



## **COVERED CALIFORNIA POLICY AND ACTION ITEMS**

June 15, 2023 Board Meeting

# COVERED CALIFORNIA'S PROPOSED FISCAL YEAR 2023-2024 BUDGET

Jim Watkins, CPA, Chief Financial Officer  
Financial Management Division

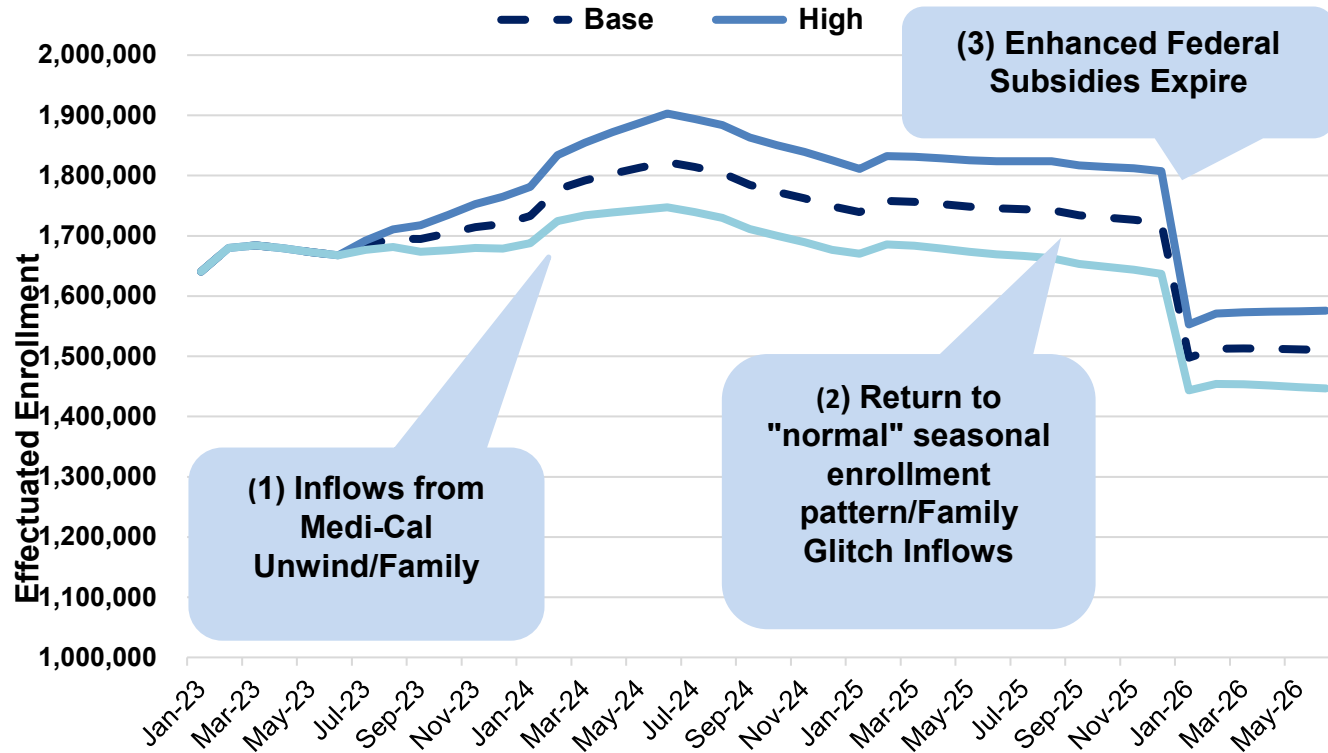
# Enrollment & Revenue Forecast

# FORECASTING STRATEGY: ADJUSTMENTS TO STATISTICAL BASELINE ESTIMATES

1. Inflows from Medi-Cal: Individuals will exit Medi-Cal when eligibility redeterminations resume. Inflows will occur starting July 2023
  - ❑ Between 17,856 and 33,066 individuals per month may enroll between July 2023 and June 2024.
2. Inflow from Family Glitch Fix: Dependents who have not been offered affordable employer-sponsored insurance and were formerly not entitled to Advance Premium Tax Credits (APTCs) are now eligible for APTCs.
  - ❑ Between 62,000 and 149,000 may enroll
  - ❑ Phased-in between FY 2023-24 and FY 2025-26
3. Disenrollments due to Expiration of enhanced subsidies: Due to current law, it is assumed that the American Rescue Plan's subsidies expire after December 2025, resulting in exits from Covered California. This impacts the FY 2025-26 enrollment forecast.
  - ❑ Between 198,000 and 260,000 may exit when the enhanced federal subsidies expire

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# FY 2023-24 THROUGH FY 2025-26: MULTI-YEAR ENROLLMENT FORECAST



Over the three-year forecasting period, Covered California enrollment will reflect three distinct phases.

1. the net Medi-Cal Unwind Inflow Period and Family Glitch inflows,
2. the Return-to-Normal Enrollment Pattern and Family Glitch inflows, and
3. the enhanced subsidies expiration period. It is assumed that consistent with current law, the enhanced federal subsidies expire at the end of 2025, inducing “sticker shock” among a portion of the enrolled Covered California population.

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# FORECASTED OPERATING REVENUE – HIGH, BASE, AND LOW (\$ IN MILLIONS)

Revenue	FY 2023-24	FY 2024-25	FY 2025-26
Individual Market Participation Rate	3.25%	3.25%	3.25%
CCSB Participation Rate	5.2%	5.2%	5.2%
Total Forecasted Participation Fee Revenue- <b>High</b>	\$ 471.8	\$ 513.5	\$ 500.0
Total Forecasted Participation Fee Revenue- <b>Base</b>	\$459.6	\$489.2	\$ 471.0
Total Forecasted Participation Fee Revenue- <b>Low</b>	\$ 443.5	\$ 456.6	\$ 433.3

Member Months	FY 2023-24	FY 2024-25	FY 2025-26
Total Forecasted Member Months- <b>High</b>	21,503,833	22,108,418	20,320,200
Total Forecasted Member Months- <b>Base</b>	20,953,189	21,186,633	19,457,123
Total Forecasted Member Months- <b>Low</b>	20,442,006	20,307,728	18,610,324

All revenue forecasts assume that the federal enhanced subsidies expire at the end of 2025.

The revenue forecasts presented here assume the following premium growth estimates:

- High: 2024-**7%**, 2025-**6%**, and 2026-**5%**
- Base: 2024-**7%**, 2025-**5%**, and 2026-**4%**
- Low: 2024-**5%**, 2025-**4%**, and 2026-**3%**

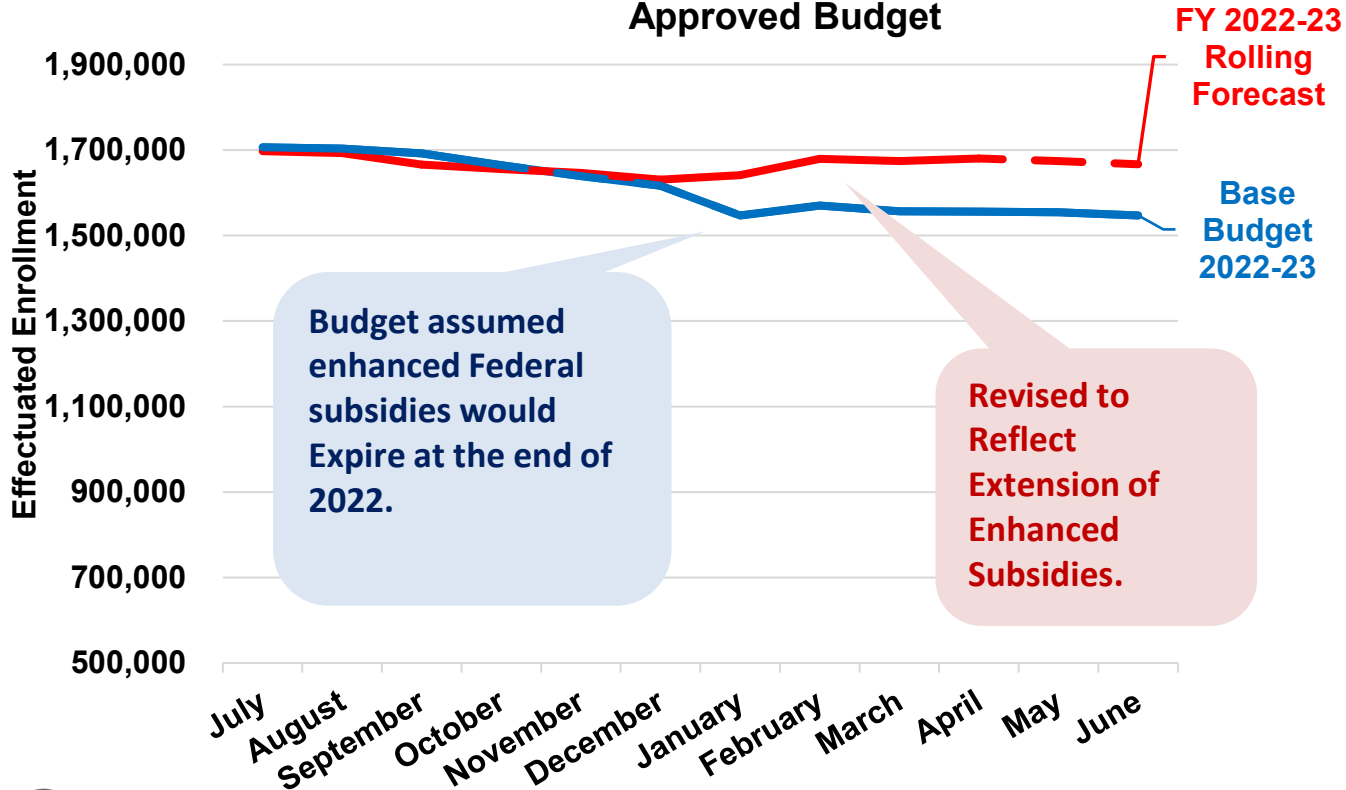
These premium growth expectations take into consideration not only carrier rate increases, but consumer behavior. From year-to-year consumers shop around and may select different metal tiers or plans.

The individual market participation fee is 3.25% throughout the forecast range. The CCSB participation fee is 5.2% throughout the forecast range.

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# COVERED CALIFORNIA'S ROLLING FORECAST

## Base Actual / Rolling Forecast and FY 2022-23 Base Approved Budget



Covered California continually evaluates its enrollment and revenue throughout the FY using a rolling forecast.

The rolling forecast allows Covered California to react to changing circumstances, including changes to healthcare policy, the macroeconomic environment, the labor market, and other events, and re-calibrate its enrollment and revenue outlook each month based on what is occurring.

As the Medi-Cal continuous coverage unwind unfolds in FY 2023-24, Covered California will continue to revise its enrollment and revenue forecast each month to reflect the actual inflows from Medi-Cal.

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**FY 2023-24**

**Proposed Budget Change Requests**

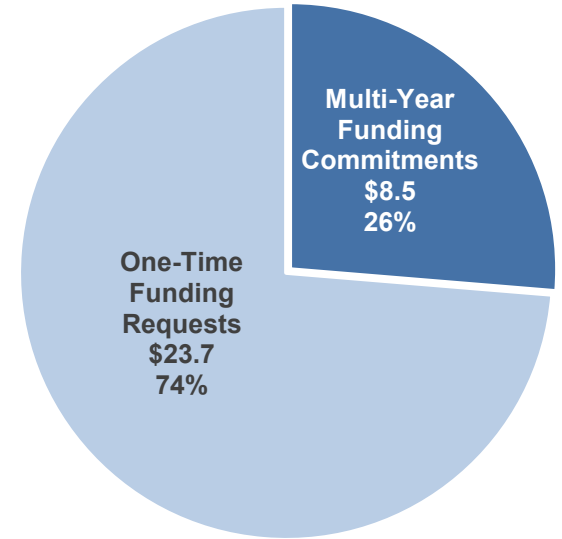


# FY 2023-24 BUDGET AUGMENTATIONS

The FY 2023-24 budget will add \$32.2 million in additional funding above the baseline to meet the following priorities and goals:

1. \$22.2 million to fund efforts to inform and support Californians throughout the Medi-Cal continuous coverage unwind.
2. \$3.0 million dollars for Information Management and Security
3. \$3.3 million for continued space consolidation and facility improvements.
4. \$1.1 million to support Covered California for Small Business and upgrade operations.
5. \$2.6 million to fund initiatives tied to specific strategic goals identified during Covered California's recent strategic planning sessions.

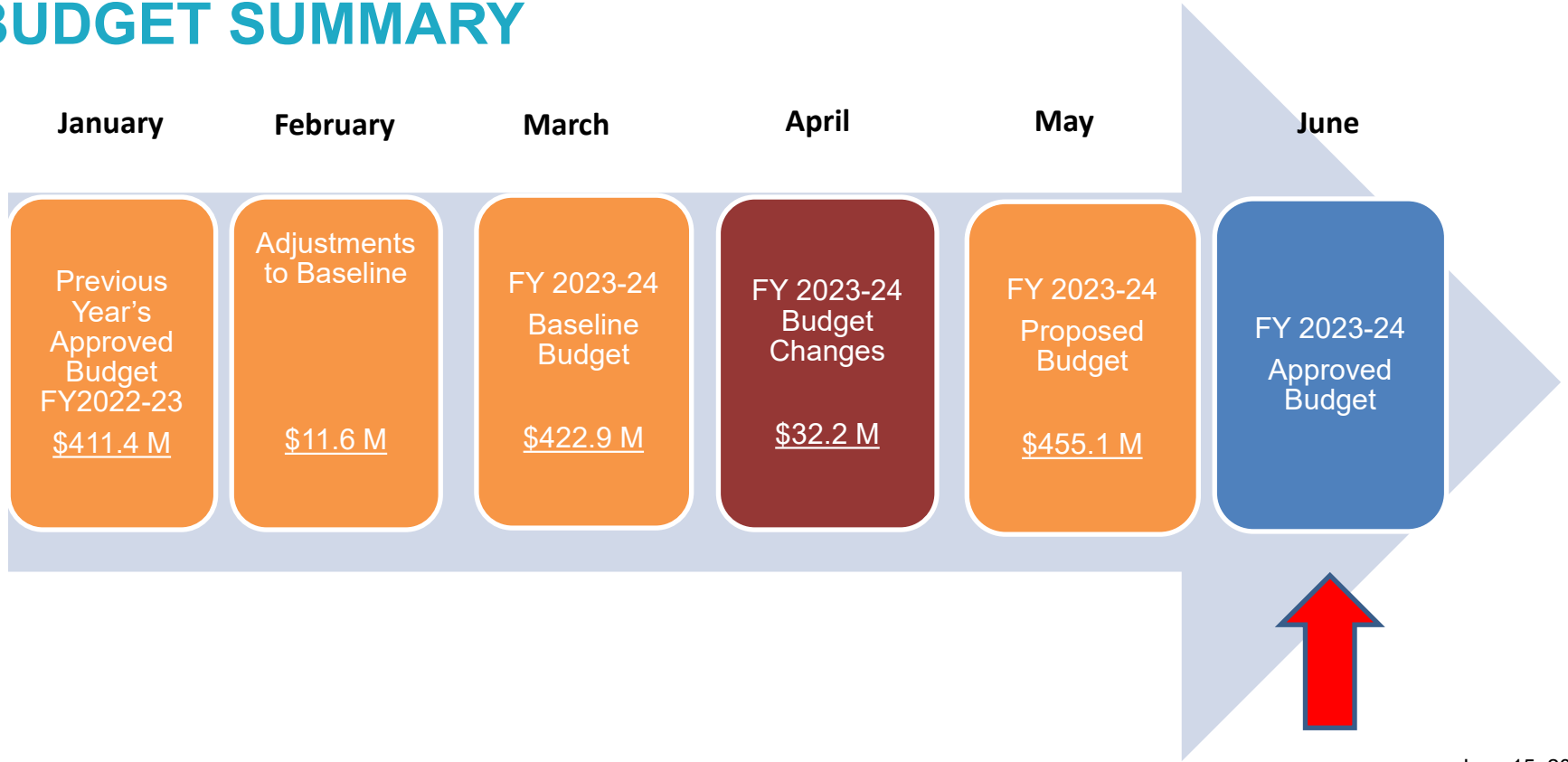
**One-Time Funding  
Represents 74% of the Total  
Proposed Budget  
Augmentations**



**FY 2023-24**

**Proposed Expenditure Budget**

# COVERED CALIFORNIA'S FY 2023-24 PROPOSED BUDGET SUMMARY



# FY 2023-24 PROPOSED BUDGET BY EXPENDITURE CATEGORY

	Fiscal Year 2023-24	Fiscal Year 2023-24	Difference
	Baseline Budget	Proposed Budget	Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget
<b>Positions</b>	1468	1475	7
<b>Operating Expenditures</b>			
Personnel Expenditures	\$ 176,237,199	\$ 177,064,746	\$ 827,547
Other Operating Expenditures	\$ 200,457,664	\$ 228,521,797	\$ 28,064,133
<b>Subtotal</b>	<b>\$ 376,694,863</b>	<b>\$ 405,586,543</b>	<b>\$ 28,891,680</b>
<b>Allocated Expenditures</b>			
Prorata/Supp. Pension/Other	19,111,015	\$ 19,111,015	-
<b>Total Operating Expenditures</b>	<b>\$ 395,805,878</b>	<b>\$ 424,697,558</b>	<b>\$ 28,891,680</b>
<b>Capital Investments</b>			
CalHEERs	\$ 24,773,115	\$ 24,773,115	\$ -
Other	\$ 2,391,000	\$ 5,651,000	\$ 3,260,000
<b>Total - Capital Project Expenditures</b>	<b>\$ 27,164,115</b>	<b>\$ 30,424,115</b>	<b>\$ 3,260,000</b>
<b>Total Budgeted Expenditures</b>	<b>\$ 422,969,992</b>	<b>\$ 455,121,672</b>	<b>\$ 32,151,680</b>

The proposed FY 2023-24 budget totals \$455.1 million, or \$32.2 million above the baseline.

Staffing is proposed to increase by 7, from 1,468 to 1,475.

Personnel expenditures will rise from the baseline total of \$176.2 million to \$177.1 million, or \$827,547.

Other operating expenditures increase by \$28.1 million, with \$23.3 million related to one-time expenditures. One-time OOE represent 83% of the total proposed OOE budget augmentations.

Capital expenditures increase by \$3.3 million above baseline.

Total proposed budget expenditures increase \$32.2 million above the baseline, or 7.6%.

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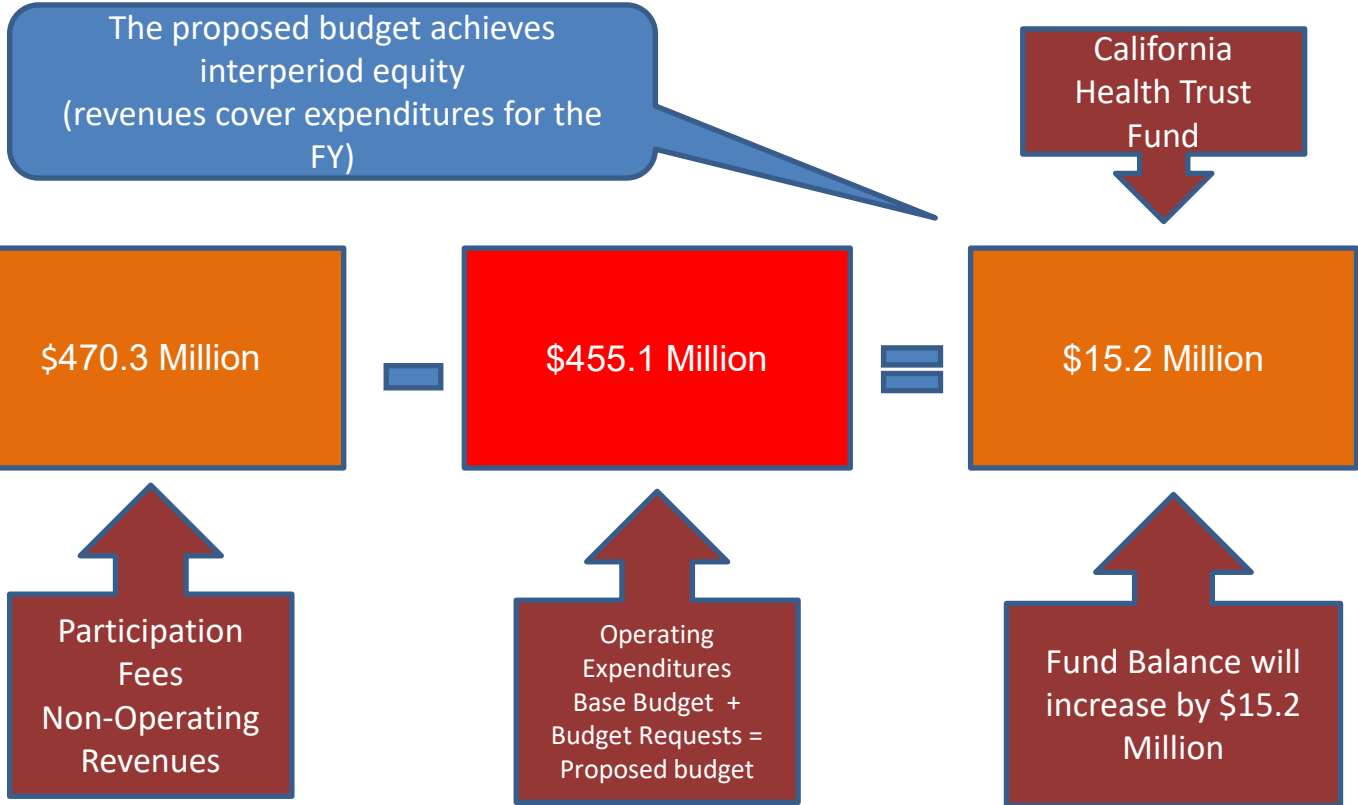
**FY 2023-24**

**Forecasted Budgetary**

**Fiscal Year Outcomes For**

**FY 2023-24, FY 2024-25, FY 2025-26**

# FY 2023-24 PROPOSED BUDGET OUTCOME



# Action Items

# RECOMMEND APPROVAL OF COVERED CALIFORNIA'S FY 2023-24 BUDGET AND 2024 PARTICIPATION RATES

**Covered California recommends that the Board adopt Board Resolution 2023-31 to:**

- ❑ Approve the Operating and Capital Budget for FY 2023-24, providing expenditure authority of \$455,121,672
- ❑ Grant the Executive Director authority to make adjustments to the Operating Budget, provided that Fiscal Year 2023-24 expenditures remain at or below the level of expenditure authority approved by the Board.
- ❑ Charge a per-member-per-month participation fee of 3.25 percent for plan year 2024 on Qualified Health Plans, including dental plans, sold through the individual exchange, and 5.2 percent of premiums for such plans sold through Covered California for Small Business.



# PUBLIC COMMENT

**CALL: (877) 336-4440**

**PARTICIPANT CODE: 6981308**

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

**EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM**

*NOTE: Written comments may be submitted to [BoardComments@covered.ca.gov](mailto:BoardComments@covered.ca.gov).*