$ 6,277,305	\$ 6,709,557	\$ 6,913,498	\$ 8,230,393	\$ 6,488,709	\$ 7,752,829
Other Operating Expenditures	\$ 3,878,000	\$ 2,538,887	\$ 3,840,006	\$ 2,154,547	\$ 2,791,991	\$ 1,370,867	\$ 2,533,991
<b>Subtotal</b>	<b>\$ 9,754,460</b>	<b>\$ 8,816,192</b>	<b>\$ 10,549,563</b>	<b>\$ 9,068,045</b>	<b>\$ 11,022,384</b>	<b>\$ 7,859,576</b>	<b>\$ 10,286,820</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 715,730	\$ 654,693	\$ 595,727	\$ 508,812	\$ 513,065	\$ 411,778	\$ 557,186
<b>Total Operating Expenditures</b>	<b>\$ 10,470,190</b>	<b>\$ 9,470,885</b>	<b>\$ 11,145,290</b>	<b>\$ 9,576,857</b>	<b>\$ 11,535,449</b>	<b>\$ 8,271,354</b>	<b>\$ 10,844,007</b>

## Human Resources Branch

### Budget Unit Description

The Human Resources Branch (HRB) provides overall policy direction on human resource management and administrative support functions related to the management of employees via the following units: Labor Relations Office, Employment and Classification Services (Classification and Research, Career Services and Talent Acquisition), Payroll and Benefits, Performance Management, Digital Innovation and Operations and Disability Management. Each of these units strives to ensure that the HRB core values of creativity, integrity, communication, respect, people, and community serve as our guiding principles to drive key objectives.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	51	51	52	52	52	53	54
Personnel Expenditures	\$ 5,230,663	\$ 5,447,407	\$ 4,864,971	\$ 6,023,903	\$ 6,533,371	\$ 5,990,962	\$ 6,790,197
Other Operating Expenditures	\$ 959,376	\$ 386,590	\$ 3,420,774	\$ 1,578,245	\$ 3,341,500	\$ 2,590,206	\$ 3,555,305
<b>Subtotal</b>	<b>\$ 6,190,039</b>	<b>\$ 5,833,997</b>	<b>\$ 8,285,745</b>	<b>\$ 7,602,148</b>	<b>\$ 9,874,871</b>	<b>\$ 8,581,168</b>	<b>\$ 10,345,502</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 629,349	\$ 575,678	\$ 485,137	\$ 436,279	\$ 462,243	\$ 428,724	\$ 549,613
<b>Total Operating Expenditures</b>	<b>\$ 6,819,388</b>	<b>\$ 6,409,675</b>	<b>\$ 8,770,882</b>	<b>\$ 8,038,427</b>	<b>\$ 10,337,114</b>	<b>\$ 9,009,892</b>	<b>\$ 10,895,115</b>

## Office of Legal Affairs

### Budget Unit Description

The Office of Legal Affairs offers a wide range of legal services to all Covered California staff by providing preventive legal advice and consultation to ensure compliance with laws and to mitigate legal liability. The Office of Legal Affairs interfaces with state and federal regulatory agencies and provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts, and operations. The Office of Legal Affairs ensures that all legal agreements are fulfilled, and that Covered California operates within its legal authority. Additionally, the Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	25	25	25	24	24	24	24
Personnel Expenditures	\$ 2,848,790	\$ 2,661,260	\$ 3,265,196	\$ 3,032,894	\$ 3,580,449	\$ 3,104,378	\$ 3,859,074
Other Operating Expenditures	\$ 1,320,500	\$ 1,067,527	\$ 1,320,500	\$ 1,277,306	\$ 1,380,500	\$ 1,033,995	\$ 1,380,500
<b>Subtotal</b>	<b>\$ 4,169,290</b>	<b>\$ 3,728,787</b>	<b>\$ 4,585,696</b>	<b>\$ 4,310,200</b>	<b>\$ 4,960,949</b>	<b>\$ 4,138,373</b>	<b>\$ 5,239,574</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 308,504	\$ 282,195	\$ 258,386	\$ 234,714	\$ 226,328	\$ 203,233	\$ 270,043
<b>Total Operating Expenditures</b>	<b>\$ 4,477,794</b>	<b>\$ 4,010,982</b>	<b>\$ 4,844,082</b>	<b>\$ 4,544,914</b>	<b>\$ 5,187,277</b>	<b>\$ 4,341,606</b>	<b>\$ 5,509,618</b>

## Covered California University

### Budget Unit Description

Covered California University is the enterprise training and knowledge management branch. The branch collaborates with programs and interacts across the organization to leverage subject matter experts in a vast array of disciplines, acts as a consultant on information dissemination and training initiatives, and maintains written materials and training courses that support the organization and its partners. The branch administers the technology that supports information and training, including the Customer Relationship Management Knowledgebase and Absorb Learning Management System. The branch consists of the following sections: Training Design and Delivery Section, the Knowledge Management Section and Operations and Special Projects.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	31	31	31	31	31	31	31
Personnel Expenditures	\$ 2,989,335	\$ 3,105,627	\$ 3,187,370	\$ 3,770,845	\$ 4,051,052	\$ 3,441,692	\$ 4,101,931
Other Operating Expenditures	\$ 554,500	\$ 418,045	\$ 668,750	\$ 476,110	\$ 580,000	\$ 509,903	\$ 850,537
<b>Subtotal</b>	<b>\$ 3,543,835</b>	<b>\$ 3,523,672</b>	<b>\$ 3,856,120</b>	<b>\$ 4,246,955</b>	<b>\$ 4,631,052</b>	<b>\$ 3,951,595</b>	<b>\$ 4,952,468</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 382,545	\$ 349,922	\$ 243,970	\$ 248,226	\$ 235,133	\$ 212,322	\$ 275,888
<b>Total Operating Expenditures</b>	<b>\$ 3,926,380</b>	<b>\$ 3,873,594</b>	<b>\$ 4,100,090</b>	<b>\$ 4,495,181</b>	<b>\$ 4,866,185</b>	<b>\$ 4,163,917</b>	<b>\$ 5,228,357</b>

## Executive Office

### Budget Unit Description

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive Office staff are responsible for Covered California’s day-to-day operations and are tasked with facilitating and supporting Covered California’s employees and a broad community of individuals and groups to provide customers (including staff, the Board, stakeholders, and the public) with the direction, information, tools, and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning, and adjusting efforts to meet goals and serve consumers.

The Office of Organizational Culture, Inclusion and Engagement (OOCIE) provides leadership in the areas of workforce and succession planning, employee engagement, and diversity, equity, and inclusion to ensure Covered California is considered an employer of choice and to create and support a workforce reflective of our core values and the people we serve.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	8	8	9	9	11	11	11
Personnel Expenditures	\$ 2,518,484	\$ 2,457,570	\$ 2,801,104	\$ 2,548,801	\$ 3,287,797	\$ 2,856,660	\$ 3,217,457
Other Operating Expenditures	\$ 911,500	\$ 848,763	\$ 1,040,883	\$ 931,426	\$ 714,676	\$ 359,466	\$ 783,600
<b>Subtotal</b>	<b>\$ 3,429,984</b>	<b>\$ 3,306,332</b>	<b>\$ 3,841,987</b>	<b>\$ 3,480,227</b>	<b>\$ 4,002,473</b>	<b>\$ 3,216,126</b>	<b>\$ 4,001,057</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 98,721	\$ 90,302	\$ 184,523	\$ 165,582	\$ 159,391	\$ 140,656	\$ 188,022
<b>Total Operating Expenditures</b>	<b>\$ 3,528,705</b>	<b>\$ 3,396,635</b>	<b>\$ 4,026,510</b>	<b>\$ 3,645,809</b>	<b>\$ 4,161,864</b>	<b>\$ 3,356,783</b>	<b>\$ 4,189,079</b>

## Equal Employment Opportunity Office

### Budget Unit Description

The Equal Employment Opportunity Office is responsible for implementing, coordinating, and monitoring civil rights compliance for Covered California’s workforce and consumers. The Equal Employment Opportunity Office ensures that Covered California is compliant with federal and state laws regarding diversity, equity, and accessibility. The office also partners with other program areas to develop initiatives that increase accessibility and foster diversity. It reports on appointments, brings issues of concern regarding equal employment opportunity to the executive director, and recommends appropriate action.

### Trend in Budgeted and Actual Expenditures

	Fiscal Year 2018-19	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2020-21	Fiscal Year 2021-22
	Approved Budget	Actual	Approved Budget	Actual	Approved Budget	Actual	Approved Budget
<b>Positions</b>	4	4	4	4	4	4	6
Personnel Expenditures	\$ 339,431	\$ 324,260	\$ 407,841	\$ 482,105	\$ 531,118	\$ 466,859	\$ 661,345
Other Operating Expenditures	\$ 300,700	\$ 113,644	\$ 296,000	\$ 172,127	\$ 279,000	\$ 157,173	\$ 253,000
<b>Subtotal</b>	<b>\$ 640,131</b>	<b>\$ 437,903</b>	<b>\$ 703,841</b>	<b>\$ 654,232</b>	<b>\$ 810,118</b>	<b>\$ 624,032</b>	<b>\$ 914,345</b>
<b>Allocated Expenditures</b>							
Prorata/Supp. Pension/Other	\$ 49,361	\$ 45,151	\$ 40,094	\$ 36,450	\$ 37,183	\$ 31,507	\$ 51,622
<b>Total Operating Expenditures</b>	<b>\$ 689,492</b>	<b>\$ 483,055</b>	<b>\$ 743,935</b>	<b>\$ 690,682</b>	<b>\$ 847,301</b>	<b>\$ 655,538</b>	<b>\$ 965,967</b>