Fiscal Year 2023-24 Proposed Budget

COVERED CALIFORNIA

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Executive Director's Message

Dear Covered California Board of Directors,

On behalf of Covered California, I am pleased to submit the Fiscal Year (FY) 2023-24 proposed annual budget. Covered California's Budget is a policy document, a financial plan, an important tool to communicate our path forward, and a guide for our operational investments. This budget reflects our policies, goals, programs, and priorities for the coming fiscal year. With this budget, Covered California remains financially stable and deeply committed to furthering our important mission.

This FY 2023-24 budget recommends spending $455.1 million over the next FY, matching the projected available resources to Covered California's desired service level. It adds seven new positions, raising the total number of authorized positions to 1,475. This proposed budget holds the participation fee for the individual market at 3.25 percent, and the Covered California for Small Business (CCSB) participation fee at 5.2 percent. The forecasts presented in this Budget are based on data collected over the previous FY and current financial data available as recently as the end of April 2023.

The challenges and uncertainties faced by Covered California over the past three budget cycles have been significant and diverse. Covered California confronted the COVID-19 pandemic, implemented state subsidies and a mandate, adopted enhanced federal credits, reinvented its workplace, managed prolonged special enrollment periods, and experienced an economic environment that has not been seen before. Covered California navigated through these uncertainties by never wavering from our mission, ensuring that individuals had access to affordable and quality healthcare coverage during a time when it was most needed.

As we enter FY 2023-24, many unknowns from prior fiscal years have become known, particularly the enhanced subsidies extended by the American Rescue Plan that remain in place through 2025. Whereas the FY 2022-23 budget faced the potential expiration of the enhanced federal subsidies and significant enrollment losses, the FY 2023-24 budget aims to project potential enrollment gains associated with the end of the Medi-Cal continuous coverage requirement and the family glitch fix. This budget supports the significant resources that will both get and keep Californians covered as these developments unfold.

The end of the Medi-Cal continuous coverage requirement is the most significant impact on the FY 2023-24 budget. Congress enacted the Families First Coronavirus Response Act (FFCRA) when the pandemic began. With the goal of ensuring Americans could maintain coverage through the height of the pandemic, the FFCRA required Medi-Cal to keep individuals continuously enrolled through the end of the month when the COVID-19 public health emergency (PHE) ended. The continuous coverage requirement meant that individuals were not disenrolled from Medi-Cal for the past three years regardless of changes that would normally impact their eligibility status. As a result, Medi-Cal's enrollment grew from 12.5 million to roughly 15.5 million enrollees, providing a critical coverage safety net to millions of Californians.

With the passage of the Consolidated Appropriations Act of 2023, Congress identified March 31, 2023, as the end of the Medi-Cal continuous coverage requirement. Beginning April 1, 2023, and continuing for the coming year, Medi-Cal resumed reevaluating eligibility for enrollees. Based on a California Department of Health Care Services (DHCS) forecast, Medi-Cal's caseload is expected to trend downward toward pre-pandemic levels. DHCS estimates that between 2 and 3 million Medi-Cal dis-enrollments may occur as normal eligibility redeterminations resume. In response, California will undertake significant efforts to transition these individuals and families to other forms of coverage, including through Covered California. Covered California and DHCS are working hand-in-hand, with the support of partners and stakeholders across California's 58 counties, ensuring Californians stay covered as these transitions occur.

The Medi-Cal continuous coverage unwind impacts Covered California's budget in two ways. The first way is that Covered California's enrollment will rise as individuals exit Medi-Cal. Covered California forecasts that between 17,856 and 33,066 individuals may enroll in Covered California each month between July 2023 and June 2024, and this additional enrollment will in turn increase Covered California's revenue. The second way is that Covered California will direct budgetary resources to support consumers through this transition and maximize coverage. These resources, all one-time expenditures, focus on ensuring that those leaving Medi-Cal may easily transition to Covered California if needed and receive the information and support that will help them retain health care coverage.

Specifically, this proposed budget supports the significant, multi-pronged strategy Covered California will deploy to support Californians in maintaining coverage as Medi-Cal begins the process of redetermining eligibility following the end of the national Medicaid continuous coverage requirement. Those investments include funding for a tailored marketing and outreach strategy, extensive direct mailing to transitioning consumers, appropriate staffing levels in the service center, increased resources for our Navigator program, and research that will help us robustly evaluate the outcomes of these efforts. By allocating these resources, Covered California aims to ensure that Californians have the necessary support to make informed decisions about their health insurance and minimize any disruptions in their coverage.

In addition to making the necessary one-year investments to support these coverage transitions, this proposed budget makes important investments for Covered California's future. With this budget, Covered California can make the commitments needed for this year, while continuing to look forward and strive for new opportunities to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities.

Economic Trends

As FY 2023-24 begins, California's unemployment rate has returned to pre-pandemic levels, settling at 4.4 percent. In many employment sectors, tight labor markets have eased. Labor supply has improved somewhat across industry sectors, which allowed employers to fill long-term job vacancies. This included positions in food services, hospitality, construction, health care, and manufacturing. Wage growth moderated some as labor availability expanded. Through this time, Covered California's enrollment has remained stable and continues to be at historically high levels compared to before the COVID-19 pandemic and the introduction of the enhanced subsidies.

Price levels have remained elevated but have declined from their peak., indicating some moderation in inflation. The Federal Reserve has raised the federal funds rate ten times in little more than a year to stem inflation. The most recent 25 basis point increase occurred in May 2023. While uncertainty persists concerning whether a recession will materialize, our three-year forecast does not model the impacts of a recession. Should a recession occur, enrollment trends could significantly change from what is currently projected. A recession would interrupt certain inflows and outflows of enrollment, with some individuals exiting Covered California, and others entering due to the loss of employer-sponsored insurance tied to job loss. The potential recessionary impact on inflows and outflows would be influenced by the depth of the recession, and it will remain critical for Covered California to monitor these macroeconomic trends.

Budget Highlights

The FY 2023-24 proposed expenditure budget totals $455.1 million and provides 1,475 staff. The FY 2023-24 proposed budget adds $32.2 million in additional funding and seven new permanent positions above the baseline to support critical priorities, and advance various organizational goals identified in Covered California's recent strategic planning process. Roughly 74 percent of the requested funding, or $23.7 million, represents one-time spending that primarily focuses on the Medi-Cal continuous coverage unwind. The requested resources support five key strategic priorities and include:

Overall, the FY 2023-24 proposed budget for Covered California aims to allocate resources to address critical priorities. The requested resources support five key strategic priorities and include:

1. $22.2 million in additional funding to support the Medi-Cal continuous coverage unwind and auto-enrollment of those losing Medi-Cal eligibility,

2. $3.0 million for continued investments in information technology, information management. and one new position,

3. $3.3 million for facility-related capital investments,

4. $1.1 million to support the Covered California for Small Business (CCSB) program, and

5. $2.6 million to advance various goals and priorities emerging from Covered California's ongoing strategic planning process.[1]

This Budget continues Covered California's investments in marketing and outreach, service center, and Navigators. These investments ensure Californians know about affordable, high-quality health insurance coverage available through California's exchange and get the support they need to choose the right plan. These investments and additional resources requested are essential as the Medi-Cal continuous coverage unwind occurs, and consumers seek information and guidance to limit breaks in healthcare coverage.

Projected Revenues and Expenditures

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

For FY 2023-24, Covered California's base revenue projection totals $470.3 million, including $433.4 million from the individual market, $26.2 million from the Covered California for Small Business market, and $10.7 million in non-operating income. The proposed operating and capital expenditures budget totals $455.1 million. Covered California's budgetary fund balance is projected to increase by $15.2 million in FY 2023-24, $55.1 million in FY 2024-25, and $25.8 million in FY 2025-26. Over the projection period, the improving budgetary fund balance results from the expected growth in both enrollment and premiums.

Covered California has and continues to maintain sizable working capital. Working capital represents the difference between total current assets and total current liabilities and constitutes Covered California's ability to meet current obligations as they come due. Working capital indicates the relative liquid portion of total enterprise fund capital, representing a margin or buffer for meeting obligations. While enrollment and revenue

[1] Covered California's six broad strategic goals or pillars include (1) Affordable Choices, (2) Quality Care, (3) Organizational Excellence, (4) Reaching Californians, (5) Catalyst for Change, and (6) Exceptional Service.

forecasts are uncertain, the base FY 2023-24 forecast indicates that working capital may fall between $480.0 million and $542.1 million. Covered California's budgetary accounting only recognizes cash or other assets that are expected to be converted to cash during the FY. The budget measures whether financial resources obtained during the FY are sufficient to cover claims against the fund during the FY but does not consider long-term commitments.

Because Covered California is an enterprise fund, it must prepare financial statements conforming to generally accepted accounting principles (GAAP) and governmental accounting standards board (GASB) pronouncements. Covered California must recognize long-term liabilities paid over many years on these financial statements. These include civil service pensions, retiree health care, and other post-employment benefits. Combined, these liabilities total roughly $545.5 million. Covered California undertook a thorough evaluation of budgetary financial outcomes by conducting a three-year forecasting frame, including modeling the elimination of enhanced advance premium tax credits (APTC) at the end of 2025. During this evaluation, Covered California assessed each forecast's budgetary implications, use of working capital, and overall impact on budgetary fund balance.

I. Introduction

Covered California's FY 2023-24 proposed budget is the product of careful and deliberate planning to maintain quality services and infrastructure while remaining fiscally prudent. The budget recognizes the uncertainties and challenges ahead and continues to make mission-critical investments in California's exchange. Two significant events throughout FY 2023-24 are the Medi-Cal continuous coverage unwind and the inflows arising from the “family glitch” fix. It is expected that these events will increase enrollment and revenues as well as prompt additional budgetary spending.

Covered California has teamed with DHCS and other stakeholders to ensure that individuals do not lose coverage as they transition from one source of coverage to another. Starting July 2023, individuals found ineligible for Medi-Cal will exit the program. These exits will result in inflows into Covered California. The Medi-Cal continuous coverage unwind impacts between 2 and 3 million currently enrolled Medi-Cal eligibles. Many will transition to employer-sponsored insurance coverage, and some will seek coverage through Covered California. The auto-enrollment features of California Senate Bill 260[2] and targeted outreach campaigns directed at those who lose Medi-Cal are forecasted to increase enrollment between 17,856 and 30,066 monthly.

In addition to the Medi-Cal continuous coverage unwind, the family glitch fix may also increase Covered California enrollment. On October 11, 2022, the Internal Revenue Service (IRS) and the Department of Treasury issued a final rule to revise its interpretation of the premium tax credit eligibility for certain family members. Before the fix, the IRS decided that an employer’s offer of coverage was affordable based on the cost of employee-only rather than family coverage. Under this interpretation, an employee and their family member were ineligible for premium tax credits when only the employee is offered affordable coverage. When the family coverage exceeded 9.12% of household income, making the coverage “unaffordable, the family was not eligible for premium tax credits. Many employers offer family coverage but do not subsidize it for family members. The family glitch fix clarifies the affordability test and basis it on family affordability after considering the employer’s subsidy, instead of just the employee. The family glitch fix is forecasted to increase Covered California enrollment by between 62,000 and 149,000 over the next three FYs.

The California labor market has recovered the jobs lost prompted by the COVID-19 pandemic. By November 2022, California regained 100 percent of the 2.7 million jobs lost during March and April 2020 due to the COVID-19 pandemic. Fewer than 1 million Californians are unemployed. California’s labor force participation rate has inched up to 62.2 percent, moving very close to the pre-pandemic rate. Covered California's inflows and outflows from employer-sponsored insurance coverage are expected to return to typical pre-pandemic flow rates, as California's unemployment rate was 4.4 percent in March 2023. As we prepare the FY 2023-24 budget, California's labor market is not

[2] California SB 260, Chapter 845, Statutes of 2019. Bill Text: SB-260 Automatic health care coverage enrollment.

expected to influence forecasted Covered California enrollment in the near term materially. However, economic conditions are uncertain. The higher inflation has resulted in Federal Reserve actions to maintain stable price growth. The Federal Reserve has repeatedly enacted significant interest rate increases through 2022 aimed at cooling the economy to slow inflation. The continued interest rate hikes, and the longer inflation persists, the greater the risk of a recession. Should a recession materialize, Covered California's enrollment inflows and outflows are expected to change. We may see individuals transitioning from employer-sponsored health insurance coverage to Covered California and others transitioning out of Covered California into Medi-Cal as individual income declines through job loss.

FY 2022-23 Budgetary Outcome

Covered California's expected outcomes for FY 2022-23 are more favorable than originally budgeted. The FY 2022-23 approved budget anticipated that Covered California would recognize an operating loss of $11.4 million and budgetary fund balance would decline by $9.9 million. However, due to higher-than-budgeted enrollment and revenues, and lower-than-expected expenditures, budgetary fund balance will increase by $24.9 million (**Table 2**). Operating revenues came in higher than budgeted primarily due to the extension of the enhanced federal APTCs, which were extended through 2025. The FY 2022-23 budget assumed that the enhanced APTCs would expire at the end of 2022.

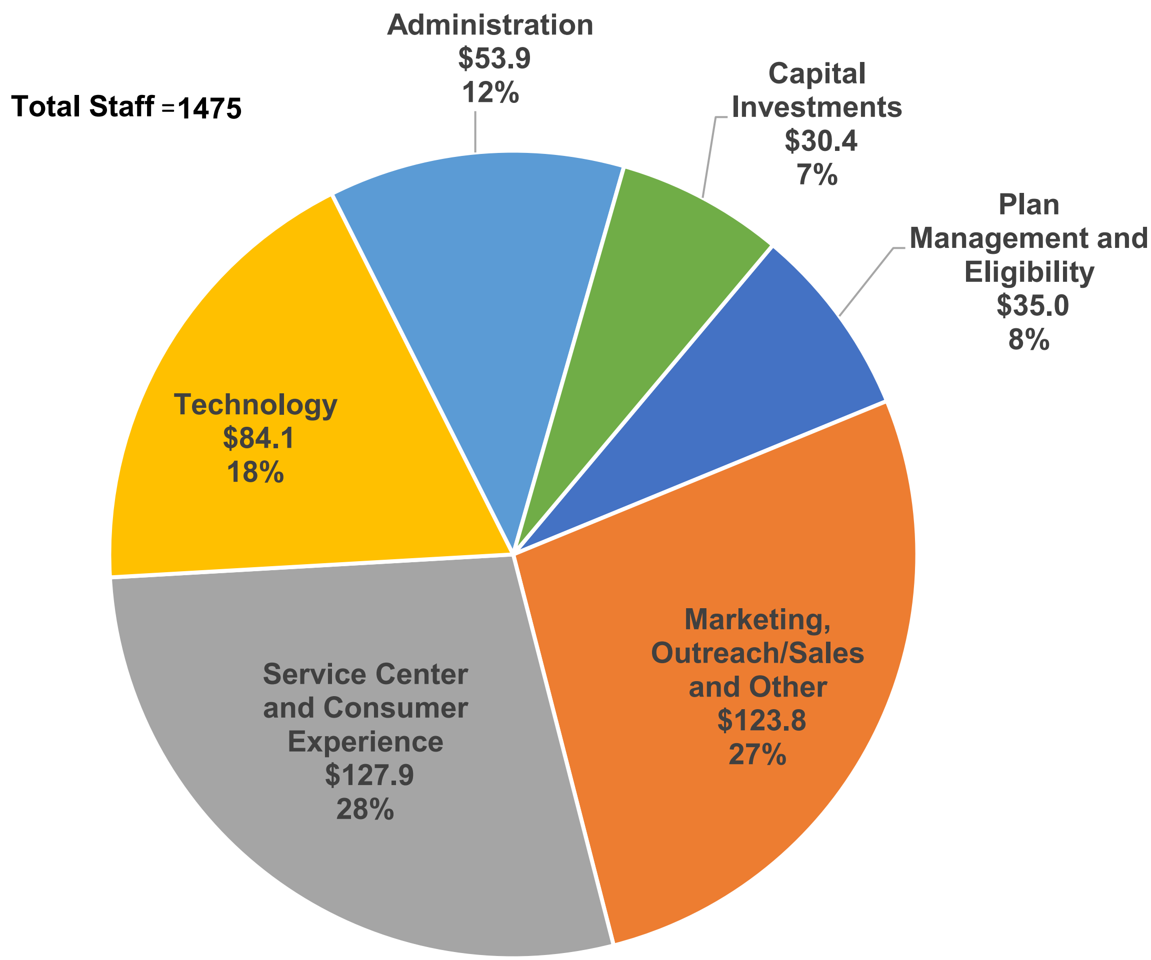
Table 1
Covered California FY 2022-23 Forecasted Budgetary Outcome Compared to FY 2022-23 Approved Budget
(Dollars in Millions)

	FY 2022-23 Approved Budget	FY 2022-23 Actual/ Forecasted
Operating Revenues	$400.0	$414.7
Operating/Capital Expenditures	$411.4	$399.1
Income/(Loss) From Operations	**($ 11.4)**	**$ 15.6**
Non-Operating Income	$1.5	$9.3
Change in Fund Balance	**($ 9.9)**	**$ 24.9**

Highlights of the FY 2023-24 Proposed Budget

Comprehensive budget: Covered California's proposed operating and capital budget for FY 2023-24 is $455.1 million, representing an increase of $43.7 million compared to the FY 2022-23 approved budget (**Figure 1**). The budget provides 1,475 authorized positions — 7 authorized permanent positions more than in the FY 2022-23 approved budget total of 1,468.

Figure 1
Covered California's FY 2023-24
Proposed Operating Budget Distribution by Major Functional Area
(Dollars in Millions)
Total = $455.1 Million



The FY 2023-24 proposed budget adds $32.2 million in additional funding and seven new permanent positions to support five critical priorities and advance various organizational goals identified in Covered California's recent strategic planning process. Roughly 74% of the requested dollars, or $23.7 million, constitutes one-time spending commitments for FY 2023-24.

1. The FY 2023-24 proposed budget allocates $22.2 million in additional funding to support various efforts related to the Medi-Cal continuous coverage unwind and auto-enrollment of those losing Medi-Cal eligibility. These include

- $10 million for paid media campaigns targeted at the 2-3 million Californians estimated to lose Medi-Cal eligibility,
- $7.5 million for additional customer support staffing,
- $2 million for printing and mailing of additional informational materials,
- $1.4 million for additional enrollment support,
- $950,000 to fund surveys of individuals losing Medi-Cal eligibility to identify potential impediments to consumers obtaining replacement coverage, and
- an additional $375,000 to fund in-person, on-site outreach events.

2. The proposed budget allocates $3.0 million for continued investments in information technology services, information management, and reporting. Included are expenditures for one addition position. The budget requests additional funding of:
    - $987,000 on increased use of Salesforce Marketing Cloud text and email messaging services,
    - $650,000 for continued improvements to the Workday Human Capital Management program,
    - $600,000 for temporary data and analytics support,
    - $557,000 for upgrades to Chatbot functionality and website accessibility improvements related to the Americans with Disabilities Act.
    - $85,467 to fund a one (1) new information privacy analyst position in the Office of Legal Affairs.
    - $60,616 to upgrade a vacant Information Technology Specialist position to an Information Technology Manager position.
3. The proposed budget sets aside an additional $3.3 million for facility-related capital investments.
    - $2.8 million is allocated for upgrades to the existing infrastructure needed to continue transitioning to a hybrid work environment
    - $500,000 is requested to fund possible moving and construction costs should Covered California be able to consolidate its Fresno operations into a smaller leased office space.
4. The proposed budget will allocate $1.1 million to support the Covered California for Small Business (CCSB) program.
    - $800,000 will fund the development of additional information collection and reporting tools by the CCSB billing agent,

- $315,000 will fund a broker bonus program.

5. The proposed budget provides an additional $2.6 million to advance various goals and priorities emerging from Covered California's ongoing strategic planning process[3]. Included in the $2.6 million is $699,274 for additional personnel expenditures to fund 6 of the 7 additional positions added in the FY 2023-24 proposed budget. Included are:
    - $750,000 for data & analytics strategy development,
    - $500,000 to study, optimize, and effectively target Covered California's marketing and outreach efforts.
    - $300,000 to modernize Covered California's library of technical documents and training materials
    - $275,000 to continue upgrading Covered California's web site resources for consumers, including a study of linguistic and cultural resonance on the Spanish and Mandarin-language versions of the Covered California web site.
    - $120,000 for expanded actuarial services.
    - Six additional positions, ($699,274) including:
        - One information privacy analyst
        - Two additional permanent positions in the Plan Management Division; one supporting compliance monitoring of QHP and QDP contracts and the other conducting research and comparative studies to assess the effectiveness of Covered California's benefit designs.
        - One technical writer for the Covered California University division to develop technical guides and training materials.
        - One position in the Communications and External Affairs division to lead Covered California's Community Outreach and Engagement Programs
        - One Graduate Legal Assistant in the Office of Legal Affairs to assist senior attorneys, enabling more legal work to be performed in-house.
        - Two positions in the Executive Office will support Covered California's ongoing strategic planning, succession planning, and employee recognition activities.
        - One position was eliminated in the Ombud's Office and transferred to the Executive Office. This results in a net increase of seven positions.

[3] Covered California's six broad strategic goals or pillars include (1) Affordable Choices, (2) Quality Care, (3) Organizational Excellence, (4) Reaching Californians, (5) Catalyst for Change, and (6) Exceptional Service.

Covered California's FY 2023-24 Projected Budgetary Financial Outcomes

Covered California is an enterprise fund and receives no state general fund for operations. Covered California relies on the participation fees it collects from health plans, which is proposed to 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 FY 2023-24.

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, budgetary financial statements should not be used to assess an enterprise fund's financial condition. The annual budget is not prepared, nor suitable, to understand 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 FY to assess budgetary interperiod equity.
- Weigh policy priorities against available public resources.
- Provide transparency.
- Provide a spending limitation.
- Provide a governing tool, allowing the Board of Directors to review and approve the organization's goals, objectives, and financial plans.
- Inform stakeholders.
- Identify priorities.

This differs from Covered California's official financial statements. As an enterprise fund, Covered California must maintain its official financial statements following generally accepted accounting principles. This means that the financial statements are prepared using the economic resources focus and accrual basis of accounting. 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. Covered California’s comprehensive financial statements are used to assess its financial condition.

As previously noted, Covered California must support its operations, including capital investments, through its carrier participation 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 FY 2023-24 enrollment and revenue forecast incorporated three potential forecasts. The main drivers of differences in enrollment between the low, base, and high forecasts relates to assumptions concerning the Medi-Cal continuous coverage unwind and the "family glitch" fix (**Table 3**).

Table 2

Enrollment Forecast Assumptions for Medi-Cal Unwind and Family Glitch

Enrollment Driver	High Forecast	Base Forecast	Low Forecast
Medi-Cal Continuous Coverage Unwind	33,066 Monthly	25,125 Monthly	17,856 Monthly
Family Glitch Fix	62,000 over three FYs	108,000 over three FYs	149,000 over three FYs

While Covered California faces several uncertainties that affect enrollment and revenue, the most significant uncertainty concerns the number of new enrollments resulting from the Medi-Cal continuous coverage unwind. Depending on specific assumptions, the monthly inflows may range from 17,856 to 33,066. Each financial model produces different operating revenue based on the assumptions applied.

Mindful of fiscal prudence, Covered California has also carefully evaluated the financial consequences of several possible outcomes, considering the financial implications to the ongoing budget and overall fiscal results. The multi-year financial projections and modeling can be reviewed in Chapter V: Multi-Year Budgetary Projection: FY 2023-24 to FY 2025-26.

In FY 2023-24, Covered California's base projection assumes $470.3 million in revenue, including $433.4 million from the individual market, $26.2 million from the Covered California for Small Business market, and $10.7 million in non-operating income. The FY 2024-25 budgeted operating and capital expenditures total $455.1 million. Operating expenditures total $424.7 million, and capital expenditures total $30.4 million. Based on the forecasted operating revenues of $459.6 million and budgeted operating and capital expenditures of $455.1 million, Covered California is projected to recognize income from operations of $4.4 million. After considering the forecasted non-operating income of $10.7 million, the budgetary fund balance is forecasted to increase by $15.2. million (**Table 4**).

The projection assumes no changes are made to the FY 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. One-time Medi-Cal continuous coverage expenditures are removed after FY 2023-24. Gross premiums, from which revenues are generated, are assumed to grow by 7 percent in 2024, 5 percent in 2025, and 4 percent in 2026. The individual market participation fee is assumed to be 3.25 percent, and the Covered California for Small Business participation fee is assumed to be 5.2 percent throughout the projection period.

Table 3
Projected Statement of Revenues,
Expenditures and Changes in Fund Balance, Budgetary Accounting
FY 2023-24, FY 2024-25, FY 2025-26
Base Projection

	FY 2023-24 Base	FY 2024-25 Base	FY 2025-26 Base
Operating Revenues			
Individual Market (Med. & Dental)	$ 433,398,744	$ 463,805,486	$ 444,413,234
CCSB (Medi. & Dental)	$ 26,154,080	$ 25,439,313	$ 26,632,195
Total Operating Revenue	**$ 459,552,824**	**$ 489,244,799**	**$ 471,045,429**
Operating Expenditures			
Personnel Expenditures	177,064,746	182,376,688	187,847,989
Other Operating Expenditures	228,521,797	211,029,187	214,234,903
Subtotal	**$ 405,586,543**	**$ 393,405,875**	**$ 402,082,893**
Allocated Expenditures			
Prorata/Supp. Pension/Other	19,111,015	19,302,125	19,495,146
Total Operating Expenditures	**$ 424,697,558**	**$ 412,708,000**	**$ 421,578,039**
Capital Investments			
CalHEERs	$ 24,773,115	$ 25,268,577	$ 25,773,949
Other	$ 5,651,000	$ 5,764,020	$ 5,879,300
Total - Capital Project Expenditures	**$ 30,424,115**	**$ 31,032,597**	**$ 31,653,249**
Total Operating & Capital Expenditures	**$ 455,121,672**	**$ 443,740,597**	**$ 453,231,288**
Income/(Loss) From Operations	$ 4,431,152	$ 45,504,202	$ 17,814,141
Non-Operating Income	$ 10,714,911	$ 9,613,754	$ 7,937,761
Change in Fund Balance	**$ 15,146,063**	**$ 55,117,956**	**$ 25,751,902**

Key Factors That Could Affect the FY 2023-24 Budget Forecast

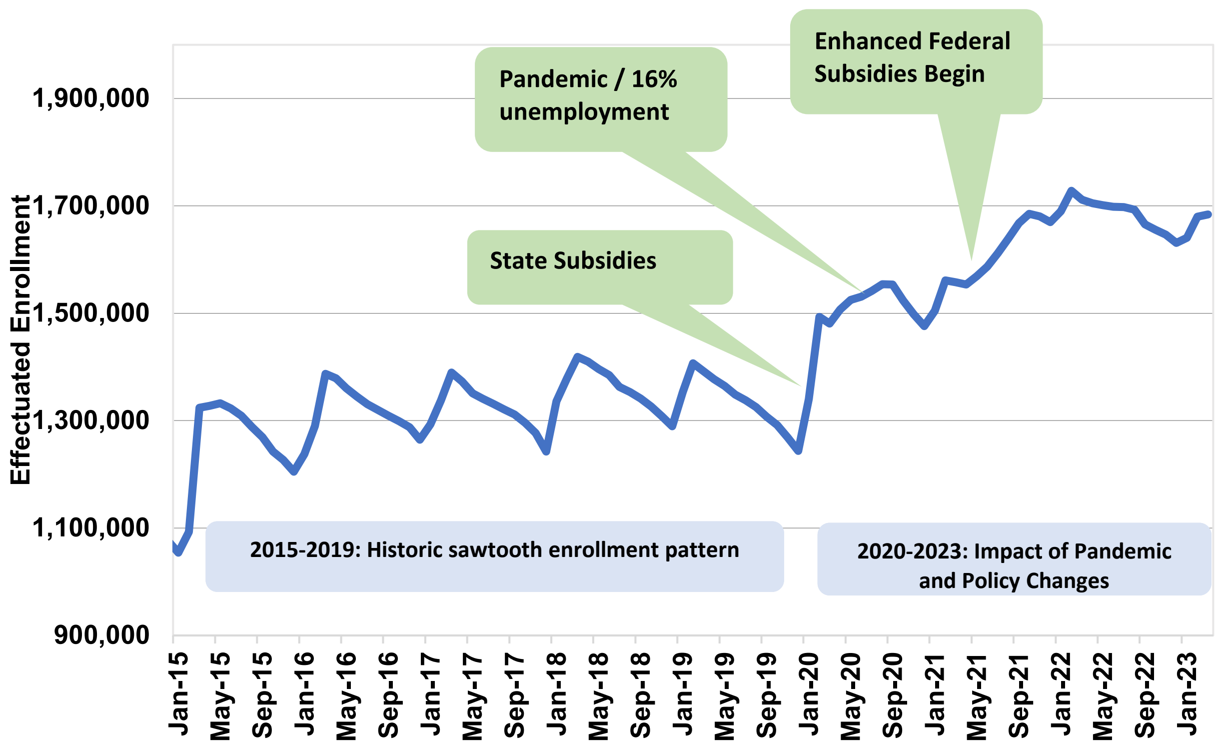
As Covered California prepares and plans for the FY 2023-24 budget, it recognizes it is entering another uncertain period. Significant policy changes and macroeconomic events may affect budget assumptions. During FY 2019-20, Covered California faced the uncertainty of implementing state subsidies and a mandate. A once-in-a-century pandemic, a macroeconomic shock, and a short-duration recession followed this. Major federal policy changes enacted through the American Rescue Plan 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 February 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 a jump in enrollment driven by the American Rescue Plan's implementation (**Figure 2**).

As we look to FY 2023-24, the Medi-Cal continuous coverage unwind looms large. The unwind can potentially increase Covered California's monthly enrollment by 17,856 to 33,066. These increased enrollments will push operating revenues up.

Several issues may result in monthly enrollment numbers differing from Covered California's forecast. For example, the Medi-Cal eligibility redetermination process highly depends on the 58 county efforts. To the extent that workload efforts materially deviate from expectations, redetermination volume may also be impacted. In turn, the number of Medi-Cal enrollments into Covered California may vary from expectations, resulting in lower-than-expected revenue. Revenue forecasts may also differ because transitions from Medi-Cal to Covered California deviate from expectations. Revenue forecasts may also differ because Medi-Cal take-up rates may differ from expectations.

Further, the family glitch fix may result in additional enrollment gains throughout FY 2023-24, FY 2024-25, and FY 2025-26, further increasing revenue increases. While uncertainty is concentrated on the upside, meaning by how much Covered California’s enrollment will increase, the uncertain growth may have a material impact on revenue forecasts. Should enrollment come in lower than forecasted, anticipated revenues will not materialize.

Figure 2
Trend in Covered California Effectuated Enrollment



Renewal of state subsidies: While the authority for the previously established California state subsidy program expired officially at the end of 2022, the governor and Legislature may implement a new subsidy program if the American Rescue Plan's 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 the American Rescue Plan. The American Rescue Plan's enhanced subsidies offer roughly $1.7 billion in affordability support, while state subsidies may only offer a fraction of that support. The original state subsidies allocated approximately $400 million annually. Should the governor and Legislature agree on something similar, consumers would still face cost increases after the expiration of the American Rescue Plan; however, they would recognize some affordability support.

Willingness-to-pay assumptions: Certain elements of the forecasted enrollment is based on willingness- to-pay assumptions[4]. Willingness to pay represents the maximum price a customer is willing to pay for a product or service. Willingness to pay varies significantly from customer to customer. Population characteristics cause the

[4] Finkelstein, Amy, Nathaniel Hendren, and Mark Shepard. 2019. "Subsidizing Health Insurance for Low-Income Adults: Evidence from Massachusetts."

differences, including extrinsic and intrinsic differences. Extrinsic differences include observable factors such as age, gender, income, education, and where people live. The intrinsic differences include differences that are not observable. These may include 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. Covered California used these 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 the ARPA subsidies in December 2025. To the extent that actual individual behavior differs from predicted behavior, forecasted enrollment and revenues will deviate from expectations.

Loss of enrollment associated with the expiration of enhanced APTCs, and enrollment mix changes at the end of 2025:

Premium growth rates may be affected by the loss of enrollment (roughly 198,000 to 260,000 individuals). First, carriers will likely price in a higher rate if those who exit tend to be younger, healthier individuals, which may lead to a higher year-over-year premium growth. Second, there is also the possibility that individuals may choose to select lower-cost health plan options if their premium contributions rise. This would affect the year-over-year growth in the average premium, placing downward pressure on the growth in revenues.

Potential macroeconomic challenges: While the economy has recognized a solid recovery following the height of the COVID-19 pandemic, an uncertain outlook remains. The nation has recognized a 40-year high in general inflation, with recent statistics showing some easing. However, inflation continues to remain above historical levels. The macroeconomic outlook continues to face risk due to geopolitical conflicts and potential supply chain setbacks.

The Federal Reserve's monetary actions may not result in a soft landing but slow the economy and possibly induce a recession. Recent bank runs and industry pressure has also rattled markets. If the economy slows, federal legislative action may result in renewed marketplace consumer support like the American Rescue Plan, as job loss and employer-sponsored coverage losses occur. Job loss will result in changes to the inflows and outflows between employer-sponsored coverage 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.

Inflation in the overall economy continues to be considerably higher than average historical levels. The February 2023 12-month change for the Consumer Price Index for All Urban Consumers (CPI-U) was 6.0 percent, while the core inflation was 5.5 percent[5]. While initial economic forecasts expected that higher inflation would subside to historical

[5] Consumer Price Index Summary - 2023 M03 Results (bls.gov)

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 in May 2023[6]. The FOMC has raised the federal funds rate ten times in just a little over one year.

The inflationary pressures will eventually push up health care costs. This will increase premiums as health plans negotiate higher provider costs throughout their networks. Health plans purchased through Covered California are subject to annual premium increases. The inflationary pressures may result in higher premiums. However, in the near term, consumers are somewhat shielded from the increases due to the enhanced federal APTCs. The enhanced APTCs are extended through 2025.

Inflation pressure may result in employers modifying health care coverage for their employees. This may result in adjustments to the cost-sharing arrangements, which many impact affordability. These actions and broader economic troubles may disrupt Covered California’s inflow and outflows.

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 44 percent of Covered California's operating budget, excluding capital, 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 3.0 percent year-over-year growth. Personnel cost pressures may increase with the current uptick in inflation.

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.

[6] Board of Governors of the Federal Reserve System, Federal Reserve Board - Implementation Note issued May 3, 2023

II. Covered California's FY 2023-24 Proposed Operating and Capital Budgets

The program detail for Covered California's FY 2023-24 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 FY 2022-23 budget to the FY 2023-24 proposed budget.

We start with developing the FY 2023-24 baseline budget. The baseline budget represents the FY 2022-23 approved budget after making specific adjustments. We summarize and discuss changes made to the FY 2022-23 budget to arrive at the FY 2023-24 baseline budget.

Next, we identify changes made to the FY 2023-24 budget to arrive at the FY 2023-24 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 FY 2023-24 baseline budget and the FY 2023-24 proposed 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 9** 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 FY 2023-24 and significant changes in its budget from the prior budget year. The descriptions explain any material increases in expenditures and staffing included in the 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 2023-24 Baseline Budget

The FY 2023-24 baseline budget totals $423.0 million, $11.6 million more than the FY 2022-23 approved budget of $411.4 million (**Table 5**).

Covered California's annual budget process commences with establishing a baseline budget. The baseline budget represents the prior year's 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 and vacancy rate assumptions.

Other Operating Expenditures

Pro-rata/Supplemental Pension/Other includes state shared-enterprise expenditures, other post-employment expenditures, and the principal payment for supplemental pension expenditures. These expenditures decreased by $308,209 from the FY 2022-23 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; they are allocated to Covered California and represent our proportionate share of the overall expenditures.

Each FY, 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 investments in space consolidation. The capital projects baseline budget includes $24.8 million for CalHEERS modifications, which represents no change from the prior year. Capital investments for space consolidation and hybrid work environment totals $2.4 million, a $2.8 million reduction from the FY 2022-23 total of $5.2 million.

Personnel expenditures increased from $164.9 million to $176.2 million. The increase resulted from the net impact of increased employee internet stipend expenditures, adjusting the vacancy and benefit rates, an assumed 2.5 percent salary increase, and merit salary adjustments. In FY 2022-23, the vacancy rate was assumed to be 5.8 percent; however, for FY 2023-24 the vacancy rate is assumed to be 7.5 percent. (**Table 5**). One additional position was added during FY 2022-23, increasing staffing from the FY 2022-23 approved budgeted total of 1,467 to 1,468.

Table 4
Covered California's FY 2023-24 Baseline Budget

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	1467	1468	1
Personnel Expenditures	$ 164,937,260	$ 176,237,199	$ 11,299,939
Other Operating Expenditures	$ 197,009,299	$ 200,457,664	$ 3,448,365
Subtotal	**$ 361,946,559**	**$ 376,694,863**	$ 14,748,304
Allocated Expenditures			
	-	-	$ -
Prorata/Supp. Pension/Other	19,419,224	19,111,015	$ (308,209)
Total Operating Expenditures	**$ 381,365,783**	**$ 395,805,878**	**$ 14,440,095**
Capital Investments			
CalHEERs	$ 24,773,115	$ 24,773,115	$ -
Other	$ 5,226,296	$ 2,391,000	$ (2,835,296)
Total - Capital Project Expenditures	**$ 29,999,411**	**$ 27,164,115**	**$ (2,835,296)**
Total Budgeted Expenditures	**$ 411,365,194**	**$ 422,969,992**	**$ 11,604,799**

FY 2023-24 Proposed Budget Changes

The FY 2023-24 proposed budget requests $32.2 million in additional funding. This includes $827,547 in additional personnel funds, $28.1 million in other operating funds, and $3.3 million in capital project funds (**Table 6**).

Table 5
FY 2023-24 Baseline Budget and
FY 2023-24 Proposed Budget After Budget Augmentations

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

Personnel Expenditures

The FY 2023-24 proposed budget for personnel expenditures totals $177.1 million representing a $827,547 increase over the baseline budget. The requested increase in personnel expenditures results from adding 7 additional positions (**Table 5**). Total permanent staffing increases by 7 authorized positions over the baseline, from 1,468 to 1,475.

Staffing Changes

The FY 2023-24 proposed budget requests 7 new positions (**Table 6**).

Table 6
FY 2023-24 Proposed Budget Changes: Staff and Personnel Expenditures

Division	Positions	Dollars
Plan Management	2	$196,614
Communications and External Affairs	1	$210,974
Covered California University	1	$110,825
Office of Legal Affairs	2	$134,984
Ombuds	-1	-$71,708
Executive	2	$185,542
Information Technology (Reclass of Existing Position)	0	$60,316
Total	**7**	**$827,547.**

Other Operating and Capital Expenditures

The FY 2023-24 proposed budget for Other Operating Expenditures (OOE) totals $228.5 million (**Table 6**). The FY 2023-24 proposed OOEs are $28.1 million more than the baseline expenditures (**Table 8**). 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, and IT contractors.

Table 7
FY 2023-24 Proposed Other Operating Expenditures
Budget Augmentations

Item	Dollar Value
Assisting Californians impacted by the Medi-Cal Continuous Coverage Unwind	$22,190,133
Information Management and Security	$3,546,500
Advancing Covered California's Strategic Goals	$1,212,500
Covered California for Small Business Improvement and Support	$1,115,000
Total	**$28,064,133**

Capital Expenditures

The FY 2023-24 proposed capital project expenditures total $30.4 million (**Table 4**). The FY 2023-24 proposed capital project expenditures are $3.3 million greater than the baseline expenditures (**Table 6**). The $3.3 million request above baseline is for space consolidations and tenant improvements.

Budget Expenditures by Functional Area and Budget Unit

Table 8
Functional Budget Area Key to Covered California Budget Units

Functional Area	Budget Unit
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 Investments

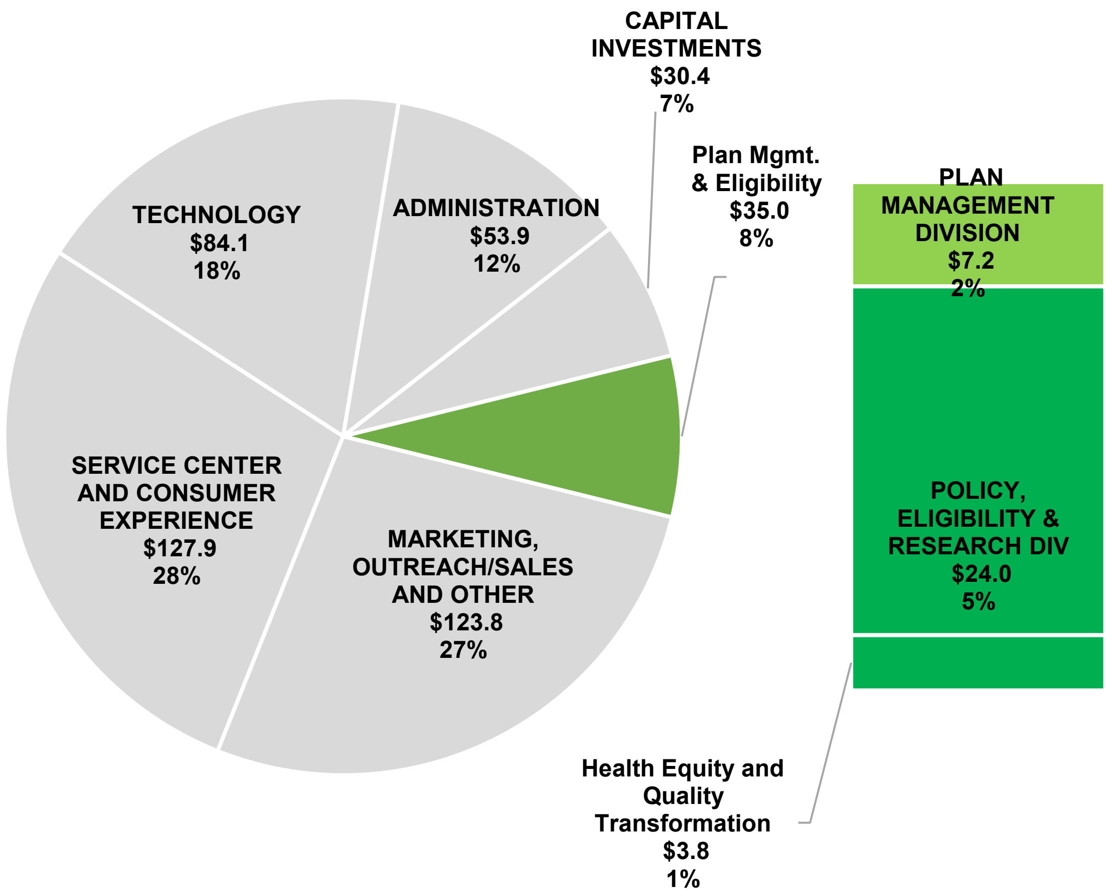
Plan Management, Eligibility and Health Transformation

The Plan Management, Eligibility and Health Transformation functional area includes the Plan Management Division; the Policy, Eligibility and Research Division; and the Health Equity and Quality Transformation Division. The proposed budget for FY 2023-24 totals $35.0 million.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget
Positions	110	110	112
Personnel Expenditures	$ 14,785,433	$ 15,633,355	$ 15,829,969
Other Operating Expenditures	$ 14,374,890	$ 14,439,375	$ 17,514,375
Subtotal	**$ 29,160,323**	**$ 30,072,730**	**$ 33,344,344**
Allocated Expenditures			
Prorata/Supp. Pension/Other	$ 1,633,408	$ 1,594,839	$ 1,631,144
Total Operating Expenditures	**$ 30,793,732**	**$ 31,667,570**	**$ 34,975,488**

Plan Management, Eligibility and Health Transformation FY 2023-24
Proposed Expenditure Budget = $455.1 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[7].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	33	32	34	2	-1
Personnel Expenditures	$ 4,278,246	$ 4,672,207	$ 4,868,821	$ 196,614	$ 393,961
Other Operating Expenditures	$ 1,794,566	$ 1,821,566	$ 1,946,566	$ 125,000	$ 27,000
Subtotal	**$ 6,072,812**	**$ 6,493,773**	**$ 6,815,387**	$ 321,614	$ 420,961
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 364,987	$ 364,652	$ 360,567	$ (4,085)	$ (335)
Total Operating Expenditures	**$ 6,437,799**	**$ 6,858,425**	**$ 7,175,954**	**$ 317,529**	**$ 420,626**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Plan Management Division's baseline budget increased by $420,626.

Personnel expenditures increased by $393,961, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures were increased by $27,000. This increase was the net effect of increased expenditures for Business Intelligence consulting offset by a transfer of $12,000 in funding for the Cal Hospital Care quality comparison tool to the Health Equity Quality and Transformation Division. Shared expenditures (Pro Rata, Supplemental Pension,

[7] The director of Plan Management is an exempt position. It will have a monthly salary in FY 2023-24 of $18,390. This information is reported in compliance with Government Code 100503, Section m 2(A).

and Department of General Services (DGS)) allocated to the Plan Management Division decreased by $335.

FY 2023-24 Proposed Budget Adjustments

Plan Management Division requested $317,529 in additional funding above the baseline for FY 2023-24.

Plan Management requested $321,614 in additional funding which will support two additional permanent positions. These new positions will provide additional compliance monitoring of QHP and QDP contracts and conduct research to assess the effectiveness of Covered California’s benefit designs. The additional funding will also support expanded use of contracted actuarial services.

The Plan Management Division’s share of Covered California’s allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $4,085.

Key Objectives for FY 2023-24

The Plan Management Division is focusing on the following core areas in FY 2023-24:

- Negotiate, maintain oversight, and ensure accountability of the 12 contracted health plan issuers and five contracted dental plan issuers, as well as consider applications for new health and dental plan issuers.
- Execute 2023 Qualified Health Plan (QHP) and Qualified Dental Plan (QDP) contracts and implement changes targeted to promote affordability, quality, and access to care.

In addition to core division functions and ongoing initiatives listed above, the Plan Management Division, in collaboration with the Equity & Quality Transformation Division, anticipates these key strategies in the upcoming FY:

- Build upon lessons learned from health and dental 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.
- Monitor 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 contracted QHP issuers, aligned purchasers and other interested stakeholders to ensure Covered California enrollees, and Californians in general, receive the best possible health care.
- Develop the Quality Transformation Initiative payment methodology, which includes the measurement of quality measures tied to significant financial penalties for poor performance.
- Update the 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.
- Ensure and collaborate on technical readiness activities with Issuers for new system implementations, updates, etc.
- Implement use of IHA's Symphony Provider Directory to streamline monthly provider directory updates and facilitate the development of PCP-selection functionality for enrollees.
- Coordinate operational communication between the Issuers and other Covered CA divisions.

Policy, Eligibility and Research Division

Budget Unit Description

The Policy, Eligibility & Research Division develops, implements, and evaluates innovative policies and programs to increase health insurance coverage and affordability and supports department, federal, and statewide efforts to lower health care costs and reduce health disparities by leveraging team expertise, data, research, and user-friendly consumer tools[8].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	57	57	57	0	0
Personnel Expenditures	$ 7,344,420	$ 7,722,383	$ 7,722,383	$ -	$ 377,963
Other Operating Expenditures	$ 12,228,830	$ 12,252,830	$ 15,202,830	$ 2,950,000	$ 24,000
Subtotal	**$ 19,573,250**	**$ 19,975,213**	**$ 22,925,213**	$ 2,950,000	$ 401,963
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 1,054,986	$ 1,019,856	$ 1,072,529	$ 52,673	$ (35,130)
Total Operating Expenditures	**$ 20,628,235**	**$ 20,995,068**	**$ 23,997,742**	**$ 3,002,673**	**$ 366,833**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Policy Eligibility and Research Division's baseline budget increased by $366,833.

Personnel expenditures were increased by $377,963, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures increased by $24,000. The increase was the effect of the addition of $70,0000 for consulting services offset by reductions in spending for student interns and the elimination of one-time expenses. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Policy, Eligibility, and Research Division decreased by $35,130.

[8] The Policy, Eligibility and Research Division director is an exempt position. It will have a monthly salary in FY 2023-24 of $18,260. This information is reported in compliance with Government Code 100503, Section m 2(A).

FY 2023-24 Budget Adjustments

Policy, Eligibility, and Research Division requested $3.0 million in funding over the baseline for FY 2023-24.

The additional funding includes $2.9 million in one-time funding, including $2 million to cover the cost of mailing informational materials to consumers impacted by the unwinding of the Medi-Cal continuous coverage requirement, and $950,000 that will fund survey and analysis by the National Opinion Research Corporation (NORC) of individuals losing Medi-Cal eligibility. This research is intended to identify potential barriers these individuals may experience transitioning from Medi-Cal to Covered California or other sources of health care coverage.

The Policy, Eligibility, and Research Division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) increased by $52,673.

Key Objectives for FY 2023-24

The Policy, Eligibility and Research Division will focus on the following core areas in FY 2023-24:

- Develop, implement, and evaluate strategies to improve affordability and increase the number of Californians who have coverage.
- Facilitate automatic coverage transitions to increase understanding of subsidy eligibility and increase coverage.
- Apply best-in-class consumer research and human centered design methods to increase the efficiency and delight applying and maintaining enrollment.
- Use evidence-based choice architecture techniques to help assist consumers in choosing the health and dental plans that offer them the best value.
- Achieve and maintain compliance with eligibility and enrollment regulations in ways that minimize burden and maximize trust in Covered California.
- Provide data, analytics, and expertise to support Covered California and statewide efforts to lower health care costs and reduce disparities.
- Build and use evidence to empower decision makers and foster innovation in how to deliver affordable coverage and quality care by bringing data analytics and rigorous evaluation to Covered California strategic initiatives.

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[9].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	20	21	21	0	1
Personnel Expenditures	$ 3,162,767	$ 3,238,765	$ 3,238,765	$ -	$ 75,998
Other Operating Expenditures	$ 351,494	$ 364,979	$ 364,979	$ -	$ 13,485
Subtotal	**$ 3,514,262**	**$ 3,603,745**	**$ 3,603,745**	$ -	$ 89,483
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 213,435	$ 210,332	$ 198,048	$ (12,284)	$ (3,103)
Total Operating Expenditures	**$ 3,727,697**	**$ 3,814,077**	**$ 3,801,792**	**$ (12,284)**	**$ 86,380**

[9] The chief medical officer, director, in the Health Equity Quality Transformation Division is an exempt position. It will have a monthly salary in FY 2023-24 of $36,576. This information is reported in compliance with Government Code 100503, Section m 2(A).

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Health Equity and Quality Transformation (HEQT) Division increased its baseline budget by $86,380.

Personnel expenditures increased by $75,998, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures were increased by $13,485 over the FY 2022-23 approved budget. The net increase resulted from the addition of $12,000 in funding for the Cal Hospital Care quality comparison tool transferred from the Plan Management Division, the addition of $1,050 for National Quality Forum membership dues, and a $4,435 increase in expenditures for National Committee for Quality Assurance (NCQA) quality measurement tools and resources, offset by the elimination of $4,000 in one-time expenses. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Health Equity and Quality Transformation Division decreased by $3,103.

FY 2023-24 Proposed Budget Adjustments

Funding for the Policy, Eligibility and Research Division decreased by $12,284 from the baseline for FY 2023-24, reflecting a reduction of the division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Health Equity and Quality Transformation Division will focus on the following core areas in FY 2023-24:

- Working with Plan Management Division, hold contracted health plan issuers accountable for Attachment 1 and Attachment 2 contractual priorities, including 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.

- Prepare for management of 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, implementing performance assessment processes, payment calculation, and collection processes in partnership with Plan Management and Financial Management Divisions, and leveraging the Clinical Leaders' Forum to support QTI core measure improvement.

- In conjunction with Plan Management Division, implement and hold dental plan issuers accountable for major contractual revisions to Attachments 1 and 2 taking effect in the 2024-2026 contract term, including priorities in care delivery and Healthcare Evidence Initiative data submission.

- Analyze contracted health plan primary care spend, establish baseline, and share learnings as part of continued promotion of investments in primary care as the foundation of a high functioning delivery system, in alignment with contracted health plan issuers, purchasers and other key private and public stakeholders.

- Improve demographic data collection to support and expand disparities initiatives, facilitate sharing of disparities reduction intervention learnings among contracted health plans, and develop health equity measurement methodology in consultation with state and national experts and policymakers to incorporate disparities reduction targets into the QTI.

- Continue development and implementation of a comprehensive framework to utilize the variety of existing data sources efficiently and effectively such as the Quality Rating System, the Healthcare Evidence Initiative, and other Qualified Health Plan direct submissions to enhance QHP issuer accountability for quality and health equity performance while reducing administrative burden.

- 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.

- Continue to 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.

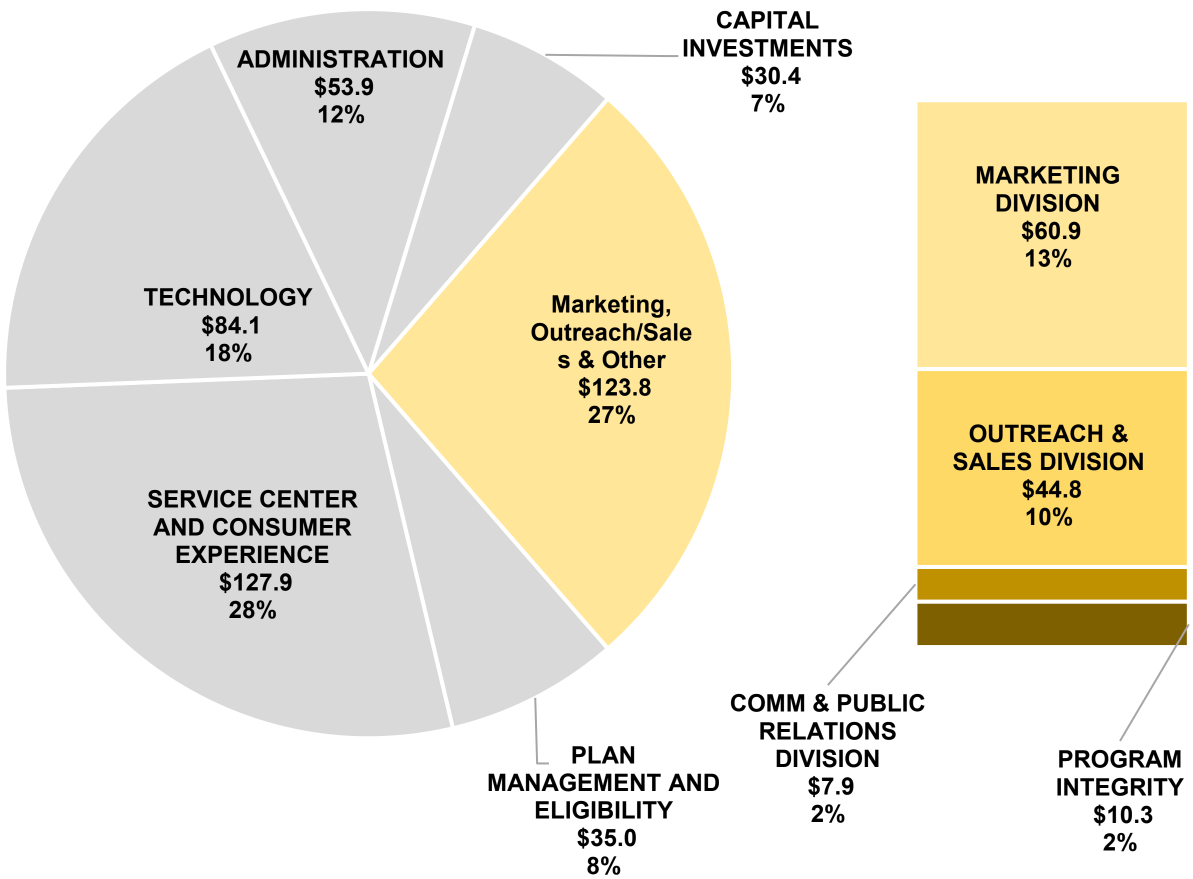
Marketing, Outreach/Sales, and Other

Marketing, Outreach/Sales, and Other includes the following divisions: Marketing, Outreach and Sales, Communications and External Affairs, and Program Integrity. The proposed budget for FY 2023-24 totals $123.8 million.

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

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget
Positions	193	193	194
Personnel Expenditures	$ 25,172,703	$ 26,182,583	$ 26,393,557
Other Operating Expenditures	$ 78,967,468	$ 78,490,489	$ 92,122,989
Subtotal	**$ 104,140,171**	**$ 104,673,071**	**$ 118,516,545**
Allocated Expenditures			
Prorata/Supp. Pension/Other	$ 5,341,884	$ 5,084,436	$ 5,298,400
Total Operating Expenditures	**$ 109,482,055**	**$ 109,757,508**	**$ 123,814,945**

Marketing, Outreach/Sales, and Other FY 2023-24
Proposed Expenditures Budget = $455.1
(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[10].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	34	34	34	0	0
Personnel Expenditures	$ 4,802,746	$ 4,902,423	$ 4,902,423	$ -	$ 99,677
Other Operating Expenditures	$ 43,918,950	$ 43,006,950	$ 53,506,950	$ 10,500,000	$ (912,000)
Subtotal	**$ 48,721,696**	**$ 47,909,373**	**$ 58,409,373**	$ 10,500,000	$ (812,323)
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 2,360,733	$ 2,193,624	$ 2,460,543	$ 266,920	$ (167,109)
Total Operating Expenditures	**$ 51,082,429**	**$ 50,102,996**	**$ 60,869,916**	**$ 10,766,920**	**$ (979,432)**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Marketing Division reduced its baseline budget by $979,432.

Personnel expenditures increased by $99,677, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures were reduced by $912,000. The decrease resulted from the transfer of $900,000 in expenditures related to the Office of State Printing (OSP) and mailing of voter registration materials from the Marketing division to the Office of Legal Affairs' budget, and the elimination of $12,000 in one-time expenditures. Two million dollars was transferred from the Duncan-Channon advertising allocation to fund a new direct communications campaign targeting individuals losing Medi-Cal health care coverage following the end of the Medicaid continuous coverage requirement. Shared

[10] The director of the Marketing Division is an exempt position. It will have a monthly salary in FY 2023-24 of $17,586. This information is reported in compliance with Government Code 100503, Section m 2(A).

expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Marketing Division decreased by $167,109.

FY 2023-24 Proposed Budget Adjustments

The Marketing Division requested $10.8 million over the baseline for FY 2023-24.

The additional funding includes $10.5 million in one-time funding. Ten million dollars will fund paid media campaigns targeted at the 2-3 million Californians estimated to lose Medi-Cal eligibility during the continuous coverage unwind. $500,000 will fund research and analysis designed to study Covered California's marketing and outreach efforts and provide recommendations for optimizing marketing expenditures and reaching consumers more effectively.

The Marketing Division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) increased by $266,920.

Key Objectives for FY 2023-24

The Marketing Division will focus on the following core areas in in FY 2023-24:

- Maximize the efficiency of the Marketing Division's budget by realigning the spending allocations between paid media campaigns and significantly expanded direct outreach efforts resulting from SB260 implementation for Medi-Cal transitions due to unwinding of the Covid Public Health Emergency.
- Develop strategic and tactical plans for open and special enrollment with the primary goals of driving enrollment and member retention, while ensuring we reach California's diverse populations including Hispanic, Asian, Black/African American and LGBTQ+ with tailored messages that reflects their social, cultural, and linguistic needs.
- Continue to support the Department of Health Care Services with their efforts to ensure that all Medi-Cal beneficiaries complete the redetermination process in a timely fashion.
- Develop a dedicated advertising campaign targeting consumers transitioning off Medi-Cal due to the unwinding of the Covid Public Health Emergency to build awareness that Covered California is here to help them gain affordable, quality health coverage, as well as prime them to be receptive to direct outreach (mail, email, and text messages) from Covered California regarding their coverage options and actions they need to take to stay covered.
- Continue to conduct strategic research projects to gain insights about members, uninsured Californians, and specialized populations. Projects will include message testing, creative concept testing and potentially deep-dive research into areas where further understanding would improve program efficacy and the consumer journey.

- Utilize consumer lists of historically ‘hard-to-reach’ populations from new partnerships with other state departments and health insurance companies as prescribed by state laws to develop and implement a tactical communication plan to deliver specific direct consumer outreach that addresses each unique population 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 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[11].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	68	68	68	0	0
Personnel Expenditures	$ 8,735,694	$ 8,973,229	$ 8,973,229	$ -	$ 237,535
Other Operating Expenditures	$ 30,940,308	$ 31,450,329	$ 33,930,329	$ 2,480,000	$ 510,021
Subtotal	**$ 39,676,002**	**$ 40,423,558**	**$ 42,903,558**	$ 2,480,000	$ 747,556
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 2,021,584	$ 1,947,492	$ 1,912,594	$ (34,898)	$ (74,092)
Total Operating Expenditures	**$ 41,697,586**	**$ 42,371,050**	**$ 44,816,152**	**$ 2,445,102**	**$ 673,463**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Outreach and Sales Division increased its baseline budget by $673,463.

[11] The Outreach and Sales Division director is an exempt position. It will have a monthly salary in FY 2023-24 of $21,764. This information is reported in compliance with Government Code 100503, Section m 2(A).

Personnel expenditures were increased by $237,535, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures increased by $510,021. The increase was the net effect of contractual cost-of-living adjustments for Covered California for Small Business (CCSB) third party administrators, and a $125,000 increase in funding for outreach efforts and events, which were partially offset by a $200,000 reduction for consulting services and the elimination of $12,000 in one-time expenses. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Outreach and Sales Division decreased by $74,092.

FY 2023-24 Proposed Budget Adjustments

The Outreach and Sales Division requested $2.4 million over the baseline for FY 2023-24.

The additional funding includes $2.5 million which will support expanded Navigator resources, a Covered California for Small Business (CCSB) Broker Bonus program, and development of development of data collection and reporting tools to improve the information provided by the CCSB billing agent.

The Outreach and Sales Division Division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $34,898.

Key Objectives for FY 2023-24

The Outreach and Sales Division will focus on the following core areas in the FY 2023-24 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[12].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	29	29	30	1	0
Personnel Expenditures	$ 3,954,097	$ 4,063,371	$ 4,274,345	$ 210,974	$ 109,274
Other Operating Expenditures	$ 2,557,710	$ 2,557,710	$ 3,210,210	$ 652,500	$ -
Subtotal	**$ 6,511,807**	**$ 6,621,081**	**$ 7,484,555**	$ 863,474	$ 109,274
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 375,667	$ 362,886	$ 378,019	$ 15,133	$ (12,781)
Total Operating Expenditures	**$ 6,887,473**	**$ 6,983,966**	**$ 7,862,574**	**$ 878,607**	**$ 96,493**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Communications and External Affairs Division's baseline budget increased by $96,493.

Personnel expenditures were increased by $109,274 which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures remained unchanged at $2.6 million. Shared expenditures (Pro Rata,

[12] The Communications and External Affairs Division has two exempt positions. The director of Communications and External Affairs will have a monthly salary in FY 2023-24 of $22,361. The Deputy Director of Communications and External Affairs will have a monthly salary in FY 2023-24 of $16,626. This information is reported in compliance with Government Code 100503, Section m 2(A).

Supplemental Pension, and DGS) allocated to the Communications and External Affairs Division decreased by $12,781.

FY 2023-24 Proposed Budget Adjustments

The Communications and External Affairs Division requested $878,607 over the baseline for FY 2023-24.

The additional funding will support the addition of an executive position to lead Covered California's Community Outreach and Engagement Programs. The additional funding includes one-time funds for in-person community outreach events, and contract services to improve the user interface and user experience on the Covered California public web site, and to study and improve the cultural resonance and linguistic clarity on the Spanish and mandarin language versions of the web site.

The Communications and External Affairs Division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) increased by $15,133.

Key Objectives for FY 2023-24

Communications and External Affairs will focus on the following core areas in FY 2023-24 budget:

- Increase awareness of Covered California and encourage enrollment through extensive and innovative earned, owned, paid media efforts, and stakeholder engagement to educate people about the availability of premium and cost sharing subsidies, coverage options and the value of health insurance.

- Extend Covered California's reach into traditionally hard-to-reach communities and help overcome communications barriers through targeted earned and grassroots communications efforts that are in-language and in-culture.

- Raise awareness of Covered California's successes and thought leadership in the health care through proactive outreach to national and statewide news outlets as well as prominent industry-specific outlets.

- Provide communications technical assistance and support to further the goals of individual divisions, including writing, graphic design, video content production, and message development and messaging support for internal and external communications activities and publications.

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

- Continue and expand strategies to bolster external relations by building on existing stakeholder networks, developing new governmental partnerships, and strengthening outreach and education for both state and federal policymakers.

- Use data and lessons learned by Covered California and other state exchanges 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 and Inflation Reduction Act as well as state legislative and budget action.

- Build relationships with legislators, members of Congress and key staff by providing opportunities for educational webinars, speaking engagements, and one-on-one meetings with Covered California leadership.

- Develop a strategic plan to improve the consumer experience of CoveredCA.com through evidence-based updates aimed at increasing understanding and ease of use.

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[13].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	62	62	62	0	0
Personnel Expenditures	$ 7,680,166	$ 8,243,560	$ 8,243,560	$ -	$ 563,394
Other Operating Expenditures	$ 1,550,500	$ 1,475,500	$ 1,475,500	$ -	$ (75,000)
Subtotal	**$ 9,230,666**	**$ 9,719,060**	**$ 9,719,060**	$ -	$ 488,394
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 583,900	$ 580,435	$ 547,243	$ (33,192)	$ (3,465)
Total Operating Expenditures	**$ 9,814,566**	**$ 10,299,496**	**$ 10,266,303**	**$ (33,192)**	**$ 484,929**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Program Integrity Division increased its baseline budget increased by $484,929.

Personnel expenditures were increased by $563,394, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures were reduced by $75,000, resulting from a reduction in funding for audit

[13] The Program Integrity Division director is an exempt position. It will have a monthly salary in FY 2023-24 of $18,260. This information is reported in compliance with Government Code 100503, Section m 2(A).

software. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Program Integrity Division decreased by $3,465.

FY 2023-24 Proposed Budget Adjustments

Funding for the Program Integrity Division decreased by $33,192 below the baseline for FY 2023-24, reflecting a reduction of the division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Program Integrity Division will focus on the following core areas in FY 2023-24:

- 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 hybrid work environment.

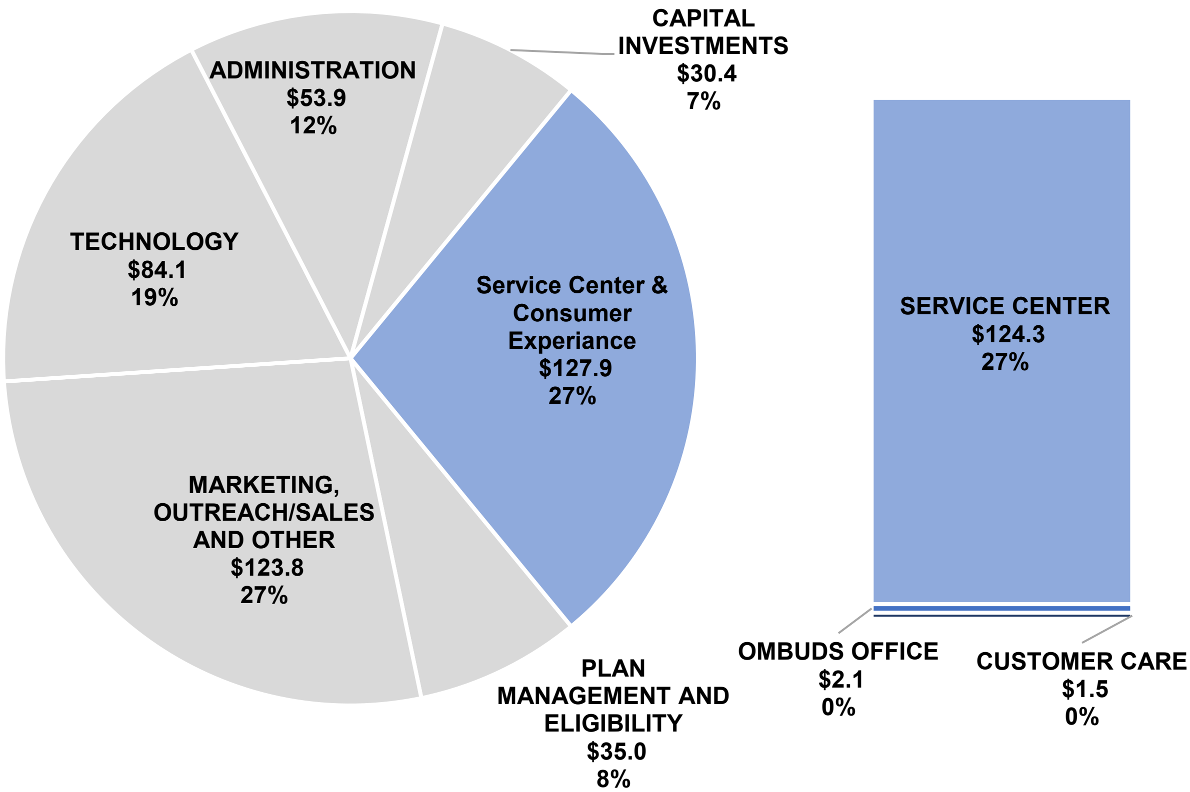
Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office, and Customer Care. The proposed budget for FY 2023-24 totals $127.9 million.

Service Center and Consumer Experience: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget
Positions	827	827	826
Personnel Expenditures	$ 75,335,517	$ 80,120,257	$ 80,048,549
Other Operating Expenditures	$ 31,365,500	$ 33,364,434	$ 40,864,567
Subtotal	**$ 106,701,017**	**$ 113,484,691**	**$ 120,913,116**
Allocated Expenditures			
Prorata/Supp. Pension/Other	$ 7,020,856	$ 7,030,748	$ 6,941,881
Total Operating Expenditures	**$ 113,721,874**	**$ 120,515,439**	**$ 127,854,997**

Service Center and Consumer Experience FY 2023-24
Proposed Expenditure Budget = $455.1
(Dollars in Millions)



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[14].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	804	804	804	0	0
Personnel Expenditures	$ 72,333,565	$ 76,919,389	$ 76,919,389	$ -	$ 4,585,824
Other Operating Expenditures	$ 30,562,500	$ 33,133,934	$ 40,634,067	$ 7,500,133	$ 2,571,434
Subtotal	**$ 102,896,065**	**$ 110,053,323**	**$ 117,553,456**	$ 7,500,133	$ 7,157,258
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 6,786,457	$ 6,823,092	$ 6,751,322	$ (71,770)	$ 36,635
Total Operating Expenditures	**$ 109,682,522**	**$ 116,876,415**	**$ 124,304,778**	**$ 7,428,363**	**$ 7,193,893**

[14] The Service Center Division director is an exempt position. It will have a monthly salary in FY 2023-24 of $16,672. This information is reported in compliance with Government Code 100503, Section 2(A).

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Service Center increased its baseline budget by $7.2 million

Personnel expenditures increased by $4.6 million, constituting the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures increased by $2.6 million. The increase is the result of cost-of-living-adjustments for contracted call center support personnel and increased funding for California Department of Social Services outreach (CDSS) efforts related to the eligibility appeals process. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Service Center Division increased by $36,635.

FY 2023-24 Proposed Budget Adjustments

The Service Center Division requested $7.4 million over the baseline for FY 2023-24.

The funding will support a one-time increase of $7.5 million for additional customer support staffing to provide consumer assistance during the Medi-Cal continuous coverage unwind.

The Service Center's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $71,770.

Key Objectives for FY 2023-24 Budget

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 February 2023 in FY 2022-23, the Service Center provided personal assistance almost 1.5 million times to consumers and there were over 900 thousand additional occasions of consumers being served through responses provided by the Integrated Voice Response automated response system that addresses consumers' issues with recorded messages.

For FY 2022-23, consumers registered a very high level of satisfaction in the services provided, stating they were satisfied 97% 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 FY are:

- **Open-enrollment support:** The Service Center anticipates approximately 1 million consumer contacts during open enrollment through inbound calls, outbound enrollment campaigns and live chat interactions. The forecast is projected to be higher than FY 2022-23 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.

- **Special-enrollment support:** Early projections anticipate over 1.5 million consumer contacts during the special-enrollment period, which is forecasted to be higher than FY 2021-22 volumes. Funding should allow the Service Center to have resources where most needed to effectively handle consumer contacts while maintaining a reasonable abandonment rate. There remains a degree of uncertainty in planning for the coming year, including the unknown impact to call/workload volumes related to the Public Health Emergency Unwind and Senate Bill 260.

- **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, large-scale complex enrollment related projects, 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.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	15	15	14	-1	0
Personnel Expenditures	$ 1,822,234	$ 1,994,190	$ 1,922,482	$ (71,708)	$ 171,956
Other Operating Expenditures	$ 52,000	$ 52,000	$ 52,000	$ -	$ -
Subtotal	**$ 1,874,234**	**$ 2,046,190**	**$ 1,974,482**	$ (71,708)	$ 171,956
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 124,488	$ 126,986	$ 114,611	$ (12,376)	$ 2,498
Total Operating Expenditures	**$ 1,998,722**	**$ 2,173,177**	**$ 2,089,093**	**$ (84,084)**	**$ 174,454**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Ombuds Division increased its baseline budget by $174,454.

Personnel expenditures were increased by $171,956, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent total salary increase and merit salary adjustments. Baseline Other Operating Expenditures were unchanged at $52,000. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Ombuds Division increased by $2,498.

FY 2023-24 Proposed Budget Adjustments

The Ombud’s Office requested a decrease in funding of $84,084 below the baseline for FY 2023-24.

The decrease reflects the elimination of one permanent position and a reduction of $12,376 in the Ombud’s Office’s share of Covered California’s allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Ombuds Office will focus on the following core areas in FY 2023-24:

- Introduce the Ombuds Office Root Cause Analysis Lifecycle to the organization.
- Continue to explore new and innovate Ombuds services that can be utilized internally (organization) and externally (consumer).
- 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, or via a 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.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	8	8	8	0	0
Personnel Expenditures	$ 1,179,718	$ 1,206,678	$ 1,206,678	$ -	$ 26,960
Other Operating Expenditures	$ 751,000	$ 178,500	$ 178,500	$ -	$ (572,500)
Subtotal	**$ 1,930,718**	**$ 1,385,178**	**$ 1,385,178**	$ -	$ (545,540)
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 109,912	$ 80,669	$ 75,948	$ (4,721)	$ (29,243)
Total Operating Expenditures	**$ 2,040,629**	**$ 1,465,847**	**$ 1,461,126**	**$ (4,721)**	**$ (574,783)**

Highlights for FY 2023-24 Proposed Budget and Key Changes

<u>Adjustments to the Baseline</u>

The Customer Care Division reduced its baseline budget by $574,783.

Personnel expenditures were increased by $26,960, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures decreased by $572,500 reflecting the expiration of two major consulting contracts. Internal resources have been developed to perform the work previously provided under one of those contracts. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Customer Care Division decreased by $29,243.

FY 2023-24 Proposed Budget Adjustments

Funding for the Customer Care Division decreased by $4,721 below the baseline for FY 2023-24, reflecting a reduction of the division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Customer Care Division will focus on the following core areas in FY 2023-24:

- 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 check account and enrollment status, opt in/opt out functionality for individuals transitioning from Medi-Cal to Covered California, and providing information that addresses top call drivers at the Service Center, 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.

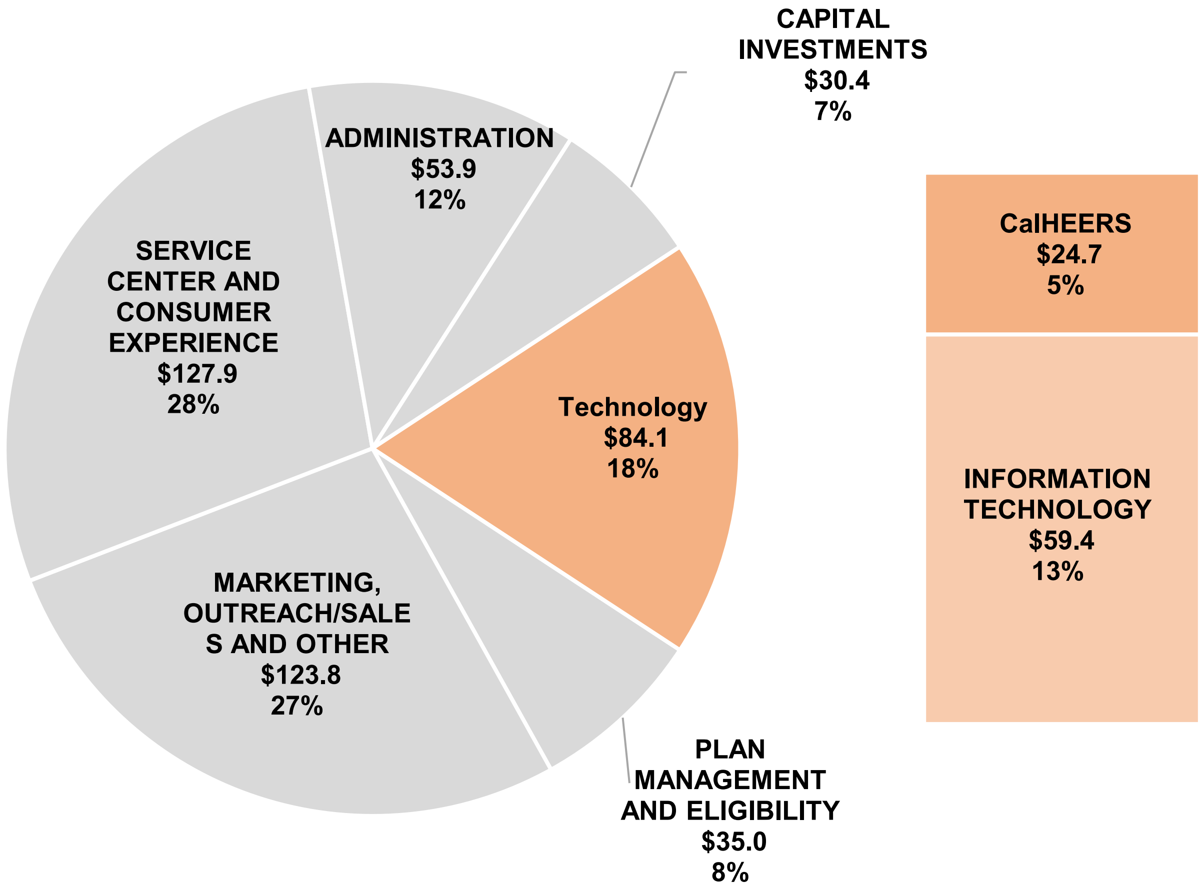
Technology

Technology includes the Information Technology (IT) Division and the consumer enrollment system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The FY 2023-24 proposed budget totals $84.1 million.

Technology: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget
Positions	112	113	113
Personnel Expenditures	$ 18,094,198	$ 19,575,107	$ 19,635,423
Other Operating Expenditures	$ 55,113,526	$ 58,373,205	$ 61,917,205
Subtotal	**$ 73,207,724**	**$ 77,948,312**	**$ 81,552,628**
Allocated Expenditures			
Prorata/Supp. Pension/Other	$ 2,591,859	$ 2,623,129	$ 2,590,609
Total Operating Expenditures	**$ 75,799,583**	**$ 80,571,441**	**$ 84,143,237**

Technology FY 2023-24
Budget: $455.1
(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 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 the 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 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions				0	0
Personnel Expenditures	$ -	$ -		$ -	$ -
Other Operating Expenditures	$ 23,645,384	$ 24,695,437	$ 24,695,437	$ -	$ 1,050,053
Subtotal	**$ 23,645,384**	**$ 24,695,437**	**$ 24,695,437**	$ -	$ 1,050,053
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ -	$ -	$ -	$ -	$ -
Total Operating Expenditures	**$ 23,645,384**	**$ 24,695,437**	**$ 24,695,437**	**$ -**	**$ 1,050,053**

Highlights for FY 2023-24 Proposed Budget and Key Changes

<u>Adjustments to the Baseline</u>

The CalHEERS baseline budget increased by $1.1 million. This increase reflects the net effect of increases due to an upward adjustment to Covered California's percentage of expenses shared with the Department of Health Care Services, as well as the addition of funding related to the transfer of provider directory services by a new vendor. These increases were offset by decreased maintenance costs for the Statewide Automated Welfare System (SAWS).

FY 2023-24 Proposed Budget Adjustments

There are no proposed changes to the CalHEERs baseline budget for FY 2023-24.

Key Objectives for FY 2023-24

CalHEERS will focus on the following core areas in FY 2023-24:

- 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.

- Auto-enroll 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.

- Continue to improve the consumer experience utilizing human centered design, consumer focus group engagement, and consumer journey map data-driven initiatives.

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[15].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	112	113	113	0	1
Personnel Expenditures	$ 18,094,198	$ 19,575,107	$ 19,635,423	$ 60,316	$ 1,480,909
Other Operating Expenditures	$ 31,468,142	$ 33,677,768	$ 37,221,768	$ 3,544,000	$ 2,209,626
Subtotal	**$ 49,562,340**	**$ 53,252,875**	**$ 56,857,191**	$ 3,604,316	$ 3,690,535
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 2,591,859	$ 2,623,129	$ 2,590,609	$ (32,521)	$ 31,271
Total Operating Expenditures	**$ 52,154,199**	**$ 55,876,004**	**$ 59,447,800**	**$ 3,571,795**	**$ 3,721,806**

Highlights for FY 2023-24 Proposed Budget and Key Changes

<u>Adjustments to the Baseline</u>

The Information Technology Division increased its baseline budget by $3.7 million.

Personnel expenditures increased by $1.5 million, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating

[15] The director of Information Technology is an exempt position. It will have a monthly salary in FY 2023-24 of $25,082. This information is reported in compliance with Government Code 100503, Section m 2(A).

Expenditures increased by $2.2 million overall. Funding was increased for network and firewall security, cloud storage, software subscriptions and licensing. implementation and support for the Customer Relations System (CRM) component of the Plan Choice and Assister Portal (PCAP), and for project management consulting services. One-time funding for Service Center technology improvements was eliminated. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Information Technology Division increased by $31,271.

FY 2023-24 Proposed Budget Adjustments

The Information Technology Division requested $3.6 million over the baseline for FY 2023-24.

The additional funding will support Data Strategy development, temporary analytics support, the increased use of the Salesforce Marketing Cloud text and email messaging services, contracted support for the Workday Human Capital Management program, upgrades to Chatbot functionality, and website accessibility improvements related to the Americans with Disabilities Act.

The Information Technology Division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $32,521.

Key Objectives for FY 2023-24

The Information Technology Division will focus on the following core areas in FY 2023-24:

- 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 an enterprise-wide information security program that reduces risk, increases information security awareness, and enhances security operations in compliance with state and federal regulations.

- Empower CCIT staff to make the right decisions where the expertise lives to showcase IT as the employer of choice and the most innovative technology service provider in the State.

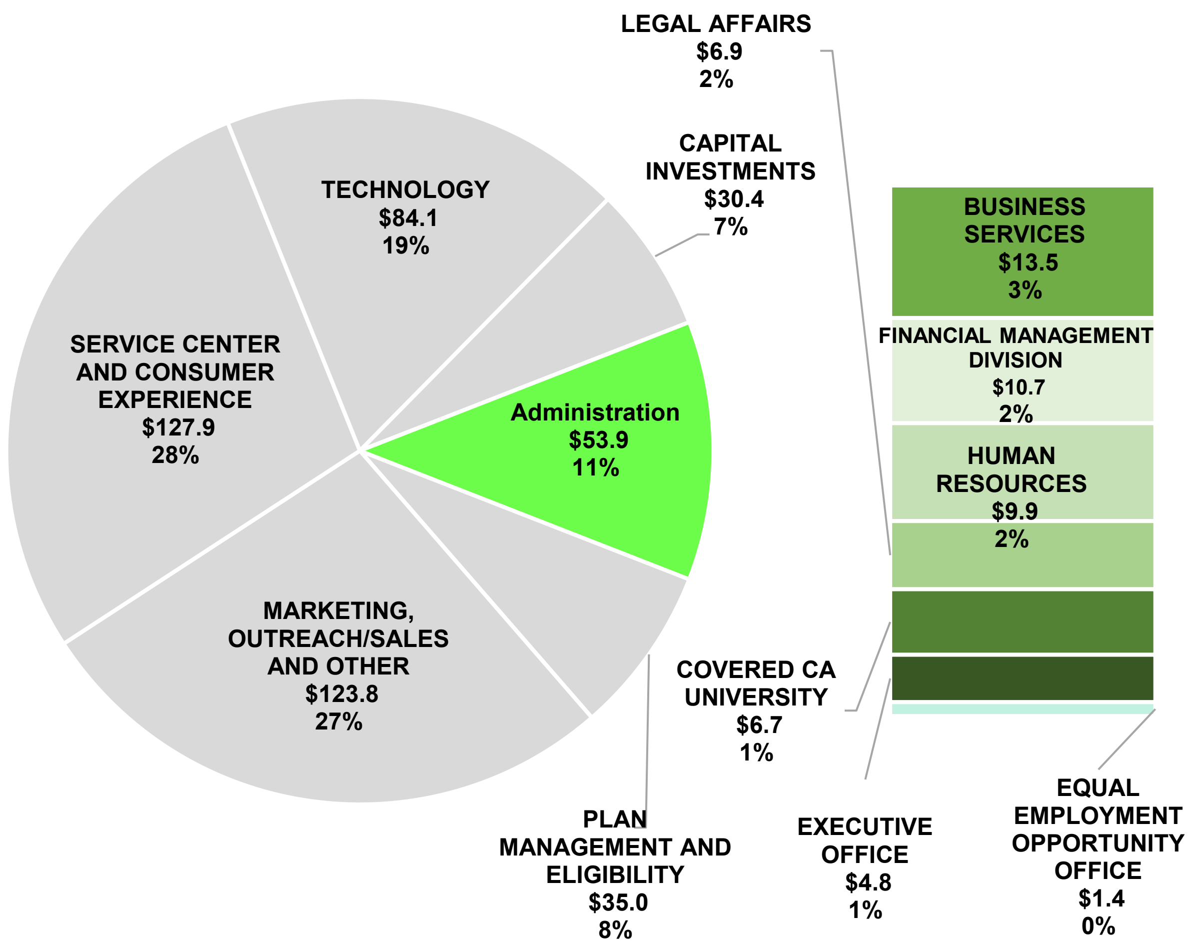
Administration

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 proposed budget for FY 2023-24 is $53.9 million.

Administration: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget
Positions	225	225	230
Personnel Expenditures	$ 31,549,409	$ 34,725,897	$ 35,157,248
Other Operating Expenditures	$ 17,187,915	$ 15,790,161	$ 16,102,661
Subtotal	**$ 48,737,324**	**$ 50,516,058**	**$ 51,259,909**
Allocated Expenditures			
Prorata/Supp. Pension/Other	$ 2,831,217	$ 2,777,862	$ 2,648,982
Total Operating Expenditures	**$ 51,568,540**	**$ 53,293,920**	**$ 53,908,891**

Administration FY 2023-24
Proposed Expenditure Budget = $455.1 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 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	41	41	41	0	0
Personnel Expenditures	$ 5,096,532	$ 5,369,197	$ 5,369,197	$ -	$ 272,665
Other Operating Expenditures	$ 9,597,690	$ 7,472,411	$ 7,472,411	$ -	$ (2,125,279)
Subtotal	**$ 14,694,222**	**$ 12,841,608**	**$ 12,841,608**	$ -	$ (1,852,614)
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 787,603	$ 666,348	$ 622,969	$ (43,379)	$ (121,255)
Total Operating Expenditures	**$ 15,481,824**	**$ 13,507,955**	**$ 13,464,576**	**$ (43,379)**	**$ (1,973,869)**

Highlights for FY 2023-24 Proposed Budget and Key Changes

<u>Adjustments to the Baseline</u>

The Business Services Branch baseline budget decreased by $2.0 million.

Personnel expenditures increased by $272,665, constituting the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase, and merit salary adjustments. Baseline Other Operating Expenditures decreased by $2.1 million compared to the FY 2022-23 approved budget. Facilities related expenses were reduced by $2.0 million as result of the termination of leases in three locations, a reduction in the lease expense at the Exposition Boulevard location, and the transfer of funding for future brokerage fees to the capital investments budget. Non-facility related expenditures decreased by $100,305, resulting from a reduction in expenditures for copier maintenance services. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Business Services Branch decreased by $121,255.

FY 2023-24 Proposed Budget Adjustments

Funding for the Business Services Branch decreased by $43,379 below the baseline for FY 2023-24, reflecting a reduction of the division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Business Services Branch will focus on the following core areas in FY 2023-24:

- Evaluate and enhance information systems and technology to increase operational efficiency and create a positive user experience. This includes ensuring the DocuSign Contract Lifecycle Management (CLM) is fully implemented including reporting and the migration of the old database.
- Identify areas of non-compliance and implement corrective action plans including:
    - Completing the Covered California Administrative Manual FY 2022/23 update in the first quarter.
    - Conducting a Business Continuity Plan test/exercise now that the plan has been implemented in the electronic platform.
    - Conducting a three-year asset inventory per the State Administrative Manual requirements.
- Enhance our physical worksites with dynamic workplace elements to fully support teams while working onsite. With the assistance of architects, complete future of work initiatives for redesigning the Expo location to develop a tenant improvement project.

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[16].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	55	55	55	0	0
Personnel Expenditures	$ 7,484,396	$ 8,017,719	$ 8,017,719	$ -	$ 533,323
Other Operating Expenditures	$ 2,007,225	$ 2,124,975	$ 2,124,975	$ -	$ 117,750
Subtotal	**$ 9,491,621**	**$ 10,142,694**	**$ 10,142,694**	$ -	$ 651,073
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 578,880	$ 581,889	$ 547,363	$ (34,526)	$ 3,009
Total Operating Expenditures	**$ 10,070,501**	**$ 10,724,583**	**$ 10,690,057**	**$ (34,526)**	**$ 654,082**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Financial Management Division increased its baseline budget by $654,082.

Personnel expenditures increased by $533,323, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures increased by $117,750. This increase resulted from increased expenditures for the State Controller's Office, parcel delivery, and student assistant

[16] The chief financial officer is an exempt position. It will have a monthly salary in FY 2023-24 of $22,050. This information is reported in compliance with Government Code 100503, Section m 2(A).

services Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Financial Management Division increased by $3,009.

FY 2023-24 Proposed Budget Adjustments

Funding for the Financial Management Division decreased by $34,526 below the baseline for FY 2023-24, reflecting a reduction of the division’s share of Covered California’s allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Financial Management Division will focus on the following core areas in FY 2023-24:

- Continue to document and evaluate internal controls over financial reporting.
- Design, develop and implement the continuous reporting of effectuated enrollment, descriptive statistics, terminations, plan selections and average gross premiums through SAS and Tableau.
- Continue to incorporate analytic tools, such as SAS, to better utilize FI$CAL 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 provides overall policy direction on human resource management and administrative support functions related to the management of employees via the following units: the 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 branch's core values of creativity, integrity, communication, respect, and community serve as our guiding principles to drive key objectives.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	56	56	56	0	0
Personnel Expenditures	$ 7,250,698	$ 7,787,309	$ 7,787,309	$ -	$ 536,611
Other Operating Expenditures	$ 2,215,482	$ 1,638,650	$ 1,638,650	$ -	$ (576,832)
Subtotal	**$ 9,466,180**	**$ 9,425,959**	**$ 9,425,959**	$ -	$ (40,221)
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 580,151	$ 552,780	$ 520,637	$ (32,143)	$ (27,371)
Total Operating Expenditures	**$ 10,046,331**	**$ 9,978,739**	**$ 9,946,596**	**$ (32,143)**	**$ (67,592)**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Human Resources Division decreased its baseline budget by $67,592.

Personnel expenditures were increased by $536,611 which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures decreased by $576,832. This decrease reflects completed implementation of the Workday Human Capital Management System, the transfer of funding for the Workday licenses to the Information Technology division's baseline budget, and a reduction in funding for CalHR resources and services to align more closely with prior year spending levels. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Human Resources Division decreased by $27,371.

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FY 2023-24 Proposed Budget Adjustments

Funding for the Human Resources Division decreased by $32,143 below the baseline for FY 2023-24, reflecting a reduction of the division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-2024

The Human Resources Branch will focus on the following core areas in FY 2023-24:

- 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.
- Implement career development workshops for all Covered California employees.
- Continue to implement and improve the onboarding and offboarding experience with a focus on the hybrid working environment.
- Identify and implement enhancements to Workday, to ensure operational efficiency and positive user experience.
- 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.
- Review and update HRB policies, processes, procedures, and resources, to support the needs of employees, supervisors/managers, and departmental stakeholders.

Office of Legal Affairs

Budget Unit Description

The Office of Legal Affairs partners with staff across the organization to foster innovation, ensure compliance with laws, and mitigate risk as it works to deliver affordable coverage and quality care. Specifically, the Office of Legal Affairs provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts, and operations. The Office of Legal Affairs also ensures that all legal agreements are fulfilled, and that Covered California operates transparently and within its legal authority as a steward of the public's trust. Additionally, the Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California and collaborates with state and federal regulatory agencies[17].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	23	23	25	2	0
Personnel Expenditures	$ 3,683,807	$ 4,069,161	$ 4,204,145	$ 134,984	$ 385,354
Other Operating Expenditures	$ 1,343,000	$ 2,388,000	$ 2,393,000	$ 5,000	$ 1,045,000
Subtotal	**$ 5,026,807**	**$ 6,457,161**	**$ 6,597,145**	$ 139,984	$ 1,430,354
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 291,506	$ 340,920	$ 329,669	$ (11,250)	$ 49,414
Total Operating Expenditures	**$ 5,318,313**	**$ 6,798,080**	**$ 6,926,814**	**$ 128,734**	**$ 1,479,768**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Office of Legal Affairs increased its baseline budget by $1.5 million.

Personnel expenditures were increased by $385,354, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures increased by $1.0 million. This increase includes the transfer of $900,000

[17] The director of the Office of Legal Affairs is an exempt position. It will have a monthly salary in FY 2023-24 of $18,281. This information is reported in compliance with Government Code 100503, Section m 2(A).

in funding from the Marketing division to the Office of Legal Affairs' budget to support printing of voter registration materials, a $75,000 increase in funding to assist consumers with urgent eligibility, access, and service issues, and a $65,0000 increase for legal publications, public records, and other information. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Office of Legal Affairs increased by $49,414.

FY 2023-234 Budget Adjustments

The Office of Legal Affairs requested $128,734 over the baseline for FY 2023-24.

The additional funding will support two new positions, including an Information Security analyst and a Graduate Legal Assistant to assist senior attorneys, enabling more legal work to be performed in-house.

The Office of Legal Affairs share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $11,250.

Key Objectives for FY 2023-24

The Office of Legal Affairs will focus on the following core areas in FY 2023-24:

- Work closely with the Health Consumer Alliance to ensure smooth transitions to Covered California for individuals losing Medi-Cal coverage as the Medicaid continuous coverage requirement stemming from the COVID-19 Public Health Emergency ends and Covered California's new auto-enrollment initiative under SB 260 (Hurtado, Chapter 845, Statutes of 2019) launches.
- Refine Covered California's litigation tracking process to identify developments more efficiently in new and pending litigation impacting Covered California, the Affordable Care Act, and the broader health care landscape.
- Expand Covered California's regulation analysis process to include regulations proposed and issued by state agencies potentially affecting Covered California as a state entity as well as a state-based marketplace, supplementing the existing robust process analyzing federal regulatory activity.
- Continue to refine Covered California's recently 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 (Rivas, Chapter 812, Statutes of 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.

- In accordance with the Administrative Procedures Act, coordinate the timely promulgation of several Covered California permanent rulemaking packages from inception throughout the development and filing process with the Office of Administrative Law.

Covered California University

Budget Unit Description

The Covered California University is the learning and development branch. The branch collaborates with programs and interacts across the organization leveraging subject matter experts in a vast array of disciplines, acts as a consultant on information dissemination and organizational development initiatives, and maintains both written materials and training courses that support organizational performance and effectiveness. The branch manages the Organizational Change Management (OCM) program and administers the technology that supports information and training, including the Customer Relationship Management (CRM) Salesforce Knowledge content and Absorb Learning Management System (LMS). The branch consists of the following sections: Training Design and Delivery and Content and Data Management.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	32	32	33	1	0
Personnel Expenditures	$ 4,230,220	$ 4,856,756	$ 4,967,581	$ 110,825	$ 626,536
Other Operating Expenditures	$ 933,772	$ 1,050,833	$ 1,353,333	$ 302,500	$ 117,061
Subtotal	**$ 5,163,992**	**$ 5,907,589**	**$ 6,320,914**	$ 413,325	$ 743,597
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 320,052	$ 338,835	$ 337,995	$ (840)	$ 18,783
Total Operating Expenditures	**$ 5,484,045**	**$ 6,246,424**	**$ 6,658,909**	**$ 412,485**	**$ 762,380**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

Covered California University increased its baseline budget by $762,380.

Personnel expenditures were increased by $626,536 which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures increased by $117,061 overall. Funding for the Leadership and Development Academy was increased by $100,000 to support the creation of new content related to strategic planning and decision making. Funding for the Absorb Enterprise-wide Learning Management System, and other learning system software licenses were increased by $18,004. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to Covered California University increased by $18,783.

FY 2023-24 Proposed Budget Adjustments

Covered California University requested $412,485 over the baseline for FY 2023-24.

The additional funding will support the development an Enterprise Content Management (ECM) System that will modernize Covered California's repository of training materials and technical guides. The additional funding will also support the addition of a technical writer to meet the growing demand for more informational resources for staff as Covered California adopts new technologies and responds to a wider range of enrollment issues.

Covered California University share of allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $840.

Key Objectives for FY 2023-24

Covered California University will focus on the following core areas in the upcoming FY:

- 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 LMS to maintain and improve the organization's performance and effectiveness.
- 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 and ensure compliance with and awareness of federal, state, local and organizational regulations, and policies.

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

- Develop and implement diversity, equity, and inclusion curriculum for three different end-user groups (rank & file, supervisors and middle managers, and senior leaders and executives) across the Covered California organization.
- Identify and offer learning and development solutions to support manager development goals as they relate to and meet the CalHR competencies and required leadership training hours.

- Begin solution design and implementation of the Enterprise Content Management system, partnering with the Information Technology Division, to support Covered California’s Workforce and Succession Plan.
- Offer Change Management training to Covered California Change Champions, giving the members new tools and strategies to support change and adoption within their teams.

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[18].

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	12	12	14	2	0
Personnel Expenditures	$ 2,974,734	$ 3,714,144	$ 3,899,686	$ 185,542	$ 739,410
Other Operating Expenditures	$ 839,766	$ 689,075	$ 694,075	$ 5,000	$ (150,691)
Subtotal	**$ 3,814,500**	**$ 4,403,219**	**$ 4,593,761**	$ 190,542	$ 588,719
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 207,792	$ 223,423	$ 221,220	$ (2,202)	$ 15,631
Total Operating Expenditures	**$ 4,022,292**	**$ 4,626,641**	**$ 4,814,981**	**$ 188,340**	**$ 604,350**

[18] The Executive Office has five exempt positions. They include the executive director, with a monthly salary in FY 2023-24 of $41,344; the chief deputy executive director, Operations, with a monthly salary in FY 2023-24 of $27,451; the chief deputy executive director, Program, with a monthly salary in FY 2023-24 of $34,892; the chief deputy executive director, General Counsel, with a monthly salary in FY 2023-24 of $26,250; and the Administrative Services Division director and deputy chief operations officer with a monthly salary in FY 2023-24 of $15,971. This information is reported in compliance with Government Code 100503, Section m 2(A).

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Executive Office increased its baseline budget by $604,350.

Personnel expenditures were increased by $739,410, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures were reduced by $150,691. Additional funding was provided for the Culture Amp engagement survey, Integrated Healthcare Association, Catalyst for Payment Reform, and guest speakers. These increases, however, were offset by the transfer of $105,000 in funding to manage Covered California’s Diversity Equity and Inclusion (DEI) consulting contract from the Executive Office to the Equal Employment Opportunity Division and reductions in funding for executive coaching and strategic planning. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Executive Office increased by $15,631.

FY 2023-24 Proposed Budget Adjustments

The Executive Office requested $188,340 over the baseline for FY 2023-24.

The funding will support the addition of two permanent positions that will support Covered California’s ongoing strategic planning, succession planning, and employee recognition activities.

Covered California University share of allocated expenditures (ProRata, Supplemental Pension, and DGS) decreased by $2,202.

Key Objectives for FY 2023-24

The Executive Office will focus on the following core areas in FY 2023-24:

- Create and execute an implementation strategy and a tracking and reporting mechanism for the 2022-2025 Covered California Workforce and Succession Plan (year two of three-year implementation) with the goal of ensuring internal business continuity by creating and preparing a pipeline of talent to assume mission critical positions as they become available.

- Continue implementation of the department’s 2022-2025 Diversity, Equity, and Inclusion Roadmap (year two of three-year implementation). Prioritize diversity, equity and inclusion in our operational practices, decision-making, and culture.

- Create and execute an implementation strategy and a tracking and reporting mechanism for the new 2023-2026 Covered California strategic plan (year one of three-year implementation) with the goal of continually monitoring, evaluating, and adjusting the strategic initiatives within the plan to complete plan objectives and address new challenges and organizational concerns.

- 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.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Positions	6	6	6	0	0
Personnel Expenditures	$ 829,022	$ 911,611	$ 911,611	$ -	$ 82,589
Other Operating Expenditures	$ 250,980	$ 426,217	$ 426,217	$ -	$ 175,237
Subtotal	**$ 1,080,002**	**$ 1,337,828**	**$ 1,337,828**	$ -	$ 257,826
Allocated Expenditures					
Prorata/Supp. Pension/Other	$ 65,233	$ 73,668	$ 69,129	$ (4,539)	$ 8,435
Total Operating Expenditures	**$ 1,145,235**	**$ 1,411,497**	**$ 1,406,957**	**$ (4,539)**	**$ 266,261**

Highlights for FY 2023-24 Proposed Budget and Key Changes

Adjustments to the Baseline

The Equal Employment Opportunity Office increased its baseline budget by $266,261.

Personnel expenditures were increased by $82,589, which constituted the net effect of modifying the assumed vacancy rate, the assumed benefit rate, an assumed 2.5 percent salary increase and merit salary adjustments. Baseline Other Operating Expenditures increased by $175,237. This increase reflected the transfer of $160,000 to the Equal Employment Opportunity Division from the Executive Office to manage Covered California's Diversity Equity and Inclusion (DEI) consulting contract, as well as other increases to funding to support reasonable accommodation, investigative services, and sexual harassment training. Shared expenditures (Pro Rata, Supplemental Pension, and DGS) allocated to the Equal Employment Opportunity Office increased by $8,435.

FY 2023-24 Proposed Budget Adjustments

Funding for the Equal Employment Opportunity Office decreased by $4,539 below the baseline for FY 2023-24, reflecting a reduction of the division's share of Covered California's allocated expenditures (ProRata, Supplemental Pension, and DGS).

Key Objectives for FY 2023-24

The Equal Employment Opportunity Office will focus on the following core areas in FY 2023-24:

- Create a Diversity, Equity, and Inclusion (DEI) Data strategy for Covered California by collaborating with external and internal stakeholders.
- Upgrade the Upward Mobility Program (UMP) to increase its effectiveness and ensure the UMP participants have the necessary resources to reach their career goals.
- Review internal processes for improvement and revise them for efficiency.
- Revisit the internal/external use of Ombuds services and promote awareness and understanding to lead a collaborative culture.

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 or lease hold improvements.

Budget Unit: Multi-Year View

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2023-24 Baseline Budget	Fiscal Year 2023-24 Proposed Budget	Difference Between FY 2023-24 Baseline and Proposed FY 2023-24 Budget	Difference Between FY 2022-23 Approved Budget and FY 2023-24 Baseline
Capital Investments - CalHEERS	$ 24,773,115	$ 24,773,115	$ 24,773,115	$ -	$ -
Capital Investments - Other	$ 5,226,296	$ 2,391,000	$ 5,651,000	$ 3,260,000	$ (2,835,296)
Total Investment Expenditures	**$ 29,999,411**	**$ 27,164,115**	**$ 30,424,115**	**$ 3,260,000**	**$ (2,835,296)**

Highlights for FY 2023-24 Proposed Budget and Key Changes

<u>Adjustments to the Baseline</u>

Covered California's CalHEERS baseline expenditures are unchanged at $24.7 million. This includes funding to continue implementing 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.

Other capital baseline expenditures are reduced by $2.8 million, reflecting the postponement of several other projects until FY 2023-24.

<u>FY 2023-24 Proposed Budget Adjustments</u>

Funding for Capital Investments is requested to increase by $3.3 million over the baseline for FY 2023-24.

The additional funding includes $2.7 million for upgrades to the Exposition Boulevard facility needed to continue transitioning to a hybrid work environment and $500,000 is set aside to fund possible moving and construction cost should Covered California be able to consolidate its Fresno operations into a smaller leased office space.

Key Objectives for FY 2023-24

Capital Investments will focus on the following core areas in FY 2023-24:

- Continue Implementation of the Plan Choice and Assister Portal (PCAP).
- Continue modifications of CalHEERS 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. FY 2022-23 Budget Highlights and Projected Year-End Results

Financial results for FY 2022-23 outperformed expectations, with actual/forecasted revenues exceeding budgeted totals and actual/forecasted operating expenditures coming in lower than budgeted. The FY 2022-23 budget projected an operating loss of $11.4 million and a decline in budgetary fund balance of $9.9 million. This was based on projected operating revenue of $400.0 million and non-operating revenue of $1.5 million and operating and capital expenditures of $411.4 million. FY 2022-23 actual/forecasted operating and non-operating revenues are estimated to total $424.1 million, and operating, and capital expenditures are estimated to equal $399.2 million. This results in income from operations of $15.6 million and an increase in budgetary fund balance of $24.9 million (**Table 10)**.

The positive budget outcome was primarily driven by the extension of the enhanced federal subsidies introduced under the American Rescue Plan Act (ARPA). When the budget was adopted, Covered California had assumed that the enhanced federal subsidies would expire at the end of 2022. This meant that roughly 150,000 enrollees would exit Covered California resulting in lower participation fee revenue. However, with the passage of the Inflation Reduction Act, the enhanced federal subsidies were extended through the end of 2025. Since individuals remained enrolled, actual, and forecasted operating revenue is projected to exceed budgeted revenues by $14.8 million.

Throughout FY 2022-23, the participation fee on gross premiums in the individual market was 3.25 percent, while the participation fee for the CCSB program was 5.2%.

FY 2022-23 Budget Priorities

During FY 2022-23, Covered California made investments to support five key strategic priorities:

1. Several divisions worked to improve the consumer experience and facilitate the seamless transition to Covered California enrollment from other sources of coverage. These included a series of improvements to transform and improve the enrollment portal and develop targeted information, outreach strategies, and assistance for consumers and enrollment assisters. This work throughout FY 2022-23 has put Covered California in a stronger position to assist Californians who may lose Medi-Cal eligibility beginning July 2023.
2. Continued to develop the infrastructure needed to implement the diversity, equity, and inclusion (DEI) roadmap developed by Deloitte Consulting.

3. Made investments in quality-transformation focusing on equity, access to care, and health insurance company accountability. These efforts concentrated on carrier compliance and the 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.
4. Invested in information technology security, service improvement, and systems management: These efforts were aimed at modernizing, enhancing, and strengthening information security and improving the organization's management of information technology resources.
5. Continued Covered California's transition to a work-from-home/hybrid office model: This initiative included capital investments in hardware, software, and equipment to support remote work and virtual work activities as Covered California downsizes its leased facility space

The $6.4 million in FY 2022-23 budget augmentations included $3.9 million in additional personnel expenditures and $2.5 million in additional other operating expenditures.

The FY 2022-23 budget provided $3.9 million to support 26 additional permanent positions. These included 11 positions related to the implementation of the enrollment portal and consumer experience improvements, seven positions related to information management and security, six positions focused on health quality and health plan contracting initiatives, and two positions to advance Covered California's Diversity, Equity, and Inclusion roadmap.

The FY 2022-23 budget also included $2.5 million in additional funding to support contracts and other operating expenditures related to Covered California's strategic priorities. This funding included $1.2 million to support the implementation of the Plan Choice and Assister Portal (PCAP) project, which is replacing the current commercial, off-the-shelf consumer enrollment portal ("Get Insured") with a state of California-owned and designed custom enrollment solution.

Projected FY 2022-23 Year-End Results

The Covered California board-approved budget for FY 2022-23 was $411.4 million. This included 1,467 staff positions (**Table 10**).

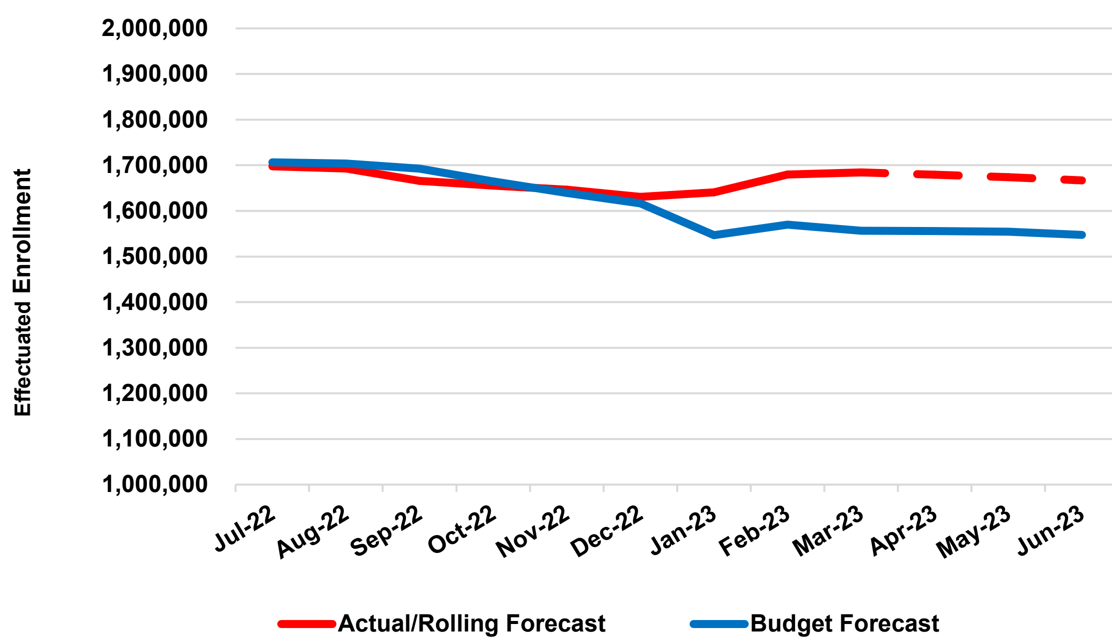
Covered California's FY 2022-23 approved comprehensive budget assumed total operating revenues of $400.0 million and total operating and capital expenditures of $411.4 million, which resulted in an $11.4 million operating loss. The budget also assumed $1.5 million in non-operating revenue, resulting in an overall decrease in the budgetary fund balance of $9.9 million (**Table 10**).

Covered California's forecasted financial outcome for FY 2022-23, as of April 2023, now projects an overall increase in budgetary fund balance of $24.9 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 2023 and the forecast for the remainder of the FY, operating revenues are estimated to total $414.7 million, which is $14.8 million greater than budgeted. This $14.8 million favorable operating revenue variance is driven by higher-than-projected enrollment.

Throughout the first half of the FY, actual enrollment aligned with budget enrollment. During the FY's second half, enrollment exceeded budgeted enrollment. Actual enrollment through March 2023 is higher than budgeted due to the extension of the enhanced APTCs. The adopted budget assumed that 150,000 individuals would exit Covered California with the expiration of the enhanced subsidies at the end of 2022. With the extension of the APTCs through 2025, enrollment will exceed budgeted totals throughout the remainder of the FY.

Figure 3
Individual Medical Plan Enrollment for Fiscal Year 2022-23; Budget Forecast Compared to Actual and Forecasted



Individual medical plan member months are estimated to exceed budgeted member months by 659,864, or 3.4 percent for the full FY. Individual medical plan per-member-per-month (PMPM) participation fee revenue is forecasted to average $19.22, $0.06 less than the budgeted PMPM of $19.28.

Total individual market (medical and dental plan) revenues are forecasted to be $387.3 million, 3.2 percent greater than the budgeted total. Covered California for Small Business revenues are also forecasted to be $27.4 million, exceeding budgeted totals by $2.7 million (10.9 percent).

Total operating and capital expenditures for FY 2022-23 are projected to equal $399.1 million, $12.2 million less than the approved budget. Covered California is forecasted to recognize a favorable personnel expenditure variance of $5.1 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 12.7 percent throughout the FY.

Other Operating Expenditures (OOE) and capital expenditures are also forecasted to recognize a favorable budget variance of $7.1 million (or 3.1 percent less than budgeted). The favorable budget variance for OOE and capital expenditures is driven by planned expenditures forecasted to come in lower than budgeted. State-shared expenditures are projected to recognize a favorable budget variance of $83,163.

Non-operating revenue recognized a $7.8 million favorable budget variance. The favorable budget variance was primarily the result of higher-than-expected returns on State Surplus Money Investment Fund (SMIF) interest revenue. The interest rate increased fourfold (0.269% - 2.522%) after the budget was adopted due to Federal Reserve Actions directed at inflation reduction efforts. The federal funds rate was raised six times since the adoption of the FY 2022-23 budget. The federal funds rate rose from 1.75% in June 2022 to roughly 5.0% in March 2023.

Overall, Covered California’s budgetary fund balance is forecasted to increase by $24.9 million, $34.8 million greater than the budgeted decrease in fund balance of $9.9 million (**Table 8**).

Table 9
Statement of Revenues, Expenditures and Changes in Fund Balance, FY 2022-23

	Fiscal Year 2022-23 Approved Budget	Fiscal Year 2022-23 Actual & Forecasted	Fiscal Year 2022-23 Budget Variance
Positions	1,467	1,468	1
Operating Revenues			
Individual Market (Med. & Dental)	$ 375,295,974.0	$ 387,312,298.0	$ 12,016,324.0
CCSB (Med. & Dental)	$ 24,672,930.0	$ 27,409,680.0	$ 2,736,750.0
Total Operating Revenue	**$ 399,968,904.0**	**$ 414,721,978.0**	**$ 14,753,074.0**
Personnel Expenditures	$ 164,937,260	$ 159,873,216	$ 5,064,044
Other Operating & Capital Expenditures	$ 227,008,710	$ 219,912,620	$ 7,096,090
Subtotal	**$ 391,945,970**	**$ 379,785,836**	**$ 12,160,134**
Allocated Expenditures			
Prorata/Supplemental Pen. Other	$ 19,419,224	$ 19,336,056	$ 83,168
Total Operating Expenditures	**$ 411,365,194**	**$ 399,121,892**	**$ 12,243,302**
Income/(Loss) From Operations	**$ (11,396,290)**	**$ 15,600,086**	**$ 26,996,376**
Non-Operating Income	$ 1,500,000	$ 9,305,868	$ 7,805,868
Change In Fund Balance	**$ (9,896,290)**	**$ 24,905,955**	**$ 34,802,245**

IV. Enrollment and Revenue Forecast

Introduction

The enrollment and revenue forecast is a fiscal management tool that presents estimated information based on past, current, and projected values. The enrollment and revenue forecast is an integral part of Covered California's annual budget process.

Chapter IV provides Covered California's enrollment and revenue forecasts for the budget year and two fiscal years beyond. It describes the forecasting strategy and includes a discussion of major assumptions incorporated into the forecasts. In this chapter, Covered California presents three alternate enrollment forecasts based on varying assumptions. Consistent with prior year budgets, Covered California presents a high, base, and low forecast.

Forecasting Technique-Statistical Times Series

For the fiscal year 2023-24 individual enrollment forecast, Covered California has employed a time-series forecasting methodology to derive the initial forecast before considering policy changes. This methodology captures long-term increases or decreases in enrollment, known seasonal patterns, and historical fluctuations due to policy, economic and labor market conditions. The overarching goal of time-series forecasting is to predict future enrollment, using historical enrollment data. The Auto-Regressive Integrated Moving Average (ARIMA) model used by Covered California is a non-structural, data-driven model, and assumes 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.

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 statistical times series forecast contains both the predicted enrollment values and the enrollment/disenrollment pattern that would be implied by the enrollment values.

Policy Changes Not Captured in Historical Data

The time series model captures historical enrollment data and uses it to forecast future enrollment. In some cases, Covered California may know that a future policy or event will occur that will change enrollment. Because the event is not reflected in the historical data, Covered California must adjust the base forecast. These adjustments may add to or subtract from the base forecast. In the present case, the Medi-Cal continuous coverage unwind, Family Glitch rule change, and expiration of the federal enhanced subsidies represent three future policy changes. They are not currently reflected in the statistical time series forecast but must be accounted for in the future. The Medi-Cal continuous coverage unwind, and Family Glitch rule change will increase future enrollment, while the expiration of the enhanced federal credits will decrease future enrollment. These policy changes necessitate that Covered California develop adjustments to the statistical time series forecast based on what is known about the future policy change.

Estimating Medi-Cal Inflows to Covered California

On December 29, 2022, President Biden signed into law the Consolidated Appropriations Act of 2023. The Consolidated Appropriations Act of 2023 delinked the continuous coverage requirement for Medi-Cal from the public health emergency (PHE). Beginning April 1, 2023, states were able to terminate Medicaid enrollment for individuals no longer eligible. According to the DHCS' PHE Unwinding Plan, the legislation requires DHCS to begin redeterminations beginning April 1, 2023.[19] On this date, states began reviewing Medicaid enrollees' eligibility through the "unwinding" process. It is expected that inflows from Medi-Cal to Covered California will not only return to normal but will also increase as the continuous coverage requirement is eliminated and the backlog is cleared. This is because there are currently 2.0 to 3.0 million more individuals on the Medi-Cal caseload than the normal caseload before the pandemic. A loss of health care coverage by hundreds of thousands, or millions, of Californians during the unwind period would represent a major setback for state efforts to steadily reduce the number of uninsured people in our state. For this reason, California's legislature took action to prevent this outcome. Enrollment by subsidy-eligible individuals following the end of the Public Health Emergency is expected to be boosted as a result of the implementation of Senate Bill 260 (SB 260).

In 2019, the California Legislature passed, and the governor signed SB 260 into law. The law requires Covered California to automatically enroll eligible individuals who have been terminated from Medi-Cal into the lowest-cost silver plan in the individual's region. Covered California will receive enrollee information (including income) from the county Medi-Cal office and enroll the household in the lowest-cost silver plan with a subsidy based on the verified income. This will occur before the Medi-Cal coverage terminates. Affirmative consent is necessary for the automatic plan selection to effectuate, and the enrolled individual or family will have until the end of the following month to make the first month's premium payment, if required[20].

Projections regarding how many individuals will lose Medicaid eligibility vary. Nevertheless, data indicates that Medicaid enrollment has risen substantially since the start of the COVID-19 pandemic due to the continuous coverage requirement. Following the pause in redeterminations in March 2020, the Medi-Cal population increased from 12.5 million to 15.5 million as of December 2022 (**Figure 4**).

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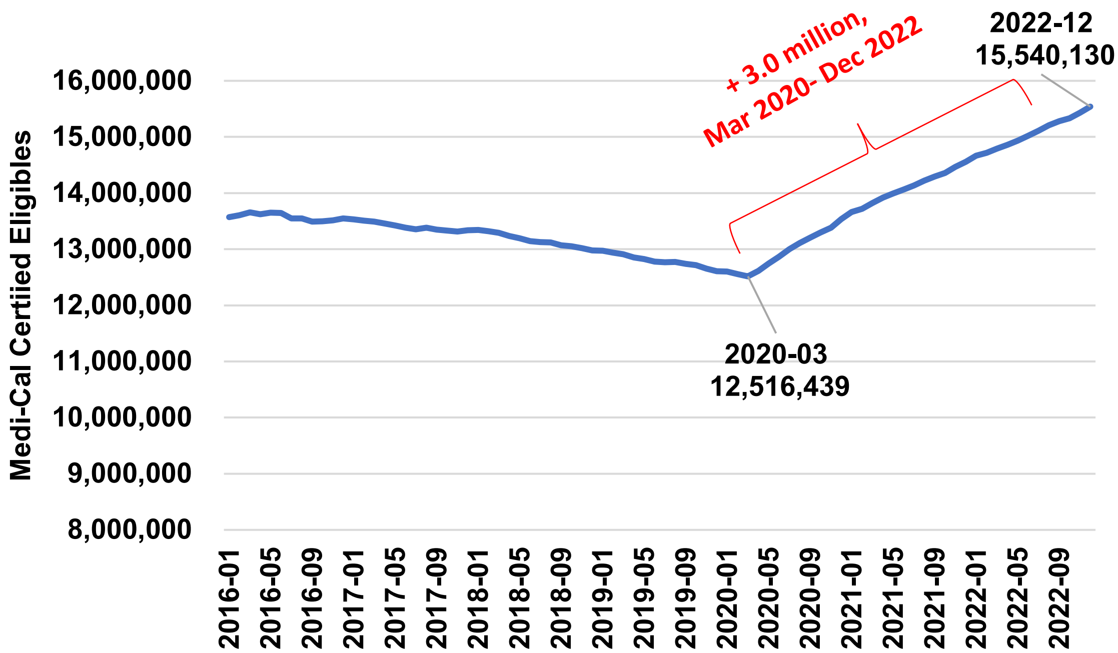
[19] Medi-Cal Covid-19 PHE-Unwinding Plan

[20] Covered California. "Fact Sheet: Medi-Cal to Marketplace Automatic Enrollment program." https://hbex.coveredca.com/data-research/library/CoveredCA-Medicaid-to-Marketplace-AutoenrollmentStrategy-FactSheet-v1.pdf

Figure 4

Continuous Coverage Requirement and Growth in Medi-Cal Population



Source: California Health and Human Services Open Data Portal, Medi-Cal Enrollment by Eligibility Group.

Counties will conduct eligibility redeterminations for over roughly 1.3 million beneficiaries each month over a span of 12 months. Over a 12-month period, beginning in July 2023 and ending June 2024, those found to no longer be eligible will lose Medi-Cal coverage. The California Department of Health Care Services (DHCS) estimates that roughly 2.8 million Medi-Cal beneficiaries, or a monthly average of 230,471 will be disenrolled during this period.

Data from the DHCS indicates that over 90 percent of Medi-Cal's enrollment growth between March 2020 and December 2022 occurred in modified adjustment gross income (MAGI)[21] income-based aid categories (ACA Expansion Adults, and Public Assistance and Medically Needy Families) that would also be eligible to enroll in Covered California if their household income rose above 138 percent of the FPL. After removing the disenrolled individuals in aid codes not eligible to enroll in Covered California, including those lacking satisfactory immigration status, the eligible population leaving Medi-Cal each month is projected to average 196,192.

This population will include individuals who based on prior surveys, are estimated to be disenrolled for administrative reasons, such as inability of the county welfare office to contact the individual, or failure of the individual to respond to the County welfare office.

[21] The most common form of Medi-Cal is Modified Adjusted Gross Income (MAGI) Medi-Cal. It uses tax rules to see individuals qualify for Medi-Cal benefits.

However, the majority will be persons no longer eligible for Medi-Cal because their income has risen above 138 percent of the Federal Poverty Level (FPL) threshold for Medi-Cal eligibility. This income-based group is estimated to number 164,801. Covered California applied a take-up rate based on the proportion of individuals disenrolling from Medi-Cal in 2019 who were eligible for APTC. Based on this assumption, we further funnel the population to 94,475 individuals disenrolled from Medi-Cal monthly who would be eligible for marketplace subsidies.

Estimates developed by the Urban Institute[22] and other health care research organizations indicate that roughly two-thirds of adults losing Medicaid coverage after the lifting of the continuous coverage requirement would find new health care coverage from their employers, leaving the rest of this population likely eligible for subsidized private health coverage in the Marketplace. Applying this assumption, of the 94,475 estimated to be able to take-up marketplace coverage monthly, the one third remaining without access to employer sponsored insurance would number 33,066.

Covered California's High estimate assumes that all 33,066 without access to employer sponsored insurance and eligible for enhanced federal subsidies would sign-up for coverage through Covered California monthly during the unwind period. The 33,066 would include 17,856 individuals monthly, based on survey findings, who are expected to actively self-select a plan, and 15,210 who would be auto enrolled into the second lowest cost silver plan monthly. Of those who would be auto-enrolled, 7,269 are expected to qualify for fully subsidized, zero-dollar premium coverage, and 7,981 are expected to qualify for partially subsidized coverage with some individual premium contribution.

Covered California's Base forecast assumes that 25,115 of the 33,066 without access to employer sponsored insurance would sign-up for coverage through Covered California monthly during the unwind period. This number includes the 17,856 individuals expected to actively self-select a plan, and the 7,269 that are expected to qualify for fully subsidized, zero-dollar premium coverage

Covered California's Low forecast assumes that of the 33,066 without access to employer sponsored insurance, only the 17,856 individuals expected to actively self-select a plan enroll during the unwind period monthly. Contributing to this forecast could be difficulties county welfare offices may face contacting Medi-Cal beneficiaries to obtain renewal information, or other logistical impediments that may delay processing the eligibility redeterminations in a timely manner.

Monthly inflows from Medi-Cal are forecasted to stabilize at lower levels after the unwinding process concludes in June of 2024. Enrollment inflows from Medi-Cal beginning in July 2024 are forecasted to be approximately 7,000 monthly, which is 2,000 more than prior to the introduction of the enhanced federal subsidies and

[22] What Will Happen to Medicaid Enrollees' Health Coverage after the Public Health Emergency? Urban Institute, Matthew Buettgens and Andrew Green, March 2022

represents those individuals receiving fully subsidized, zero premium coverage as result of the enhanced subsidies.

Family Glitch Rule Change and Impact on Covered California

The “family glitch” refers to a 2013 Affordable Care Act (ACA) implementation rule in which the Internal Revenue Service (IRS) determined that an employee and their family members were ineligible for premium tax credits if the employer offered affordable coverage to the employee. This was true even if the employer offered family coverage that was unaffordable. As a result, the cost of family coverage was not considered when determining whether job-based coverage was affordable for spouses and dependents.[23] This resulted in dependents being excluded from subsidized Marketplace coverage.

On October 13, 2022, the Biden administration published a final rule to fix the family glitch. Overall, this regulatory change will enable many family members of low-income workers to qualify for financial assistance under the ACA. Members of the employee’s family will be eligible for financial assistance through the Marketplace if the premium for the employee’s family coverage is considered unaffordable (**Figure** 5).[24] For 2023, a plan is considered “unaffordable” if the plan’s premiums exceed 9.12 percent of household income.

The family glitch rule change went into effect on December 12, 2022 and enabled millions of family members of low-income workers to qualify for financial assistance under the ACA. Qualifying family members were able to take advantage of this new option beginning with the 2023 Open Enrollment period. Moreover, individuals who are enrolled in job-based coverage, whose job-based coverage becomes unaffordable at any time during the coverage year, may enroll for Marketplace coverage during a Special Enrollment Period. To do so, they must drop their job-based coverage and ascertain that they are eligible for advance payments of the premium tax credit (APTC).[25]

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[23] https://www.commonwealthfund.org/blog/2022/family-glitch-fix-provides-new-affordable-coverage-option

[24] https://www.cms.gov/files/document/affordability-employer-coverage-family-members-employees.pdf

[25] “Will my client be eligible for a Special Enrollment Period (SEP) if their job-based coverage affordability changes outside of the annual Open Enrollment Period?” https://www.agentbrokerfaq.cms.gov/s/article/Will-my-client-be-eligible-for-a-Special-Enrollment-Period-SEP-if-their-job-based-coverage-affordability-changes-outside-of-the-annual-Open-Enrollment-Period

Figure 5:

Family Glitch Fix Eligibility for Financial Assistance

Estimating Family Glitch Inflows to Covered California

The family glitch fix will increase the number of individuals who can benefit from subsidized coverage through Covered California. Multiple organizations have estimated the potential impact of the family glitch rule change nationally. Only one entity has produced an estimate specific to California. Covered California utilizes these national and statewide estimates to produce high, base, and low forecasts of the number of enrollments associated with the Family Glitch rule change.

Under the High forecast, projected inflows resulting from the Family Glitch rule change are derived from the estimate produced by the California Simulation of Insurance Markets (CalSIM), which is a collaboration between the University of California Berkeley Labor Center and UCLA Center for Health Policy Research. The University of California Berkeley Labor Center and UCLA Center for Health Policy Research project that 149,000 individuals will enroll in Covered California with subsidized coverage. To compute this estimate, the University of California Berkeley Labor Center and UCLA Center for Health Policy Research used data from multiple sources, including the Medical Expenditure Panel Survey (MEPS), the California Health Interview Survey (CHIS), and the California Employer Health Benefit Survey (CEHBS).

Under the Base forecast, inflows resulting from the Family Glitch rule change are forecasted to be 108,000. The Base forecast was derived by extrapolating the Congressional Budget Office's (CBO) nationwide projection. Covered California assumed that it would recognize its proportionate share of the CBO estimate. Under the May 2022 CBO and Joint Commission on Taxation (JCT) baseline forecast, CBO and

JCT estimate that if the proposed regulation is made final, the number of people enrolled in nongroup coverage would increase, on average, by 900,000 in each year over the 2023-2032 period."[26] Subsidized Marketplace enrollment is expected to increase over time.[27] Because California constitutes roughly 12 percent of the U.S. population, Covered California assumed it would recognize 12 percent of the CBO estimate of 900,000, or 108,000.

To estimate the number of people with private insurance coverage or without coverage, CBO used data from several household surveys: the National Health Interview Survey; the Medical Expenditure Panel Survey—Household Component; and the Current Population Survey. The CBO uses the CPS for the base data in the new version of its health insurance simulation model, HISIM2.[28] The agency also uses data from one employer survey, the Medical Expenditure Panel Survey—Insurance Component, and data from the Centers for Medicare and Medicaid Services (CMS) Medical Loss Ratio reports and the National Association of Insurance Commissioners.[29]

Under the Low forecast, inflows resulting from the Family Glitch rule change relied on the Kaiser Family Foundation's (KFF) national estimate. The KFF estimate used data from the 2019 Current Population Survey and the Annual Social and Economic Supplement to estimate the number of people who might be impacted by the "family glitch."[30] The estimated number of Californians who may be subject to the family glitch is 593,000, constituting 11.5 percent of the national population estimated by KFF to be impacted by the family glitch.

To derive a Covered California specific forecast, Covered California had to modify the estimated 593,000 Californians impacted by the family glitch. Included among the 593,000 are individuals who are eligible for other health coverage programs, such as the Children's Health Insurance Program (CHIP). Fortunately, the KFF paper includes estimates of the nationwide population impacted by the family glitch by FPL and age. Using the FPL groups provided in KFF paper, Covered California was able to identify the count of individuals who would not be eligible for Covered California. They would have other options, such as CHIP.[31] Note that although the CHIP program provides health care coverage to children with incomes up to 266 percent of the federal poverty level, Covered California is using an estimate of individuals with incomes up to 250 percent of the FPL provided in the KFF paper as a proxy. The KFF paper did not present 266 percent of the FPL within its income groups.

Based on the population by FPL, roughly 25 percent of the 593,000 are children in households with incomes at or below 250 percent of the FPL. These children were excluded, as they are eligible for CHIP. The remaining population, 445,699 are potentially eligible for Covered California enrollment.

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[26] https://www.cbo.gov/system/files/2022-07/58313-Crapo_letter.pdf
[27] Table A-5. https://www.cbo.gov/publication/58263
[28] https://www.cbo.gov/system/files/2021-07/57205-HISIM.pdf
[29] https://www.cbo.gov/system/files/2019-04/55094-CoverageUnder65_0.pdf
[30] https://www.kff.org/report-section/the-aca-family-glitch-and-affordability-of-employer-coverage-methods/
[31] https://www.kff.org/health-reform/issue-brief/navigating-the-family-glitch-fix-hurdles-for-consumers-with-employer-sponsored-coverage/

To derive the final count of individuals currently impacted by the family glitch who may enroll, Covered California applied a willingness-to-pay methodology based on their net premiums. The higher the net premiums, the less likely they would enroll. After applying the willingness to pay methodology, the forecasted enrollment totaled 62,000.

Family glitch enrollment is assumed to occur through open enrollment and special enrollment periods over three fiscal years, with 20 percent in fiscal year 2023-24, 40 percent in fiscal year 2024-25, and 40 percent in fiscal year 2025-26. In addition, Covered California assumes that these enrollments will occur following normally observed annual distributions for open and special enrollments since 2016.

Availability of Federal and State Subsidy Funds

Of the three policy actions influencing the enrollment trend, action by Congress to either extend the American Rescue Plan's enhanced subsidies beyond 2025 or allow them to expire at the end of 2025, is the most distant in the future, but also may exert the greatest impact on enrollment. In early 2021, as part of its modeling of the impact of the 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 toward 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.[32]

To estimate the loss of enrollment following the possible expiration of the American Rescue Plan's enhanced subsidies, Covered California reversed the process using the dollar increase in individual contribution toward 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 toward their premiums resulting from the expiration of the American Rescue Plan's subsidies.

The current estimates of disenrollment following the expiration of enhanced federal subsidies are based on a subpopulation of enrollees receiving the subsidies after April 12, 2021. These estimates utilized the willingness-to-pay results of Finkelstein and colleagues, 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 federal poverty level, so the disenrollment estimates account for the differential impact of cost increases for lower-income individuals.

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

Applying this methodology, Covered California used its own administrative data to estimate that between 198,000 and 261,000 current enrollees could disenroll if the American Rescue Plan's subsidies expire in December 2025, 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 indirect inflation impacts on lower-income individuals via higher budget constraints. The enrollment decrease will not occur until the end of the forecast period. This is because the reductions would occur during the second half of fiscal year 2025-26.

In January 2020, California introduced the nation's first state-funded health benefit exchange subsidy program. The California state subsidy program extended eligibility for premium subsidies for households with incomes up to 600 percent of FPL and lowered individual contributions for households between 200 and 400 percent of the FPL. When enhanced federal subsidies were introduced in May 2021, they replaced the state subsidy program because those Covered California enrollees receiving the federal subsidy were no longer eligible for the state subsidy.

Should federal subsidies expire, California's leaders have indicated their intention to make state funds available for a restored state subsidy program. In his veto message of SB 944 on September 13, 2022, Governor Gavin Newsom wrote, "funds should be reserved to ensure that state-only premium subsidies are available again when they are most needed[33]." Presumably, if federal enhanced subsidies expire, a restored California State subsidy program would reduce a small portion of the enrollment loss.

Individual Medical Enrollment Forecast

Covered California developed three enrollment forecasts: a **High**, a **Base**, and a **Low**. The assumptions incorporated into each forecast are summarized in **Table 11**.

All forecasts assume that the American Rescue Plan's subsidies expire on December 31, 2025, which is consistent with current law. In addition, all forecasts assume that the California Legislature restores funding for the state subsidy program beginning on January 1, 2026.

[33] GSS_9121_1-20220913164228 (ca.gov)

Table 10

Summary of Enrollment Assumptions Under Three Possible forecasts

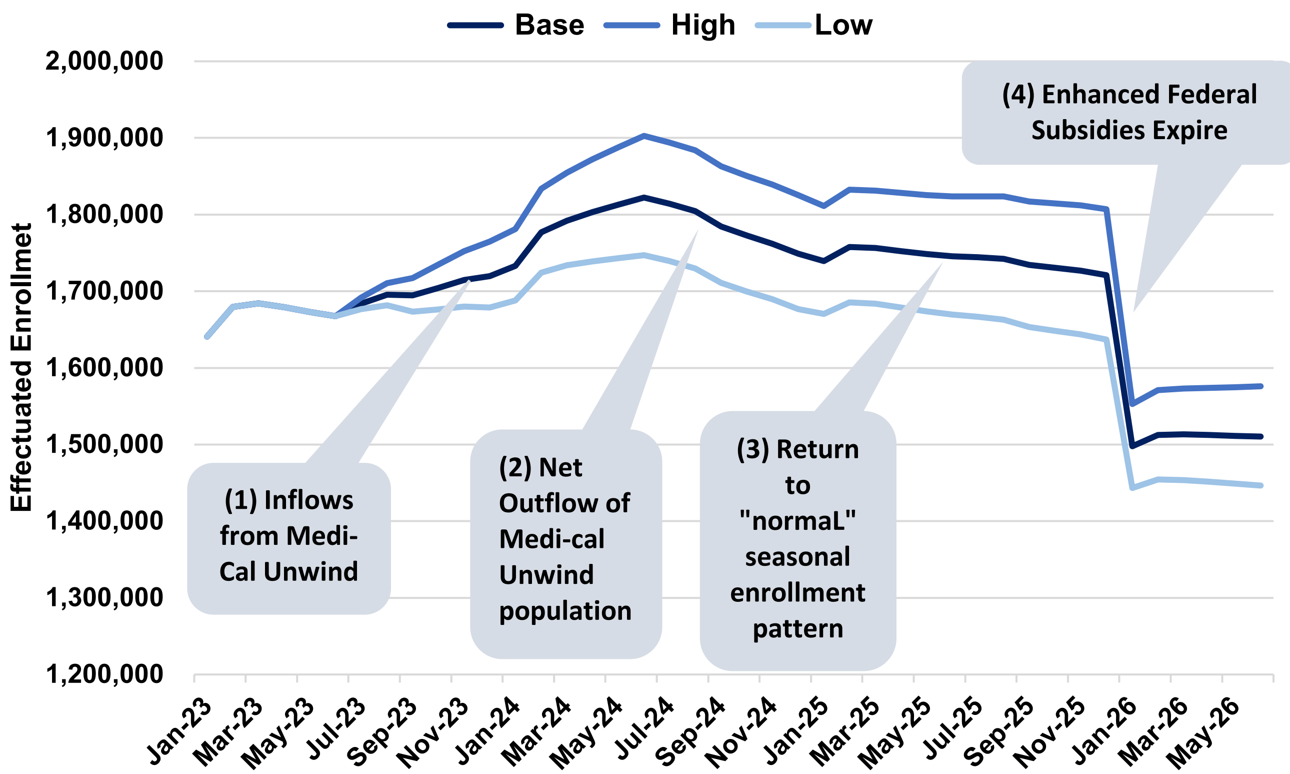
Assumption	High Forecast	Base Forecast	Low Forecast
American Rescue Plan Act/Inflation Reduction Act Enhanced Subsidies	Enhanced subsidies are extended through December 2025, and reduced subsidies begin January 2026	Enhanced subsidies are extended through December 2025, and reduced subsidies begin January 2026	Enhanced subsidies are extended through December 2025, and reduced subsidies begin January 2026
State Affordability Subsidies	Restored Jan 1, 2026	Restored Jan 1, 2026	Restored Jan 1, 2026
Medi-Cal Flows/Public Health Emergency	Inflows from PHE Unwind/SB 260 will resume in July 2023. Average monthly effectuations during PHE Unwind Period: 33,066	Inflows from PHE Unwind/SB 260 will resume in July 2023 Average monthly effectuations during PHE Unwind Period: 25,125	Inflows from PHE Unwind/SB 260 will resume in July 2023 Average monthly effectuations during PHE Unwind Period: 17,856
Family Glitch	CalSIM estimates 149,000 effectuations in California	CBO-derived estimate is 108,000 effectuations	KFF-derived estimate is 62,000 effectuations
Premium Growth Year Over Year	Draft estimates use 2024-7%, 2025-6%, and 2026-5%	Draft estimates use 2024-7%, 2025-5%, and 2026-4%	Draft estimates use 2024-5%, 2025-4%, and 2026-3%
Enrollment Forecast	Average monthly enrollment in FY 2023-24 is forecast to be 1,791,986	Average monthly enrollment in FY 2023-24 is forecast to be 1,746,099, a decrease of 45,887 compared to the high forecast.	Average monthly enrollment in FY 2023-24 is forecast to be 1,703,501, a decrease of 88,486 compared to the high forecast.
Participation Fee	3.25 percent	3.25 percent	3.25 percent

FY 2023-24 through FY 2025-26: Multi-Year Enrollment Forecast

Over the three-year forecasting period, Covered California enrollment will reflect four distinct phases. (1) the Medi-Cal Unwind Inflow Period, 2) the Medi-Cal Unwind Outflow Period, 3) the Partial Return-to-Normal Period, and 4) 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. **Figure 6** depicts all FY 2023-24 enrollment forecasts.

Figure 6

Enrollment Trend Through Forecast Period Under High, Base, and Low Forecasts



The first period covers the entire fiscal year 2023-24 and is characterized by additional enrollment inflows from three sources: Medi-Cal continuous coverage unwind inflows, 2024 Open Enrollment, and family glitch rule change. This period will see enrollment increase by roughly a net 156,000. Roughly 20 percent of inflows from households previously denied subsidies due to the family glitch will occur during this period.

The second period spans from July 2024 to December 2024 and is characterized by net outflows of roughly 70,000. Medi-Cal inflows fall to pre-pandemic levels while outflows of enrollees who came into Covered California during the unwind period begin. We assume that length of marketplace enrollment for individuals moving to Covered California from Medi-Cal will follow historical patterns. Medicaid enrollment is dynamic in nature in part because eligibility for most beneficiaries is based on income, which can fluctuate over time. Many low-income adults hold one or more part-time jobs with variable hours or are employed in seasonal work. Some individuals losing Medicaid eligibility and coming to Covered California for income reasons may transition to employer-based coverage, while others may return to Medi-Cal.

The third period extends from January 2025 through December 2025, and during this period the monthly enrollment trend returns to the more typical sawtooth seasonal pattern seen before 2020. Roughly 40 percent of inflows from households previously denied subsidies due to the family glitch occur during this period.

The fourth period covers the latter half of the fiscal year 2025-26, from January to June 2026 and sees substantial net disenrollments primarily driven by the assumed expiration of enhanced federal subsidies

High Forecast: Higher Take-Up from Medi-Cal and Family Glitch Inflows

In the high forecast, Covered California projects an average monthly enrollment of 1,791,986 in fiscal year 2023-2024, which would be 7.5 percent greater than the 1,667,803 forecasted for fiscal year 2022-23 (**Table 12**).

The high forecast assumes that individuals transitioning from Medi-Cal to Covered California will take up coverage at higher rates than the base and low. It is assumed that all individuals who are automatically assigned to a plan and have no other source of coverage choose to effectuate coverage. This includes those who actively self-select a plan, those with a zero-dollar premium, and those with an individual premium contribution. In addition, there will also be larger inflows from the family glitch fix.

Prospective enrollees will benefit from the ease of effectuating coverage resulting from the implementation of the auto-enrollment features established under SB 260, and inflows will increase accordingly.

The high forecast uses the CalSIM estimate discussed above (149,000 new effectuations over three years) for family glitch effectuations.

Base Forecast: Moderate Take-Up from Medi-Cal and Family Glitch Inflows

Covered California projects an average monthly enrollment of 1,746,099 in fiscal year 2023-24, which would be 4.7 percent greater than the 1,667,803 forecasted for fiscal year 2022-23; this is mostly driven by inflows from Medi-Cal to Covered California during the Medi-Cal continuous coverage unwind 12-month period. Average monthly enrollment is projected to increase to 1,765,553 during fiscal year 2024-25. (**Table 12**).

The base forecast assumes that only specific individuals transitioning from Medi-Cal to Covered California will enroll. Of those individuals leaving Medi-Cal and eligible for Covered California the Base forecast assumes that only those individuals who actively self-select a plan, and those eligible for fully subsidized, zero premium coverage will effectuate.

The base forecast uses the estimate of the family glitch rule change inflows derived from the CBO analysis and adapted to California (108,000 new effectuations over three years) to estimate total family glitch effectuations.

Low Forecast: Lower Take-Up from Medi-Cal and Family Glitch Inflows

In the low forecast, Covered California projects an average monthly enrollment of 1,703,501 in fiscal year 2023-24, which would represent a 2.1 percent increase from the monthly average of 1,667,803 forecasted for fiscal year 2022-23 (**Table 12**).

The low forecast assumes that only individuals transitioning from Medi-Cal to Covered California who actively self-select a plan will enroll. Individuals offered zero-dollar premium coverage and those subject to an individual contribution towards their premium will not effectuate enrollment. Medi-Cal eligibles with outdated contact information may not receive notices that a plan has been selected for them and they would thus not effectuate coverage. As a result, the number of Covered California effectuations would be lower than the base or high forecast. In addition, fewer individuals who fall into the family glitch will enroll, based on a calculation of their willingness to pay because of their income status.

For the low forecast, Covered California extrapolated family glitch effectuations (62,000 new effectuations over three years) using the KFF nationwide-estimate discussed above. Like the base forecast, the KFF national estimate was multiplied by the California share (12 percent) of the U.S. population to derive a state-specific estimate.

Table 11
Individual Medical Plan Enrollment Forecasts
Effectuated Enrollment (Average Monthly Enrollment)

FY	High	Base	Low
FY 2022-23	1,667,803	1,667,803	1,667,803
FY 2023-24	1,791,986	1,746,099	1,703,501
FY 2024-25	1,842,368	1,765,553	1,692,311
FY 2025-26	1,693,350	1,621,427	1,550,860

Note: FY 2022-23 actual/forecasted values are the same across the three forecasts because actual values replace forecasts for all months except May and June 2023. For these months, major policy assumptions do not differ among the three forecasts.

Covered California Premium Projection

Covered California has observed distinct patterns of premium growth since its inception, illustrated in figures 7 and 8. In 2015 and 2016, average gross premiums rose at a moderate 3.2 percent and 1.4 percent annual pace. However, in 2017 and 2018, average gross premiums rose at a much steeper pace: 12.1 percent in 2017 and 19.3 percent in 2018, declining to 7.6 percent in 2019. This reflected the combined impact of medical inflation and federal policy changes related to the Affordable Care Act. 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 Affordable Care Act-mandated cost-sharing reductions (CSRs), which are administered based on incomes relative to the federal poverty level.

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 and 1.1 percent in 2022. 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 has been 5.3 percent.

Figure 7
Average Gross Premium by Year, Plan Year 2014 Through 2024

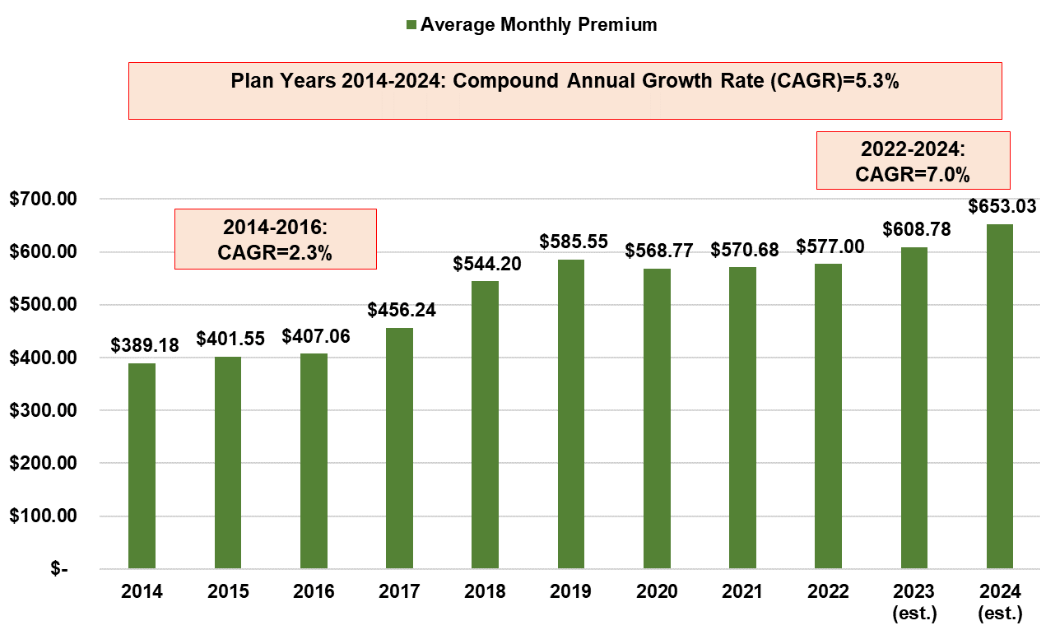
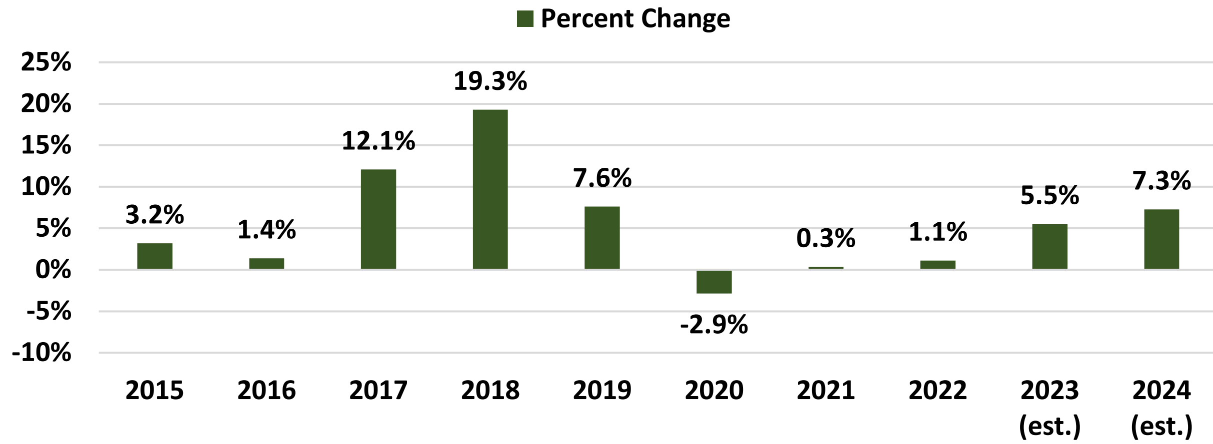


Figure 8
Percent Change in Average Gross Premium, Plan Year 2015 Through 2024



High Forecast Premium Growth Assumptions: High Utilization Increase and a Resurgence of Medical Inflation

In the high forecast, Covered California projects that average monthly premiums will increase by 7.0 percent in plan year 2024, 6.0 percent in plan year 2025 and 5.0 percent in plan year 2026 (**Table 5**). These health insurance premium increases will be the response of health plan carriers observing accentuated supply and demand imbalances for medical goods and services through the upcoming years 2024-2026. On the one hand, medical utilization will significantly increase due to many patients seeking health care that was deferred through the pandemic. On the other hand, medical inflation pressures[34] will rise due to substantial labor market and commodity shortages triggered by the increasing demand for medical services, which will not be mitigated by technological automations, telehealth, or lower cost choices for health care[35].

Please note that the growth rates presented in **Table 13** below do not represent expected carrier rate increases, but rather, increases in actual gross premiums incorporating consumer purchasing behavior. As some consumers shop for coverage, they may select plans with premiums lower than those offered by their current carrier.

[34] McKinsey anticipates that healthcare system (in 2023 and beyond) will be impacted by increased costs owning to high inflation and labor shortages. [US healthcare developments in 2023 and beyond | McKinsey]

[35] PwC overall expects that pandemic's persistent effects will place upward pressure to medical costs, even so deflating forces such as technologies increasing productivity of healthcare provision or consumer leaning to lower-cost choices. [Medical cost trend: Behind the numbers 2022: PwC].

Base Forecast Premium Growth Assumptions: Moderate Utilization Increase and a Stalled Medical Inflation Decline

In the base forecast, Covered California projects that average monthly premiums will increase by 7.0 percent in plan year 2024, 5.0 percent in plan year 2025, and 4.0 percent in plan year 2026 (**Table 5**). These health insurance premium increases will be the response of health plan carriers to similar supply and demand imbalances assumed to occur under the high forecast, but to a lesser degree. Medical utilization will increase among people who deferred their non-COVID19 related care. However, a tight physician and nursing labor force and higher prices for medical commodities will keep medical inflation at relatively higher levels through the forecasting period, which will be reflected in plan premiums.

Please note that the growth rates presented in **Table 13** below do not represent expected carrier rate increases, but rather, increases in **actual** gross premiums incorporating consumer purchasing behavior. As some consumers shop for coverage, they may select plans with premiums lower than those offered by their current carrier.

Low Forecast Premium Growth Assumptions: Low Utilization Increase and Medical Inflation at Pre-Pandemic Levels

In the low forecast, Covered California projects that average monthly premiums will increase by 5.0 percent in plan year 2024, 4.0 percent in plan year 2025 and 3.0 percent in plan year 2026 (**Table 13**). This forecast assumes that major supply and demand imbalances may at least partially correct over the forecast period. Monetary action by the Federal Reserve to slow the economy will also be successful in slowing down overall price increases, reducing the amount of general inflation seeping into the health care sector. Please note that the growth rates presented in Table 13 below do not represent expected carrier rate increases, but rather, increases in **actual** gross premiums incorporating consumer purchasing behavior. As some consumers shop for coverage, they may select plans with premiums lower than those offered by their current carrier.

Table 12
Projected Premium Growth Rates: Individual Medical and Dental

FY	High	Base	Low
Plan Year 2023	5.0%	5.0%	5.0%
Plan Year 2024	7.0%	7.0%	5.0%
Plan Year 2025	6.0%	5.0%	4.0%
Plan Year 2026	5.0%	4.0%	3.0%

Covered California's operating revenue is derived from participation fees set at a fixed percent of the monthly premium paid by each Covered California enrollee. The individual market participation 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. Over the forecast period individual medical and dental revenue is projected to be driven by both - higher enrollment and rising per member, per month (PMPM) gross premiums. The forecast assumes that the participation fee remains at 3.25 percent during plan year 2024, unchanged from 2023 (**Table 14**).

- At the high forecast, individual medical revenue is expected to total $442.1 million in FY 2023-24, $483.2 million in FY 2024-25 and $467.6 million in FY 2025-26.
- At the base forecast, individual medical revenue is expected to total $430.6 million in FY 2023-24, $460.8 million in FY 2024-25 and $441.6 million in FY 2025-26.
- At the low forecast, individual medical revenue is expected to total $415.8 million in FY 2023-24, $431.3 million in FY 2024-25 and $408.6 million in FY 2025-26.

Table 13
Individual Medical Plan Participation Fee Revenue

FY	High	Base	Low
FY 2022-23	$384,639,007	$384,639,007	$384,639,007
FY 2023-24	$442,102,178	$430,620,080	$415,822,225
FY 2024-25	$483,210,045	$460,830,514	$431,348,867
FY 2025-26	$467,623,468	$441,560,068	$408,647,918

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 Covered California participation fee for individual dental plans is the same for individual medical plans. It is currently 3.25 percent and remains at 3.25 percent in

2023. Forecasted enrollment and estimated revenue from individual dental plans are presented below (**Table 15**: Individual Dental Plan Enrollment Forecasts Effectuated Enrollment, and **Table 16**: Individual Dental Plan participation fee revenue).

- At the High forecast, average monthly individual dental plan enrollment is forecast to be 268 thousand in FY 2023-24, 275 thousand in FY 2024-25, and 253 thousand in FY 2025-26.
- At the Base forecast, average monthly individual dental plan enrollment is forecast to be 261 thousand in FY 2023-24, 264 thousand in FY 2024-25, and 242 thousand in FY 2025-26.
- At the Low forecast, average monthly individual dental plan enrollment is forecast to be 255 thousand in FY 2023-24, 253 thousand in FY 2024-25, and 231 thousand in FY 2025-26

Table 14
Individual Dental Plan Enrollment Forecasts
Effectuated Enrollment
(Average Monthly Enrollment)

FY	High	Base	Low
FY 2022-23	268,628	268,628	268,628
FY 2023-24	267,949	261,088	254,718
FY 2024-25	275,482	263,997	253,045
FY 2025-26	253,200	242,446	231,894

- At the high forecast, individual dental revenue is expected to total $2.9 million in FY 2023-24, $3.1 million in FY 2024-25 and $3 million in FY year 2025-26.
- At the base forecast, individual dental revenue is expected to total $2.8 million in FY 2023-24, $3 million in FY 2024-25 and $2.9 million in FY 2025-26.
- At the low forecast, individual dental revenue is expected to total $2.7 million in FY 2023-24, $2.8 million in FY 2024-25 and $2.6 million in FY 2025-26.

Table 15
Individual Dental Plan Participation Fee Revenue

FY	High	Base	Low
FY 2022-23	$2,673,291	$2,673,291	$2,673,291
FY 2023-24	$2,852,491	$2,778,663	$2,683,769
FY 2024-25	$3,119,283	$2,974,972	$2,784,816
FY 2025-26	$3,021,579	$2,853,166	$2,640,501

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[36] 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[37], and employers must contribute at least 50 percent of the cost of insurance coverage for each employee[38].

Small businesses in California employ millions of individuals (**Table 17**). There are roughly 1.7 million business establishments in California. Most business establishments, or 72.8 percent, employ four or fewer employees. In contrast, business establishments that employ 1,000 or more employees constitute only 0.1 percent of all business establishments.

Employees who work in small businesses may secure health insurance coverage through various sources. Employer sponsored health coverage is one source. But not

[36] https://www.commonwealthfund.org/blog/2016/repeal-small-business-provision-aca-creates-natural-experiment-states
[37] This limit has been adjusted for inflation since 2014.
[38] https://www.irs.gov/newsroom/small-business-health-care-tax-credit-questions-and-answers-calculating-the-credit

all employers offer health insurance to their employees. Other sources include employees who may qualify for Medi-Cal and receive coverage through the public program. Others may purchase health coverage through the individual market, either on the exchange or off the exchange. Some small business employees may be covered by Medicare, while others may be uninsured or covered by a family member’s health plan.

Small business group health insurance options exist both on and off the exchange. For those employers who offer small business group coverage to their employees, they may seek coverage through Covered California for Small Business.

Table 16

California Business Establishments and Number of Employees by Establishment Size

Size of the Business	Number of Businesses	% Number of Businesses	Number of Employees *(In millions)*	% Number of Employees	Quarterly Payroll (In millions)	% Of Quarterly Payroll
0 to 4	1,212,241	72.8%	1.5	9.0%	$19.20	5.5%
5 to 9	177,110	10.6%	1.2	6.8%	$17.20	4.9%
10 to 19	125,891	7.6%	1.7	10.0%	$25.80	7.3%
20 to 49	92,889	5.6%	2.8	16.4%	$45.10	12.9%
50 to 99	33,366	2.0%	2.3	13.4%	$41.10	11.7%
100 to 249	16,736	1.0%	2.5	14.6%	$52.20	14.9%
250 to 499	4,215	0.3%	1.4	8.4%	$36.10	10.3%
500 to 999	1,562	0.1%	1	6.2%	$29.30	8.3%
1000+	1,050	0.1%	2.3	15.3%	$85.10	24.2%
Total	**1,665,060**	**100%**	**17.1**	**100%**	**$351.20**	**100%**

Covered California for Small Business Enrollment and Revenue Forecast

Covered California continues to make changes to improve and grow its small group business. 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.

In plan year 2023, Covered California for Small Business offers plans from three health insurance companies and three dental insurance companies that are available to small employers for year-round enrollment. Covered California for Small Business offers four tiers of coverage: Bronze, Silver, Gold, and Platinum. Employers have the option to choose to offer plans in a single metal tier, or up to all four metal tiers. The result is greater employee choice at no additional cost. This provides employees with a choice of multiple health plan options, allowing them -to find one that fits their needs and budget. Employers may purchase health insurance with the help of a registered agent or broker.

Covered California for Small Business Enrollment Forecast

For FY 2023-24, three enrollment and revenue forecasts for Covered California for Small Business have been developed. The forecasts are driven by estimates of small-business participant retention and new sales. The high estimate would reflect higher employer group retention and new sales, while the low estimate reflects comparatively lower levels of employer group retention and new sales.

- In the High forecast, Covered California for Small Business projects average monthly medical enrollment of 72,120 in FY 2023-24, 69,186 in FY 2024-25, and 70,968 in FY 2025-26. (**Table 18**).
- In the Base forecast, Covered California for Small Business projects average monthly medical enrollment of 70,559 in FY 2023-24, 65,363 in FY 2024-25, and 65,203 in FY 2025-26. (**Table 18**).
- In the Low forecast, Covered California for Small Business projects average monthly medical enrollment of 67,850 in FY 2023-24, 58,349 in FY 2024-25, and 54,767 in FY 2025-26. (**Table 18**).

Table 17

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

FY	High	Base	Low
FY 2022-23	78,012	77,976	77,964
FY 2023-24	72,120	70,559	67,850
FY 2024-25	69,186	65,363	58,349
FY 2025-26	70,968	65,203	54,767

‘Covered California for Small Business Revenue Forecast

Covered California for Small Business operating revenue is derived from participation fees set at a fixed percent of the monthly premium paid by each Covered California for Small Business enrollee. The small-group participation fee is currently set at 5.2 percent of the premium. Covered California will not change the participation fee in plan year 2024.

Covered California applies estimates of percentage year-over-year annual increases in Covered California for Small Business plan gross premiums to develop revenue projections for the current and the next three FYs. The percentage premium growth rate projections reflect recent trends and industry expectations regarding changes in the cost of health care goods and services, and health insurance rates during the forecast period.

The base budget incorporates premium growth of 5 percent in FY 2023-24, FY 2024-25, and FY 2025-26. 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 Centers for Medicare and Medicaid Services' (CMS) forecast of medical inflation. The CMS[39] National Health Expenditure Projections incorporate Affordable Care Act marketplace plans and estimate 4 to 6 percent growth for private health insurance spending in each of 2024, 2025 and 2026.

Please note that the growth rates presented in **Table 19** below do not represent expected carrier rate increases, but rather, the increases in actual gross premiums incorporating consumer purchasing behavior. As always, these forecasts are subject to a degree of uncertainty.

Table 18

Projected Medical Premium Growth Rates: Covered California for Small Business

FY	High	Base	Low
FY 2022-23	6%	6%	6%
FY 2023-24	6%	5%	5%
FY 2024-25	6%	5%	5%
FY 2025-26	6%	5%	5%

As displayed in **Table 20**, Covered California for Small Business generates revenue from three lines of business: small-group medical plans, small-group dental plans and small-group COBRA[40]. In FY 2023-24, the small-group medical product will generate approximately 98 percent of total Covered California for Small Business revenue.

- In the High forecast, Covered California for Small Business total revenue from the three lines of business is projected to be $26.9 million in FY 2023-24, $27.2 million in FY 2024-25, and $29.4 million in FY 2025-26. (**Table 20**).

[39] https://www.cms.gov/newsroom/press-releases/cms-office-actuary-releases-2021-2030-projections-national-health-expenditures

[40] The Consolidated Omnibus Budget Reconciliation Act (COBRA) gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances such as voluntary or involuntary job loss, reduction in the hours worked, transition between jobs, death, divorce, and other life events. Qualified individuals may be required to pay the entire premium for coverage up to 102% of the cost to the plan.

- In the Base forecast, Covered California for Small Business total revenue from the three lines of business is projected to be $26.2 million in FY 2023-24, $25.4 million in FY 2024-25, and $26.6 million in FY 2025-26. (**Table 20**.
- In the Low forecast, Covered California for Small Business total revenue from the three lines of business is projected to be $25 million in FY 2023-24, $22.5 million in FY 2024-25, and $22 million in FY 2025-26. (**Table 20**).

Table 19

Covered California for Small Business Forecasted Revenue

Forecast / Product	FY 2023-24	FY 2024-25	FY 2025-26
	Projected	**Projected**	**Projected**
High	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Medical	$26,468,915	$26,802,795	$29,005,266
Dental	$141,881	$140,251	$148,179
COBRA	$250,720	$240,520	$246,718
Total	**$26,861,516**	**$27,183,566**	**$29,400,163**
Base	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Medical	$25,769,874	$25,079,489	$26,269,284
Dental	$138,795	$132,488	$136,130
COBRA	$245,411	$227,336	$226,781
Total	**$26,154,080**	**$25,439,313**	**$26,632,195**
Low	**FY 2023-24**	**FY 2024-25**	**FY 2025-26**
Medical	$24,654,529	$22,169,812	$21,745,786
Dental	$133,432	$118,247	$114,320
COBRA	$236,023	$202,973	$190,512
Total	**$25,023,984**	**$22,491,032**	**$22,050,617**

Table 21 presents total forecasted operating revenue under the base forecast for the Individual Medical, Individual Dental, and Covered California Small Business and the total for all three combined. As displayed below, under the Base forecast, total operating revenue in FY 2023 is projected to total $459.5 million with participation fee revenue from Individual Medical contributing 93.7 percent, fee revenue from Individual Dental contributing 0.6 percent, and fee revenue from Covered California for Small Business contributing 5.7 percent.

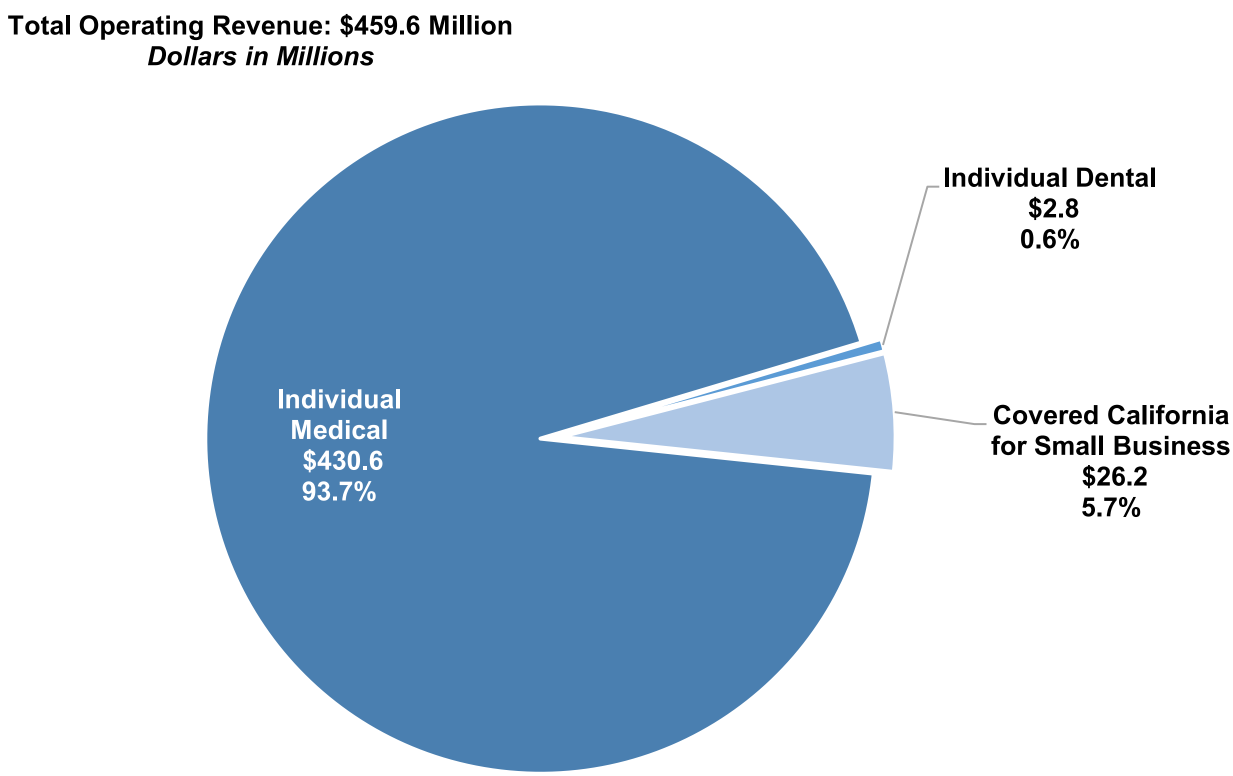
Table 20

Total Participation Fee Revenue - Base

Market	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Individual Medical	$384,639,007	$430,620,080	$460,830,514	$441,560,068
Individual Dental	$2,673,291	$2,778,663	$2,974,972	$2,853,166
Covered California for Small Business	$27,415,637	$26,154,080	$25,439,313	$26,632,195
Total Participation Fee Revenue	**$414,727,935**	**$459,552,823**	**$489,244,799**	**$471,045,429**

Figure 9

FY 2023-24 Forecasted Revenue by Source – Base Forecast



V. Multi-Year Budget Projection: FY 2023-24 to FY 2025-26

Covered California's multi-year financial plan projects revenue and expenditures for three years into the future, spanning FY 2023-24 through FY 2025-26. 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, 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.

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 expenditure trends based on the FY 2023-24 baseline projected forward as a workload budget.

High Enrollment and Revenue Forecast

The **High** enrollment and revenue forecast (High forecast) is characterized by more generous inflows from the Medi-Cal continuous coverage unwind, and Family Glitch fix than the **Low** and **Base** forecasts. Average monthly enrollment is forecasted to total 1,791,989 in FY 2023-24, 1,842,368 in FY 2024-25, and 1,693,350 in FY 2025-26. The High forecast assumes that Medi-Cal inflows from the continuous coverage unwind commence in July 2023 and continue at the elevated rate through June 2024 at 33,066 per month. The family glitch inflows are assumed to be higher than the Base and Low forecasts over the three FYs. Total inflows are assumed to be 149,000 and distributed 20% in FY 2023-24, 40% in FY 2024-25, and 40% in FY 2025-26. The Family Glitch inflows are assumed to enter at normal historical flow patterns during open enrollment and special enrollment periods.

The **High** forecast reflects increases in the average premiums of 7 percent in 2024, 6 percent in 2025, and 5 percent in 2026. It is recognized that the premium increased may exceed the budget assumptions given the heightened inflation. However, Covered California is taking a conservative position and will adjust the forecast using the rolling forecast throughout the FY. Authorized permanent positions are assumed to remain at the FY 2023-24 proposed budget level, totaling 1,475 throughout the projection period.

The **High** forecast assumes the participation fee on individual market premiums to be 3.25 percent for 2024 and throughout the remainder of the projection period. The Covered California for Small Business market participation fee is assumed to remain at 5.2 percent of the premium for the forecast duration.

High Enrollment and Revenue Forecast: Statement of Revenue, Expenditures and Changes in Budgetary Fund Balance

Revenues are projected to be greater than operating and capital expenditures in FY 2023-24. Covered California is projected to generate $471.8 million in operating revenue, while operating and capital expenditures total $455.1 million. This results in a projected operating income of $17.0 million. Non-operating income is projected to total $11.0 million. Covered California's budgetary fund balance is projected to increase by $27.7 million (**Table 22**).

Table 21
High Forecast
Covered California, Statement of Revenue, Expenditures, and Changes in Fund Balance
For FY 2023-24, FY 2024-25, and FY 2025-26

	FY 2023-24 High	FY 2024-25 High	FY 2025-26 High
Operating Revenues			
Individual Market (Med. & Dental)	$ 444,954,670	$ 486,329,328	$ 470,645,047
CCSB (Medi. & Dental)	$ 26,861,516	$ 27,183,566	$ 29,400,163
Total Operating Revenue	**$ 471,816,186**	**$ 513,512,894**	**$ 500,045,210**
Operating Expenditures			
Personnel Expenditures	177,064,746	182,376,688	187,847,989
Other Operating Expenditures	228,521,797	211,029,187	214,234,903
Subtotal	**$ 405,586,543**	**$ 393,405,875**	**$ 402,082,893**
Allocated Expenditures			
Prorata/Supp. Pension/Other	19,111,015	19,302,125	19,495,146
Total Operating Expenditures	**$ 424,697,558**	**$ 412,708,000**	**$ 421,578,039**
Capital Investments			
CalHEERs	$ 24,773,115	$ 25,268,577	$ 25,773,949
Other	$ 5,651,000	$ 5,764,020	$ 5,879,300
Total - Capital Project Expenditures	**$ 30,424,115**	**$ 31,032,597**	**$ 31,653,249**
Total Operating & Capital Expenditures	**$ 455,121,672**	**$ 443,740,597**	**$ 453,231,288**
Income/(Loss) From Operations	$ 16,694,514	$ 69,772,297	$ 46,813,922
Non-Operating Income	$ 10,996,969	$ 10,300,546	$ 8,920,729
Change in Fund Balance	**$ 27,691,482**	**$ 80,072,842**	**$ 55,734,651**

In FY 2024-25, operating revenues are projected to rise to $513.5 million, while operating and capital expenditures decre[41].ase to $443.7 million. The decreased operating expenditures results from the elimination of one-time Medi-Cal continuous coverage unwind spending. This results in projected operating income of $69.8 million. Non-operating revenue is projected to total $10.3 million. Covered California's budgetary fund balance is projected to increase by $80.0 million. Authorized positions are assumed to remain at the FY 2023-24 budgeted level of 1,475.

In FY 2025-26, operating revenues are projected to rise to $500.0 million, while operating and capital expenditures rise from the prior FY to $453.2 million. This results in projected operating income of $46.8 million. Non-operating revenue is projected to total $8.9 million. Covered California's budgetary fund balance is projected to increase by $55.7 million. Authorized positions are assumed to remain at the FY 2023-24 budgeted level of 1,475.

High Forecast: 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 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 liabilities, providing 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 23** presents Covered California's projected working capital for FY 2023-24, 2024-25 and 2025-26. Working capital increases each year throughout the projection period, growing to $596.4 million by FY 2025-26.

[41] The Service Center Division director is an exempt position. It will have a monthly salary in FY 2023-24 of $16,672. This information is reported in compliance with Government Code 100503, Section 2(A).

Table 22
High Forecast
Projected Working Capital

	FY 2023-24 High	FY 2024-25 High	FY 2024-25 High
Current Assets	$ 605,093,698.7	$ 685,166,540.69	$ 740,901,191.69
Current Liabilities	$ 114,967,802.8	$ 130,181,642.73	$ 144,475,732.38
Working Capital	$ 490,125,895.94	$ 554,984,897.96	$ 596,425,459.31

Base Enrollment and Revenue Forecast

Under the **Base** enrollment and revenue forecast (Base forecast), average monthly enrollment is forecasted to total 1,746,099 in FY 2023-24, 1,765,553 in FY 2024-25, and 1,621,427 in FY 2025-26. The **Base** forecast assumes that Medi-Cal inflows from the continuous coverage unwind commence in July 2023 and continue at the elevated rate through June 2024 at 25,125 per month. The family glitch inflows are assumed to be 108,000 and distributed 20% in FY 2023-24, 40% in FY 2024-25, and 40% in FY 2025-26. The Family Glitch inflows are assumed to enter evenly throughout each FY. The Family Glitch inflows are assumed to enter at normal historical flow patterns during open enrollment and special enrollment periods.

The **Base** forecast reflects increases in the average premiums of 7 percent in 2024, 5 percent in 2025, and 4 percent in 2026. Authorized permanent positions are assumed to remain at the FY 2023-24 proposed budget, totaling 1,475 throughout the projection period. It is recognized that the premium increased may exceed the budget assumptions given the heightened inflation. However, Covered California is taking a conservative position and will adjust the forecast using the rolling forecast throughout the FY.

The **Base** forecast assumes the participation fee on individual market premiums to be 3.25 percent for 2024 and throughout the remainder of the projection period. The Covered California for Small Business market participation fee is assumed to remain at 5.2 percent of the premium for the forecast duration.

The **Base** forecast assumes that the enhanced federal subsidies are not extended past 2025, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 until April 2021, when the American Rescue Plan’s enhanced federal subsidies began.

Base Forecast: Statement of Revenue, Expenditures and Changes in Budgetary Fund Balance

Revenues are projected to be greater than operating and capital expenditures in FY 2023-24. Covered California is projected to generate $459.6 million in operating revenue, while operating and capital expenditures total $455.1 million. This results in projected operating income of $4.4 million. Non-operating income is projected to total $10.7 million. Covered California's budgetary fund balance is projected to increase by $15.2 million.

In FY 2024-25, operating revenues are projected to rise to $489.8 million, while operating and capital expenditures decline to $443.7 million. This results in projected operating income of $45.5 million. Non-operating revenue is projected to total $9.6 million. Covered California's budgetary fund balance is projected to increase by $55.1 million. Authorized positions are assumed to remain at the FY 2023-24 budgeted level of 1,475.

In FY 2025-26, operating revenues are projected to rise to $471.0 million, while operating and capital expenditures rise from the prior FY to $453.2 million (**Table 24**). This results in projected operating income of $17.8 million. Other revenue is projected to total $7.9 million. Covered California's budgetary fund balance is projected to increase by $25.8 million. Authorized positions are assumed to remain at the FY 2023-24 budgeted level of 1,475.

Table 23
Base Forecast
Covered California Budgetary Projections, Statement of Revenue, Expenditures and Changes in Fund Balance
For FY 2023-24, FY 2024-25, and FY 2025-26

	FY 2023-24 Base	FY 2024-25 Base	FY 2025-26 Base
Operating Revenues			
Individual Market (Med. & Dental)	$ 433,398,744	$ 463,805,486	$ 444,413,234
CCSB (Medi. & Dental)	$ 26,154,080	$ 25,439,313	$ 26,632,195
Total Operating Revenue	**$ 459,552,824**	**$ 489,244,799**	**$ 471,045,429**
Operating Expenditures			
Personnel Expenditures	177,064,746	182,376,688	187,847,989
Other Operating Expenditures	228,521,797	211,029,187	214,234,903
Subtotal	**$ 405,586,543**	**$ 393,405,875**	**$ 402,082,893**
Allocated Expenditures			
Prorata/Supp. Pension/Other	19,111,015	19,302,125	19,495,146
Total Operating Expenditures	**$ 424,697,558**	**$ 412,708,000**	**$ 421,578,039**
Capital Investments			
CalHEERs	$ 24,773,115	$ 25,268,577	$ 25,773,949
Other	$ 5,651,000	$ 5,764,020	$ 5,879,300
Total - Capital Project Expenditures	**$ 30,424,115**	**$ 31,032,597**	**$ 31,653,249**
Total Operating & Capital Expenditures	**$ 455,121,672**	**$ 443,740,597**	**$ 453,231,288**
Income/(Loss) From Operations	$ 4,431,152	$ 45,504,202	$ 17,814,141
Non-Operating Income	$ 10,714,911	$ 9,613,754	$ 7,937,761
Change in Fund Balance	**$ 15,146,063**	**$ 55,117,956**	**$ 25,751,902**

Base Forecast: Projected Working Capital and Liquidity

Table 25 presents Covered California's projected working capital for FYs 2023-24, 2024-25 and 2025-26. Under the **Base** forecast, Covered California's working capital increases over the projection period, rising from $480.0 million in FY 2023-24 to $542.1 million by FY 2025-26.

Table 24
Base Forecast
Projected Working Capital

	FY 2023-24 Base	FY 2024-25 Base	FY 2024-25 Base
Current Assets	$ 592,548,279.7	$ 647,666,235.69	$ 673,418,137.69
Current Liabilities	$ 112,584,173.1	$ 123,056,584.78	$ 131,316,536.85
Working Capital	$ 479,964,106.55	$ 524,609,650.91	$ 542,101,600.84

Low Enrollment and Revenue Forecast

Under the **Low** enrollment and revenue forecast (Low forecast), average monthly enrollment is forecasted to total 1,703,501 in FY 2023-24, 1,692,311 in FY 2024-25, and 1,550,860 in FY 2025-26. The **Low** forecast assumes that Medi-Cal inflows from the continuous coverage unwind commence in July 2023 and continue at the elevated rate through June 2024 at 17,856 per month. The family glitch inflows are assumed to be 62,000 and distributed 20% in FY 2023-24, 40% in FY 2024-25, and 40% in FY 2025-26. The Family Glitch inflows are assumed to enter at normal historical flow patterns during open enrollment and special enrollment periods.

The **Low** forecast reflects increases in the average premiums of 5 percent in 2024, 4 percent in 2025, and 3 percent in 2026. Authorized permanent positions are assumed to remain at the FY 2023-24 proposed budget level, totaling 1,475 throughout the projection period. It is recognized that the premium increased may exceed the budget assumptions given the heightened inflation. However, Covered California is taking a conservative position and will adjust the forecast using the rolling forecast throughout the FY.

The **Low** enrollment forecast assumes the participation fee on individual market premiums to be 3.25 percent for 2024 and throughout the remainder of the projection period. The Covered California for Small Business market participation fee is assumed to remain at 5.2 percent of the premium for the forecast duration.

The **Low** forecast assumes that the enhanced federal subsidies are not extended past 2025, and the California Legislature restores funding for the former state subsidy program that was made available from January 2020 until April 2021, when the American Rescue Plan’s enhanced federal subsidies began.

Low Forecast: Statement of Revenue, Expenditures and Changes in Budgetary Fund Balance

Expenditures are projected to be greater than revenue and capital expenditures in FY 2023-24. Covered California is projected to generate $443.5 million in operating revenue, while operating and capital expenditures total $455.1 million. This results in a projected operating loss of $11.6 million. non-operating revenue is projected to total $10.3 million. Covered California’s budgetary fund balance is projected to decrease by $1.2 million (**Table 26**).

In FY 2024-25, operating revenues are projected to rise to $456.6 million, while operating and capital expenditures decline to $443.7 million due to the elimination of one-time expenditures from the prior FY. This results in projected operating income of $12.9 million. Non-operating revenue is projected to total $8.7 million. Covered California’s budgetary fund balance is projected to increase by $21.6 million. Authorized positions are assumed to remain at the FY 2023-24 budgeted level of 1,475.

In FY 2025-26, operating revenues are projected to decrease to $433.3 million, while operating and capital expenditures rise from the prior FY to $453.2 million. The decreased operating revenues results from the assumed expiration of the enhanced federal subsidies at the end of 2025. This results in a projected operating loss of $19.9 million. Non-operating revenue is projected to total $6.6 million. Covered California’s budgetary fund balance is projected to decrease by $13.2 million. Authorized positions are assumed to remain at the FY 2023-24 budgeted level of 1,475.

Table 25
Low Forecast
Covered California Budgetary Projections, Statement of Revenue, Expenditures and Changes in Net Position
For FY 2023-24, FY 2024-25, and FY 2025-26

	FY 2023-24 Low	FY 2024-25 Low	FY 2025-26 Low
Operating Revenues			
Individual Market (Med. & Dental)	$ 418,505,994	$ 434,133,683	$ 411,288,420
CCSB (Medi. & Dental)	$ 25,023,984	$ 22,491,032	$ 22,050,617
Total Operating Revenue	**$ 443,529,978**	**$ 456,624,715**	**$ 433,339,037**
Operating Expenditures			
Personnel Expenditures	177,064,746	182,376,688	187,847,989
Other Operating Expenditures	228,521,797	211,029,187	214,234,903
Subtotal	**$ 405,586,543**	**$ 393,405,875**	**$ 402,082,893**
Allocated Expenditures			
Prorata/Supp. Pension/Other	19,111,015	19,302,125	19,495,146
Total Operating Expenditures	**$ 424,697,558**	**$ 412,708,000**	**$ 421,578,039**
Capital Investments			
CalHEERs	$ 24,773,115	$ 25,268,577	$ 25,773,949
Other	$ 5,651,000	$ 5,764,020	$ 5,879,300
Total - Capital Project Expenditures	**$ 30,424,115**	**$ 31,032,597**	**$ 31,653,249**
Total Operating & Capital Expenditures	**$ 455,121,672**	**$ 443,740,597**	**$ 453,231,288**
Income/(Loss) From Operations	$ (11,591,694)	$ 12,884,118	$ (19,892,251)
Non-Operating Income	$ 10,346,386	$ 8,699,267	$ 6,642,521
Change in Fund Balance	**$ (1,245,309)**	**$ 21,583,385**	**$ (13,249,730)**

Low Forecast: Projected Working Capital and Liquidity

Table 27 presents Covered California's **Low** forecast projected working capital for FYs 2023-24, 2024-25 and 2025-26. Under the **Low** forecast, Covered California's working capital declines remains stable over the three-year period. Working capital is projected to be $466.7 million by the end of FY 2023-24 and rise to $470.5 by the end of the projection period.

Table 26
Low Forecast
Projected Working Capital

	FY 2023-24 Low	FY 2024-25 Low	FY 2024-25 Low
Current Assets	$ 576,156,907.7	$ 597,740,292.69	$ 584,490,562.69
Current Liabilities	$ 109,469,812.5	$ 113,570,655.61	$ 113,975,659.72
Working Capital	$ 466,687,095.23	$ 484,169,637.08	$ 470,514,902.96