

Fiscal Year 2024-25 Proposed Budget



Covered California Board and Senior Executive Management

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Executive Director's Message

Dear Covered California Board of Directors,

It is with great honor that I present for your consideration the proposed FY 2024-25 operating and capital budget for Covered California. This budget reflects a coordinated effort between the Executive Director, Chief Deputy Executive Directors, and Covered California's 19 divisions, and is guided by the policies and priorities set forth in Covered California's strategic plan. Consistent with previous years, the budget invests revenue inflows into services for Covered California's consumers and stakeholders in a sustainable manner and preserves adequate reserves for economic risks that we may face in the future.

Covered California's proposed FY 2024-25 budget totals \$474.4 million, which is 4.2 percent greater than the FY 2023-24 budget of \$455.1 million. The proposed budget increases spending above the baseline by \$18.3 million. This includes adding 19 staff, bringing total staffing to 1,494, an increase of 1.3 percent year-over-year.

We recommend that the individual market participation fee rate be lowered from 3.25 percent to 2.25 percent, or one percentage point in plan year 2025. It is recommended that the Covered California for Small Business (CCSB) market's participation fee rate remain at 5.2 percent. The individual market participation fee was lowered three times between 2019 and 2021, but was held constant through the COVID-19 pandemic and recovery periods. Throughout the COVID-19 period, Covered California took a conservative stance with respect to its budget, opting to hold its individual market participation fee rate steady at 3.25 percent. At the time, this was a financially cautious decision, because of the uncertain forecasting outcomes faced, and added spending commitments.

When the COVID-19 pandemic arrived, Covered California was faced with a forecasting environment filled with ambiguity. The uncertainty was multifaceted and included predicting outcomes that may occur in the macroeconomy without precedent, predicting policy interventions that might be passed by Congress and/or the State Legislature, predicting how long it would take to develop a COVID-19 vaccine, predicting the magnitude of employee sponsored insurance losses, forecasting Covered California budget augmentations to ensure smooth transitions from other coverage, and predicting whether economic recoveries would follow a V-shape, with a sudden downward spike followed by a quick recovery, or whether a recovery would follow an L-shape, similar to the prolonged recovery following the Great Recession.

Fortunately, the consequential uncertain events settled in Covered California's favor; however, this resulted in the accumulation of working capital. The current working capital, or reserve has risen to \$524.8 million. Based on our evaluation of the current and future risks faced, working capital has risen to an amount that exceeds required levels. Further, forecasts of future enrollment and premium growth, including factoring in the loss of enrollment assuming the enhanced federal subsidies expire at the end of 2025, indicate that

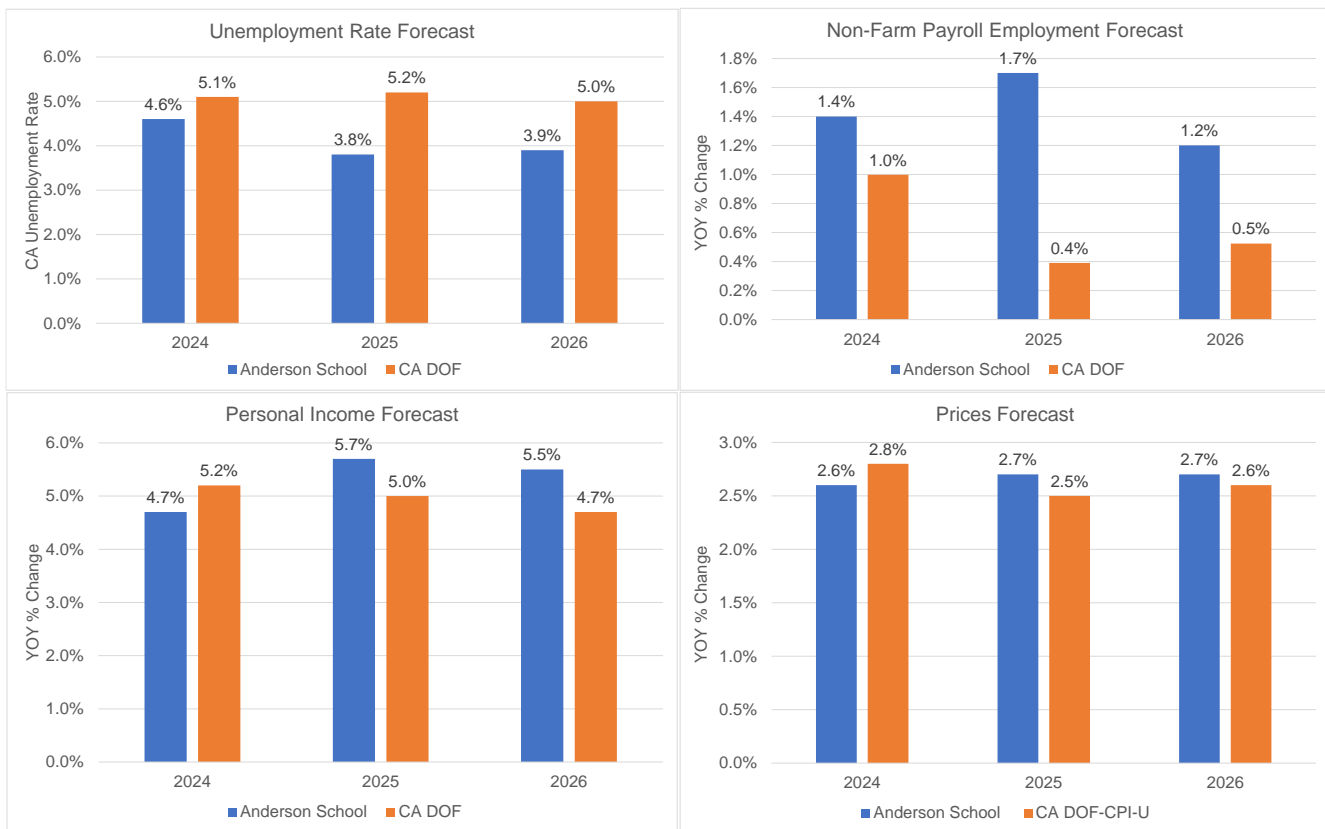
lowering the individual market participation fee rate is necessary to ensure that excess working capital does not continue to accumulate. Annually, Covered California performs a rate study prior to each budget cycle to ensure that the participation fee rate is set to achieve interperiod equity. The adjustment to the individual market participation fee rate will not impact Covered California consumer services, or our strategic initiatives, and does not modify the FY budgeted expenditures. The lowering of the individual market participation fee rate is directed at eliminating excess working capital. It is expected that the individual market participation fee rate will be modified as the working capital gradually declines to an appropriate level, roughly between 6 to 9 months of the subsequent year's budgeted operating expenditures.

Covered California is an independent state entity that receives no state general fund support. Revenues to support exchange operations are generated from charging exchange carriers a participation fee that is based on a percentage of gross premiums collected. This means that Covered California must forecast expected revenue inflows each budget cycle as well as expenditures. As a government entity, Covered California strives to achieve interperiod equity each FY, or aligning forecasted revenues with forecasted expenditures. Covered California's budget cycle incorporates a review of the current economic conditions as well as the forecasted economic environment. Changes in macroeconomic and labor market conditions may lead to shifts in sources of health insurance coverage and are reflected in Covered California's enrollment trends. For example, during the COVID-19 pandemic, major upward shifts in California's unemployment rate influenced enrollment trends and ushered in policy interventions. Covered California's enrollment and revenue trends are dependent upon assumptions regarding macroeconomic conditions, and anticipated policy changes, now and in the future, that may materialize during the forecasting range. The budget cycle, therefore, starts with a revenue forecast after evaluating U.S. and California specific economic forecasts.

The FY 2024-25 budget assumes that California's economy continues to expand. The expansionary economic activity, with continued modest labor market improvements, means that Covered California does not expect any material variations in enrollment prompted by macroeconomic changes in the near term. California's economy has grown slightly faster than the U.S. economy through the fourth quarter of 2023. Consistent with California Department of Finance and the UCLA Anderson School's economic forecasts, Covered California expects the State's economy to continue to add jobs in the near term. Personal incomes are expected to continue to grow, averaging between 5.0 percent and 5.3 percent between 2024 and 2026. The unemployment rate is forecasted to range between 3.8 percent and 5.2 percent for 2024, 2025, and 2026. Prices are expected to remain slightly above the Federal Reserve's target rate for inflation of 2.0 percent. Between 2024 and 2026, inflation is expected to average 2.6 percent. In spite of the high mortgage rates, the continued demand for limited housing supplies is expected to result in a recovery for new homebuilding. Forecasts indicate year-over-year growth in new home permits from 2024 through 2026, with a compound annual growth rate of 4.2 percent.

The risks to the economic assumptions include political, geopolitical, and potential interest rate disruptions. Recent consumer price index (CPI) and the personal consumption expenditures price index (PCE) have shown prices continue to rise faster than the Federal Reserve’s target, and this may result in the Federal Reserve delaying rate reductions. The continued elevated interest rates have the potential to disrupt the economic expansion.

Figure 1: Select California Forecasted Metrics 2024, 2025, and 2026.

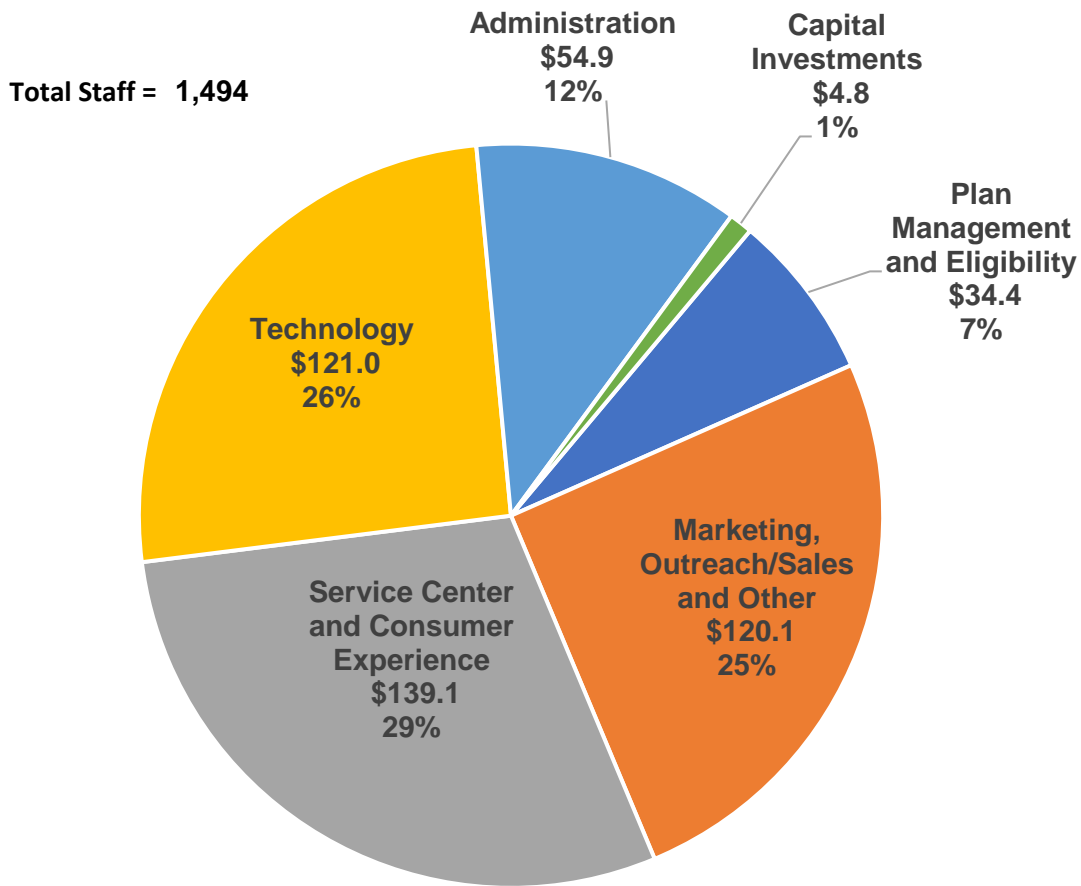


While California’s economy is not expected to have a material impact on Covered California enrollment, there is some uncertainty around the continued Medi-Cal unwind and the expiration of the enhanced federal subsidies. The Medi-Cal unwind started in July 2023 and has resulted in an upswing in Covered California enrollment as individuals left Medi-Cal and transitioned to Covered California. Some of the redeterminations have been delayed, which may result in continued elevated Medi-Cal transitions above baseline. As Medi-Cal continues to complete the redeterminations, Covered California may continue to recognize greater transitions, lifting enrollment beyond the end of FY 2023-24. As we look to FY 2025-26, uncertainty arises again, as the enhanced federal subsidies are set to expire on December 31, 2025. If the enhanced federal subsidies are not extended beyond 2025, it is forecasted

that enrollment losses will materialize, resulting in between 187,000 to 246,000 exits from Covered California.

FY 2024-25 Proposed Expenditure Budget Highlights

Figure 2
Covered California's FY 2024-25
Proposed Operating Budget Distribution by Major Functional Area
(Dollars in Millions)
Total: \$474.4 Million



The FY 2024-25 proposed budget totals \$474.4 million and increases the budget by 4.2 percent over the FY 2023-24 total of \$455.1 million. The proposed budget adds \$18.3 million **above baseline** in additional funding and 19 new positions to support critical priorities and

advance various organizational goals identified in Covered California's strategic plan. The FY 2024-25 proposed budget requests:

1. \$4.6 million to fund four initiatives to strengthen Covered California's marketing and outreach efforts, making them more direct, focused, and targeted.
2. \$1.2 million for three initiatives to gather more useful and actionable information regarding the consumer experience and apply lessons towards enrollment system redesign and enhancement.
3. \$4.7 million to ensure that Covered California's investments in technology drive greater productivity, efficiency, and innovation.
4. \$1.7 million for one initiative to strengthen information security.
5. \$896,000 for three initiatives focused on health care quality improvement incentives, and health care quality monitoring and reporting activities.
6. \$5.2 million to fund a new or renewed contract for contracted customer support services.
7. \$105,628 to restore a position in the Equal Employment Opportunity Office that had been previously transferred to another division to meet another urgent need.

Forecasted Budgetary Outcome for FY 2024-25

As discussed above, Covered California is an independent entity that generates revenue from its participation fee to cover operating and capital expenditures. Each year, Covered California must forecast operating and non-operating revenues and expenditures. Operating revenues are derived from the individual market and CCSB participation fees, while non-operating revenues flow from interest income accruing from our investments of reserve dollars in the state's surplus money investment fund (SMIF). Covered California's budget and actual expenditures generally differ each year due to delays in program initiatives, changing priorities, or because of cost estimates deviating from budget estimates. Historically, Covered California recognizes a ten percent favorable budget variance each year, meaning that actual expenditures are less than budgeted expenditures. Therefore, we forecast actual expenditures based on prior year trends to ensure that our forecast of increases or decreases in fund balance and working capital is as accurate as possible.

The FY 2024-25 forecasted revenues total \$429.7 million. This includes \$410.9 million in operating revenues and \$18.8 million in non-operating revenues. Total proposed operating and capital expenditures are forecasted to equal \$425.7 million. For FY 2024-25, it is forecasted that revenues will exceed expenditures by \$3.9 million, resulting in an increase in fund balance (**Table 1**).

Table 1

**FY 2024-25 Forecasted Operating and Non-Operating Revenues, Expenditures, and Increase/(Decrease) in Fund Balance
Base Forecast**

Operating Revenues

Individual Market	\$	377,490,109
CCSB Market	\$	<u>33,377,567</u>

Total Operating Revenue **\$ 410,867,676**

Non-Operating Revenues

Interest	\$	18,416,624
Other	\$	<u>395,602</u>

Total Non-Operating Revenue **\$ 18,812,227**

Total Revenue **\$ 429,679,903**

Operating and Capital Expenditures **\$ 425,693,715**

Increase/(Decrease) In Fund Balance **\$ 3,986,188**

Covered California continues to assess changing circumstances and our ever-changing health care environment. As we assess our environment, we continue to evaluate our operations to deliver exchange services that meet the needs of our consumers and many stakeholders. At the core of our budget development efforts is a sound, financially responsible planning approach. We strive to manage our finances in an effective, efficient, and productive manner that ensures value for our consumers and stakeholders. As we discuss and deliberate this FY 2024-25 budget, I look forward to working with board members and stakeholders to construct a budget that reflects our shared values.

I. Introduction

Covered California's budget is a planning tool that matches the services desired by Covered California stakeholders to the estimated resources available to provide exchange services. Covered California's budget provides a detailed plan for the next fiscal year and forecasts to anticipate future needs and opportunities.

The FY 2024-25 budget represents the initial phase of returning to the pre-pandemic trend; a period that does not include any major policy changes or anticipated macroeconomic disruptions. California economic forecasts indicate that California's economy will continue to grow, but at a pace slower than the pre-pandemic period. Jobs will continue to be added, and California's labor market trends are not expected to influence Covered California's enrollment in the near term. Covered California's enrollment is forecasted to return to trend, displaying its normal saw-toothed pattern. This means that enrollment grows during the open enrollment period and is followed by a gradual decline in enrollment through the next open enrollment cycle. While the FY 2024-25 period is not anticipated to trigger any material enrollment shifts, the FY 2025-26 budget year will infuse some uncertainty as the enhanced federal subsidies expire at the end of 2025.

FY 2023-24 Budgetary Outcome

Covered California's forecasted outcomes for FY 2023-24 are more favorable than originally budgeted. The FY 2023-24 approved budget anticipated that Covered California would recognize an operating income of \$4.4 million and the budgetary fund balance would increase by \$15.1 million with the addition of interest income. However, due to lower-than-expected operating expenditures, budgetary fund balance is forecasted to increase by \$64.2 million (**Table 2**). Operating revenues are forecasted to come in \$9.9 million lower than budgeted, primarily due to the lower-than-expected Medi-Cal unwind transitions. Forecasted member months are projected to come in 562,203 less than budgeted. Non-operating income is forecasted to total \$21.9 million, or \$11.2 million greater than the budget total of \$10.7 million. The forecasted favorable budget variance is generated by higher-than-expected interest income, resulting from the Federal Reserve's raising of the federal funds rate.

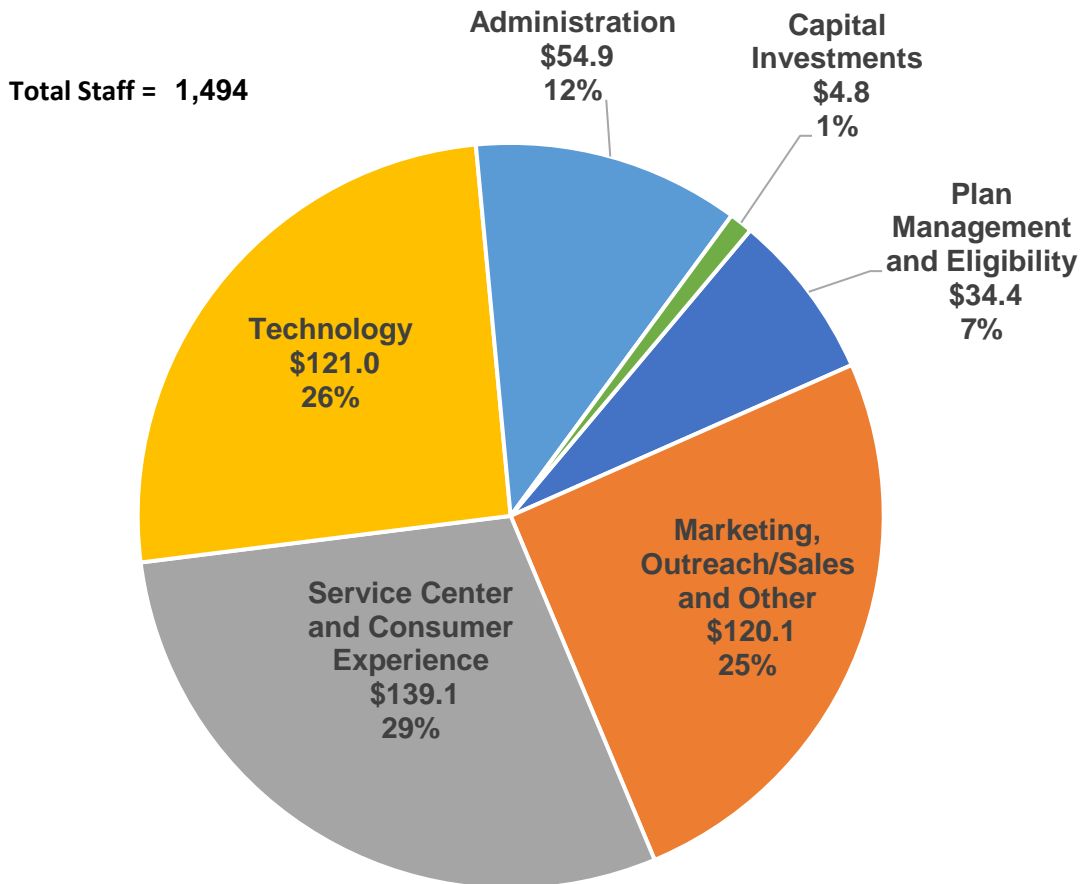
Table 2
Covered California FY 2023-24 Forecasted Budgetary Outcome
Compared to FY 2023-24 Approved Budget
(Dollars in Millions)

	FY 2023-24 Approved <u>Budget</u>	FY 2023-24 Actual/ <u>Forecasted</u>
Operating Revenues	\$459.5	\$449.5
Operating/Capital Expenditures	<u>\$455.1</u>	<u>\$407.2</u>
Income/(Loss) From Operations	\$ 4.4	\$ 42.3
Non-Operating Income	<u>\$10.7</u>	<u>\$21.9</u>
Change in Fund Balance	<u>\$ 15.1</u>	<u>\$ 64.2</u>

Highlights of the FY 2024-25 Proposed Budget

Comprehensive budget: Covered California’s proposed operating and capital budget for FY 2024-25 is \$474.4 million, representing an increase of \$19.3 million compared to the FY 2023-24 approved budget of \$455.1 million (**Figure 3**). The \$19.3 million increase, or 4.2 percent year-over-year increase, represents \$1 million in net baseline cost increases plus \$18.3 million in proposed FY 2024-25 budget augmentations. The budget requests funding for 1,494 authorized positions — 19 authorized permanent positions more than in the FY 2023-24 approved budget total of 1,475.

Figure 3
Covered California's FY 2024-25
Proposed Operating Budget Distribution by Major Functional Area
(Dollars in Millions)
Total: \$474.4 Million



The FY 2024-25 proposed budget adds \$18.3 million **above baseline** in additional funding and 19 new permanent positions to support critical priorities and advance various organizational goals identified in Covered California's strategic planning process. The FY 2024-25 proposed budget requests:

1. \$4.6 million to four initiatives to strengthen Covered California's marketing and outreach efforts, making them more direct, focused, and targeted. These include:
 - \$521,571 to fund the Community Engagement and Partnership program. This budget augmentation will fund 4 new positions and additional vendor support. The community engagement program will facilitate outreach to underserved populations in culturally sensitive ways and support our continued efforts to

engage with California's geographically and culturally diverse populations and communities.

- \$425,000 to fund the "Back to the Basics" Health Insurance Literacy and Education Resource Development program. This initiative is geared toward educating uninsured consumers – with a particular focus in rural communities and among recent immigrants - about the basics and fundamentals of the health insurance system in the US.
 - \$198,468 to fund 2 new permanent positions in the research series. These new staff will address the substantial workload associated with the implementation of SB 260 auto-enrollment and provide data management, data analytics, and reporting for targeted consumer outreach.
 - \$4.4 million in additional funding to support an expansion of the Navigator program. Covered California's Navigator Program is a partnership with community organizations across the state who have experience in reaching and assisting California's diverse populations and enrolling consumers in health care programs.
2. \$1.2 million for three initiatives to gather more useful and actionable information regarding the consumer experience and apply lessons towards enrollment system redesign and enhancement. These include:
- \$600,000 to support the Consumer Facing Communications Journey Project, and the Consumer Experience (CX) Key Performance Indicator (KPI) Dashboard projects.
 - \$180,129 to fund 2 new positions in the Eligibility & Enrollment (E&E) Compliance unit. Their duties will include quality control over CalHEERS, audit activities, release validation, defect mitigation, and the planning and execution of program compliance activities.
 - \$391,653 to fund 3 new positions in the Policy Data Science and Innovation team for the purpose of generating actionable consumer interaction data from CalHEERS, website, telephony, chatbot, and other sources.
3. \$4.7 million to ensure that Covered California's investments in technology drive greater productivity, efficiency, and innovation. These include:
- \$3 million to secure consulting services to develop a strategy for the adoption of artificial intelligence (AI) and an AI roadmap for Covered California.
 - \$1.5 million to develop Covered California's Information Technology Strategic Initiative Program.

- \$218,860 in funding for 2 new permanent staff who will further develop and expand Covered California’s Change Management Office (CMO). The new personnel will focus on areas where changes occur on a regular basis and assist Covered California staff in planning and managing those transitions.
4. \$1.7 million for one initiative to strengthen information security.
 - The \$1.7 million is intended to expand Covered California’s Information Security Office, secure protected health information, and prevent other forms of cyber intrusion. This funding will fund 2 new positions and provide \$1.4 million for consulting services.
 5. \$896,000 for three initiatives focused on health care quality improvement incentives, and health care quality monitoring and reporting activities. These include:
 - \$615,000 to fund consulting services to assist in developing the measurement methodologies and analytics to support the Quality Transformation Initiative.
 - \$184,000 to fund 2 new positions on the Health Informatics team.
 - \$96,000 to fund 1 new position on the Population Health team.
 6. \$5,192,486 to fund a new or renewed contract for contracted customer support services.
 - The use of a surge vendor to meet seasonal and language requirements increases Covered California’s ability to handle consumer interactions, especially those consumer interactions experienced during Open Enrollment. The addition of the surge vendor staff supports Covered California’s goal to enroll consumers ably and efficiently in health insurance coverage.
 7. \$105,628 to restore a position in the Equal Employment Opportunity Office that had been previously transferred to another division to meet an urgent need.

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

Covered California is an independent state entity that receives no state general fund for operations. Covered California relies on participation fees it collects from health plans. The individual market participation fee is recommended to be lowered from 3.25 percent of gross premiums to 2.25 percent of gross premiums in plan year 2025. No change is proposed for the CCSB program; the participation fee will remain at 5.2 percent of gross premiums.

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. Expenditures are recognized as they are incurred.

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 Covered California's financial condition. Covered California prepares a set of comprehensive financial statements that can be accessed via its website at [California's Health Benefit Exchange - Financial Reports \(coveredca.com\)](https://coveredca.com)

The budgetary financial statements and information are used to:

- Assess how well revenues and expenditures align for the fiscal year to assess budgetary inter-period 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.

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 2024-25 enrollment and revenue forecast incorporated three potential forecasts. The main drivers of differences in enrollment in FY 2024-25 between the low, base, and high forecasts relate to assumptions concerning the Medi-Cal continuous coverage unwind and whether the federal enhanced subsidies are extended beyond 2025. (**Table 2**).

Table 3
Total FY 2024-25 Member Month Forecasts- High, Base, and Low

Measure	High Forecast	Base Forecast	Low Forecast
FY Member Months	21,571,289	20,635,059	20,139,891

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 2024-25 to FY 2026-27](#).

In FY 2024-25, operating and non-operating revenues are projected to total \$429.7 million, while operating and capital expenditures are forecasted to total \$425.7 million. This results in a projected increase in working capital/fund balance of \$4 million. End of year working capital/fund balance is forecasted to total \$592.9 million (**Table 4**). During FY 2024-25, the individual market participation fee is assumed to be lowered from 3.25 percent to 2.25 percent in January 2025, resulting in six months of revenue based on the 2.25 percent rate. Note, Covered California generally recognizes a 10 percent favorable expenditure budget variance; therefore, the projected expenditures differ from the budgeted amounts as historical expenditure trends were incorporated into the expenditure forecast.

In FY 2025-26, operating and non-operating revenues are projected to total \$352.1 million, while operating and capital expenditures are forecasted to total \$438.6 million. This results in a projected decrease in working capital/fund balance of \$86.5 million. End of year working capital/fund balance is forecasted to total \$506.5 million (**Table 4**). The decrease in operating and non-operating revenue in FY 2025-26 results from lowering the participation fee in plan year 2025 from 3.25 percent to 2.25 percent, and the expiration of the federal enhanced subsidies. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which would fund roughly 6 to 9 months of budgeted operations.

In FY 2026-27, operating and non-operating revenues are projected to total \$344.6 million, while operating and capital expenditures are forecasted to total \$453.9 million. This results in a projected decrease in working capital/fund balance of \$109.3 million. End of year working capital/fund balance is forecasted to total \$397.2 million (**Table 4**). The \$397.2 million would fund roughly 9 months of the next FYs forecasted budget expenditures. The decrease in

operating and non-operating revenue results from assuming the expiration of the enhanced federal subsidies and continuation of the 2.25 percent participation fee. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which would fund roughly 6 to 9 months of budgeted operations.

Table 4
Projected Statement of Revenues,
Expenditures and Changes in Fund Balance, Budgetary Accounting
FY 2023-24, FY 2024-25, FY 2025-26
Base Forecast

	FY 2024-25	FY 2025-26	FY 2026-27
Beginning Fund Balance At July 1	\$ 588,966,122	\$ 592,952,310	\$ 506,500,903
Adjusted Beg. Fund Balance	<u>\$ 588,966,122</u>	<u>\$ 592,952,310</u>	<u>\$ 506,500,903</u>
Additions (Operating/Non-Operating Revenue)	\$ 429,679,903	\$ 352,100,701	\$ 344,557,059
Deductions (Actual Expenditures)	<u>\$ (425,693,715)</u>	<u>\$ (438,552,109)</u>	<u>\$ (453,866,910)</u>
Increase / Decrease in Fund From Operations	\$ 3,986,188	\$ (86,451,408)	\$ (109,309,850)
	\$ -	\$ -	\$ -
Unrestricted Working Capital/Fund Balance	<u><u>\$ 592,952,310</u></u>	<u><u>\$ 506,500,903</u></u>	<u><u>\$ 397,191,052</u></u>

II. Covered California's FY 2024-25 Proposed Operating and Capital Budgets

The program detail for Covered California's FY 2024-25 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 2023-24 approved budget to the FY 2024-25 proposed budget.

We start with developing the FY 2024-25 baseline budget. The FY 2024-25 baseline budget represents the FY 2023-24 approved budget after making specific adjustments. We summarize and discuss changes made to the FY 2023-24 budget to arrive at the FY 2024-25 baseline budget.

Next, we identify changes made to the FY 2024-25 baseline budget to arrive at the FY 2024-25 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 2024-25 baseline budget and the FY 2024-25 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 2024-25 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 2024-25 Baseline Budget

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.

The FY 2024-25 baseline budget totals \$456.1 million, \$933 thousand more than the FY 2023-24 approved budget of \$455.1 million (**Table 5**).

FY 2024-25 baseline adjustments included the elimination of \$13.6 million in prior year one-time expenditures, the addition of \$10.7 million in personnel expenditures, \$2.2 million in other operating expenditures, a \$2.5 million increase in state shared expenditures, and a \$826,000 decrease in capital expenditures (**Table 5**).

Personnel expenditures increased due to a 3.0 percent general salary increase and higher benefit costs. Other operating expenditures increased due to contractual provisions that called for increases tied to the CPI. State shared expenditures (i.e., Prorata) increased year over year and are primarily driven by retiree health care allocations, which constitutes roughly 88% of our total state share expenditures.

**Table 5
Covered California’s FY 2024-25 Baseline Budget**

	Fiscal Year 2023-24	Fiscal Year 2023-24	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25
	Approved Budget	Adjustments to Prior Year for One-Time Spending	Approved Budget Adjusted for One-Time Spending	Baseline Adjustments	Baseline Budget
Positions	1475				1,475
Operating Expenditures					
Personnel Expenditures	\$177,064,746		\$177,064,746	\$10,658,313	\$187,723,059
Other Operating Expenditures	\$253,294,912	(\$13,620,000)	\$239,674,912	\$2,249,477	\$241,924,389
Subtotal	\$430,359,658	(\$13,620,000)	\$416,739,658	\$12,907,790	\$429,647,448
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$19,111,015	\$0	\$19,111,015	\$2,471,400	\$21,582,415
Total Operating Expenditures	\$449,470,673	(\$13,620,000)	\$435,850,673	\$15,379,190	\$451,229,863
Capital Investments					
CalHEERs	\$0	\$0			\$0
Other	\$5,651,000	\$0	\$5,651,000	(\$826,000)	\$4,825,000
Total - Capital Project Expenditures	\$5,651,000	\$0	\$5,651,000	(\$826,000)	\$4,825,000
Total Budgeted Expenditures	\$455,121,673	(\$13,620,000)	\$441,501,673	\$14,553,190	\$456,054,863

Fiscal Year 2024-25 Proposed Budget Changes

The FY 2024-25 proposed budget increases funding by \$18.3 million above the baseline.

This includes \$1.9 million in additional personnel funds, and \$16.4 million in other operating funds (**Table 6**).

**Table 6
FY 2024-25 Baseline Budget and
FY 2024-25 Proposed Budget After Budget Augmentations**

	Fiscal Year 2024-25 Baseline Budget	Fiscal Year 2024-25 Proposed Budget	Difference Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget
Positions	1,475	1,494	19
Operating Expenditures			
Personnel Expenditures	\$ 187,723,059	\$ 189,644,435	\$ 1,921,376
Other Operating Expenditures	\$ 241,924,389	\$ 258,351,875	\$ 16,427,486
Subtotal	\$ 429,647,448	\$ 447,996,310	\$ 18,348,862
Allocated Expenditures			
	-	-	-
Prorata/Supp. Pension/Other	21,582,415	\$ 21,582,415	-
Total Operating Expenditures	\$ 451,229,863	\$ 469,578,725	\$ 18,348,862
Capital Investments			
	-	-	-
Other	\$ 4,825,000	\$ 4,825,000	\$ -
Total - Capital Project Expenditures	\$ 4,825,000	\$ 4,825,000	\$ -
Total Budgeted Expenditures	\$ 456,054,863	\$ 474,403,725	\$ 18,348,862

Personnel Expenditures

The FY 2024-25 proposed budget for personnel expenditures totals \$189.6 million, representing a \$1.9 million increase over the baseline budget. The requested increase in personnel expenditures results from adding nineteen additional positions (**Table 7**). Total

permanent staffing increases by nineteen authorized positions over the baseline, from 1,475 to 1,494.

**Table 7
FY 2024-25 Proposed Budget Changes: Personnel Changes**

Goal	Divisions	Initiative	Budget Request
Effective and Targeted Marketing and Outreach	Communications and External Affairs Marketing	<ul style="list-style-type: none"> Community Engagement and Partnerships Program. Analytic Support for Facilitated Enrollment. 	\$542,539 6 positions
Understanding the Consumer Journey Experience and Applying Lessons for Enrollment System Redesign and Enhancement	Customer Care Policy, Eligibility, and Research	<ul style="list-style-type: none"> Strengthening the Eligibility & Enrollment Compliance Unit. Connecting Consumer Interaction Information Across Siloed systems with Robust Data and Analytics Capabilities. 	\$559,282 5 Positions
Utilizing Technology to Drive Greater Efficiency and Productivity	Information Technology Covered California University	<ul style="list-style-type: none"> Fostering innovation and harnessing the potential of Artificial Intelligence (AI) within Covered California. Information Technology Strategic Initiative Program Development. Enhance Change Management Office. 	\$213,860 2 Positions
Information Security - \$1.7 million	Information Technology	<ul style="list-style-type: none"> Information Security Office (ISO) expansion to support the revised information security program. 	\$228,618 2 Positions
Quality Transformation Initiative	Health Equity and Quality Transformation	<ul style="list-style-type: none"> Consulting Services to Support Quality Transformation Initiative Population Health Investments Population Health and Informatics team expansions. 	\$273,949 3 Positions
Other	Equal Employment Opportunity Office	<ul style="list-style-type: none"> Restore position transferred to Executive Office 	\$103,128 1 Position
Total			\$1.9 million 19 Positions

Other Operating and Capital Expenditures

The FY 2024-25 proposed budget for other operating expenditures (OOE) totals \$258.4 million (**Table 6**). The FY 2024-25 proposed other operating expenditures are \$16.4 million more than the baseline expenditures (**Table 8**). OOE includes all contract and operational expenditures, 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 8
FY 2024-25 Proposed Other Operating Expenditures Budget Requests

Goal	Divisions	Initiative	Budget Request
Effective and Targeted Marketing and Outreach	Communications and External Affairs Marketing Outreach and Sales	<ul style="list-style-type: none"> Community Engagement and Partnerships Program. “Back to the Basics” Health Insurance Literacy and Education Resource Development. Analytic Support for Facilitated Enrollment. Additional Funding for Navigator Program. 	\$4 million
Understanding the Consumer Journey Experience and Applying Lessons for Enrollment System Redesign and Enhancement	Customer Care Policy, Eligibility, and Research	<ul style="list-style-type: none"> Consumer Facing Communications Journey Project and the Consumer Experience KPI Dashboard Project. Strengthening the Eligibility & Enrollment Compliance Unit. Connecting Consumer Interaction Information Across Siloed systems with Robust Data and Analytics Capabilities. 	\$612,500
Utilizing Technology to Drive Greater Efficiency and Productivity	Information Technology Covered California University	<ul style="list-style-type: none"> Fostering innovation and harnessing the potential of Artificial Intelligence (AI) within Covered California. Information Technology Strategic Initiative Program Development. Enhance Change Management Office. 	\$4.5 million
Information Security - \$	Information Technology	<ul style="list-style-type: none"> Information Security Office (ISO) expansion to support the revised information security program. 	\$1.5 million
Quality Transformation Initiative	Health Equity and Quality Transformation	<ul style="list-style-type: none"> Consulting Services to Support Quality Transformation Initiative Population Health Investments Population Health and Informatics team expansions. 	\$622,500

Goal	Divisions	• Initiative	Budget Request
Customer Support - \$	Service Center	• Contracted Call Center Customer Support Services (subject to negotiation)	\$5.2 million
Total			\$16.4 million

Capital Expenditures

For FY 2024-25, proposed capital investment expenditures total \$4.8 million (**Table 6**). The FY 2024-25 proposed capital project expenditures include no augmentations above baseline expenditures (**Table 6**). The requested funding will support tenant improvements, brokerage fees, and the Service Center network support and desktop to laptop conversion.

Budget Expenditures by Functional Area and Budget Unit

**Table 9
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

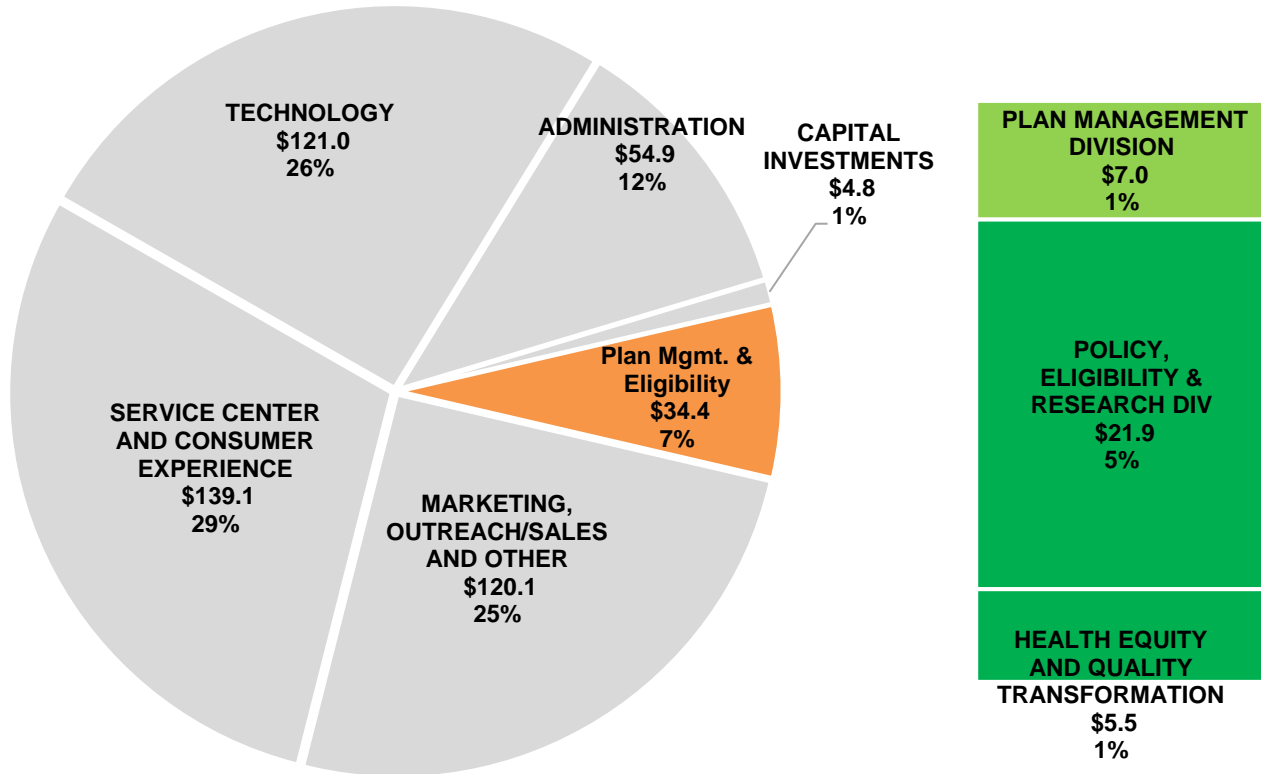
Plan Management, Eligibility and Health Transformation

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 2024- 25 totals \$34.4 million.

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

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	112	112	120	8	0
Personnel Expenditures	\$15,829,969	\$16,782,061	\$17,615,291	\$833,230	\$952,092
Other Operating Expenditures	<u>\$17,514,375</u>	<u>\$14,424,650</u>	<u>\$15,059,650</u>	<u>\$635,000</u>	<u>\$ (3,089,725)</u>
Subtotal	\$33,344,344	\$31,206,711	\$32,674,941	\$1,468,230	\$(2,137,633)
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$1,631,144</u>	<u>\$1,754,382</u>	<u>\$1,768,271</u>	<u>\$13,889</u>	<u>\$123,238</u>
Total Operating Expenditures	<u>\$34,975,488</u>	<u>\$32,961,093</u>	<u>\$34,443,212</u>	<u>\$1,482,119</u>	<u>\$(2,014,395)</u>

**Plan Management, Eligibility, and Health Transformation
 FY 2024-25 Proposed Expenditure Budget: \$474.4
 (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 carriers accountable for delivering quality health care while fostering improvements in care delivery to benefit all Californians. The proposed budget for FY 2024-25 totals \$7 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	34	34	34	0	0
Personnel Expenditures	\$4,868,821	\$5,069,935	\$5,069,935	\$0	\$201,114
Other Operating Expenditures	\$1,946,566	\$1,580,262	\$1,580,262	\$0	(\$366,304)
Subtotal	\$6,815,387	\$6,650,197	\$6,650,197	\$0	(\$165,190)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$360,567	\$398,647	\$383,017	(\$15,630)	\$38,080
Total Operating Expenditures	\$7,175,954	\$7,048,844	\$7,033,214	(\$15,630)	(\$127,110)

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Plan Management Division’s baseline budget decreased by \$127,110.

Personnel expenditures increased by \$201,114, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the

\$260 per month health premium stipend¹.

Baseline Other Operating Expenditures decreased by \$366,304. This decrease was the net effect of the transfer of \$375,000 in funding for the Health Program Consulting pool to the Health Equity and Quality Transformation division, and a decrease in funding for general expenses, combined with increases of \$120,000 for actuarial services and \$50,000 for other consulting.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Plan Management Division increased by \$38,080.

FY 2024-25 Proposed Budget Adjustments

Funding for the Plan Management Division decreased by \$15,630 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Plan Management Division is focusing on the following core areas in fiscal year 2024-25:

- 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.
- Enforce 2023-25 Qualified Health Plan (QHP) and Qualified Dental Plan (QDP) contracts and implement changes targeted to promote affordability, quality, and access to care.
- Administer the 2024 California Enhanced Affordability Program, including reconciliation and facilitating timely monthly payments.
- Work with internal and external stakeholders to develop the 2025 California Enhanced Affordability Program, including benefit designs and obtaining Board approval.
- Ensure and collaborate on technical readiness activities with Issuers for new system implementations, updates, etc.
- Coordinate operational communication between the Issuers and other Covered California divisions.

In addition to core division functions and ongoing initiatives listed above, the Plan

¹ The Director of Plan Management is an exempt position. It will have a monthly salary in FY 2024-25 of \$18,713. This information is reported in compliance with Government Code 100503, Section 2(A).

Management Division, in collaboration with the Equity & Quality Transformation Division, anticipates these key objectives for the upcoming fiscal year:

- Update the Qualified Health Plan (QHP) contract for the 2026-28 contract period, focused on quality and equity initiatives, disparities reductions, health promotion, and targeted measurements to drive improvements in care delivery.
- 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 the promotion of advanced 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.
- Support development of uses for Quality Transformation Initiative funds.
- Implement use of IHA's Symphony Provider Directory to streamline monthly provider directory updates and facilitate the development of Primary Care Physician selection functionality for enrollees.
- Increase access to high quality, diverse providers who practice with cultural humility.
- Increase access to and quality of behavioral health care.

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. The proposed budget for FY 2024-25 totals \$21.9 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	57	57	62	5	0
Personnel Expenditures	\$7,722,383	\$8,200,238	\$8,759,519	\$559,281	\$477,855
Other Operating Expenditures	\$15,202,830	\$12,051,884	\$12,064,384	\$12,500	(\$3,150,946)
Subtotal	\$22,925,213	\$20,252,122	\$20,823,903	\$571,781	(\$2,673,091)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$1,072,529	\$1,100,170	\$1,091,967	(\$8,203)	\$27,641
Total Operating Expenditures	\$23,997,742	\$21,352,292	\$21,915,869	\$563,578	(\$2,645,450)

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Policy Eligibility & Research Division's baseline budget decreased by \$2.6 million.

Personnel expenditures increased by \$477,865, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend².

² The Policy, Eligibility and Research Division Director is an exempt position. It will have a monthly salary in FY 2024-25 of \$19,173. This information is reported in compliance with Government Code 100503, Section 2(A).

Baseline Other Operating Expenditures decreased by \$3.2 million. This decrease was the net effect of a \$2,000,000 decrease in postage, a \$950,000 decrease in qualitative research, and a \$200,000 decrease in printing and fulfillment, all related to the Medi-Cal continuous coverage unwind.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Policy Eligibility & Research Division increased by \$27,635.

FY 2024-25 Proposed Budget Adjustments

Funding for the Policy, Eligibility and Research Division increased by \$563,578 above the baseline for FY 2024-25, reflecting the net effect of a \$8,203 reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$559,281 increase in funding for personnel, and \$12,500 in other operating expenditures. The other operating expenditures constitute investments in office equipment for the new personnel.

The additional funding will support five permanent positions associated with two different initiatives included in Covered California's strategic plan. Two positions will bolster the Eligibility & Enrollment (E&E) Compliance unit. Their duties will include quality control over CalHEERS, audit activities, release validation, defect mitigation, and the planning and execution of program compliance activities.

The other three positions will be added to the Policy Data Science and Innovation team generating actionable consumer interaction data from CalHEERS, website, telephony, chatbot, and other sources. This information will be used to create a coherent view of customer interaction data so that the organization can understand how its different programmatic efforts impact consumer outcomes, facilitating improvement and redesign efforts.

Key Objectives for FY 2024-25

The Policy, Eligibility and Research Division will focus on the following core areas in fiscal year 2024-25:

- 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 of 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.
- Craft and implement learning agendas that support a culture of innovation, evidence, and continuous improvement 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. The proposed budget for FY 2024-25 totals \$5.5 million

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	21	21	24	3	0
Personnel Expenditures	\$3,238,765	\$3,511,888	\$3,785,837	\$273,949	\$273,123
Other Operating Expenditures	\$364,979	\$792,504	\$1,415,004	\$622,500	\$427,525
Subtotal	\$3,603,745	\$4,304,393	\$5,200,842	\$896,449	\$700,648
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$198,048	\$255,565	\$293,287	\$37,722	\$57,517
Total Operating Expenditures	\$3,801,792	\$4,559,957	\$5,494,129	\$934,171	\$758,165

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Health Equity Quality Transformation Division's baseline budget increased by \$758,165.

Personnel expenditures increased by \$273,123, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend³.

Baseline Other Operating Expenditures increased by \$427,525. This increase resulted from the transfer of \$375,000 in funding from the Plan Management Division for the Health Program Consulting Pool, combined with an increase of \$58,000 for National Quality Forum.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Health Equity and Quality Transformation Division increased by \$57,517.

FY 2024-25 Proposed Budget Adjustments

Funding for the Health Equity and Quality Transformation Division increased by \$934,171 above the baseline for FY 2024-25, reflecting the combined effect of a \$37,722 increase in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$896,449 increase in funding for personnel and other operating expenditures.

The additional funding will support consulting dollars for analytics associated with the Quality Transformation Initiative, as well as the addition of three permanent positions in the research series. Two positions will be added to the Health Informatics team and one position will be added to the Population Health team. These new staff additions will enable the division to fulfill its contract monitoring and public reporting responsibilities, to integrate and synthesize data from different sources, and to undertake various quality measurement activities.

Key Objectives for FY 2024-25

The Health Equity and Quality Transformation Division will focus on the following core areas in fiscal year 2024-25:

³ The Chief Medical Officer, Director, in the Health Equity Quality Transformation Division is an exempt position. It will have a monthly salary in FY 2024-25 of \$36,576. This information is reported in compliance with Government Code 100503, Section 2(A).

- Working with Plan Management Division, hold contracted health plan issuers accountable for Attachment 1, Attachment 2, and Attachment 4 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.
- Continue implementation of the Quality Transformation Initiative (QTI), a program that ties QHP issuer performance on a parsimonious core set of quality measures to significant financial incentives to spur improved performance. This includes implementing performance assessment processes, payment calculation, and collection processes in partnership with Plan Management, Office of Legal Affairs, and Financial Management Divisions. As well as launch of 4-5 high impact Population Health Investments under QTI use of funds.
- In conjunction with Plan Management Division, implement and hold dental plan issuers accountable for Attachments 1 and 2 contractual requirements, including priorities in care delivery and Healthcare Evidence Initiative data submission.
- Track 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 launch health equity measurement methodology within QTI.
- Continue development and implementation of a comprehensive framework to utilize the variety of existing data sources efficiently and effectively. These sources include 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 as well as with OHCA and DMHC.

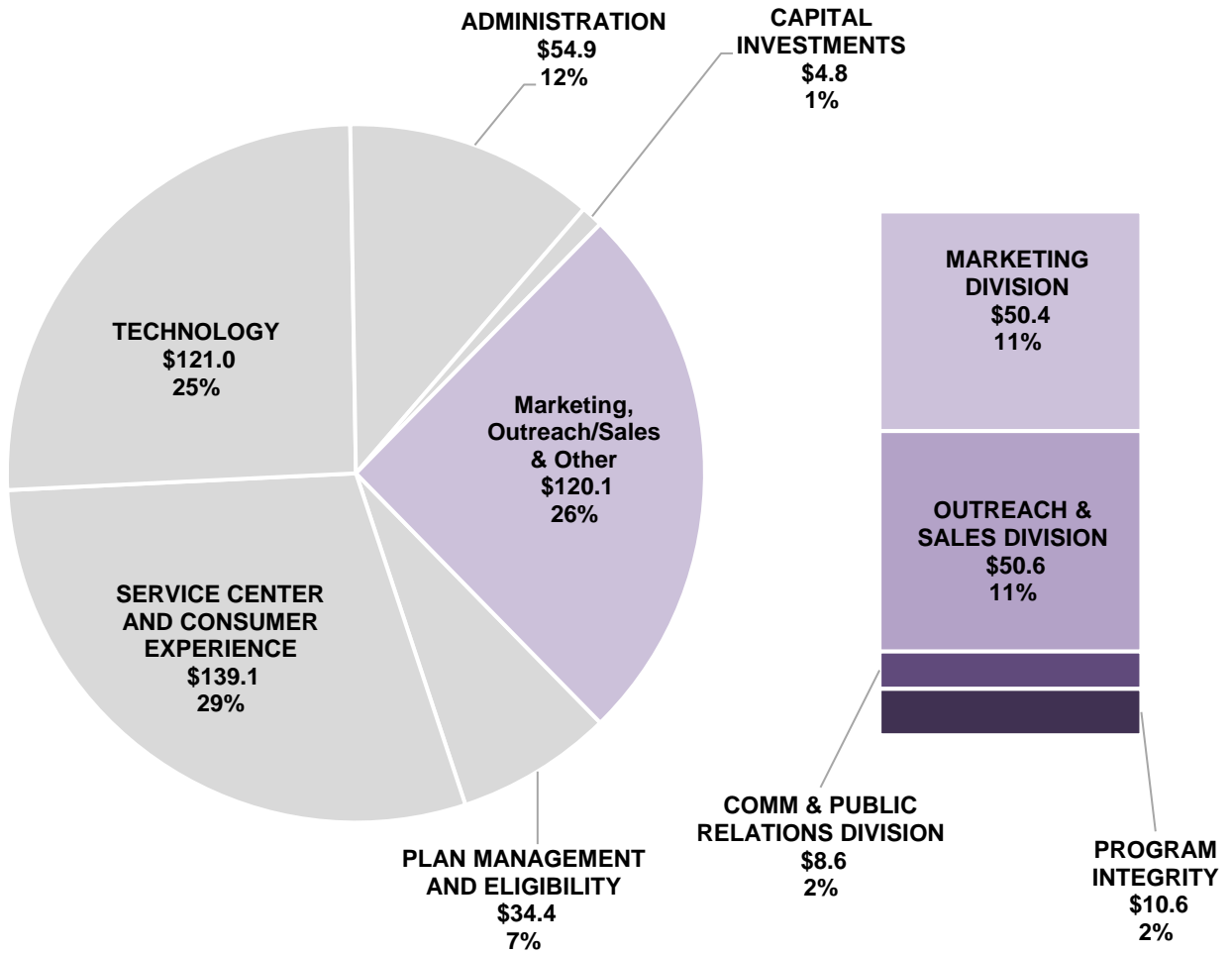
Marketing, Outreach/Sales, and Other

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 2024-25 totals \$120.1 million.

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

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	194	194	200	6	0
Personnel Expenditures	\$26,393,557	\$27,809,469	\$28,352,009	\$542,540	\$1,415,912
Other Operating Expenditures	<u>\$92,122,989</u>	<u>\$82,062,810</u>	<u>\$86,100,310</u>	<u>\$4,037,500</u>	<u>(\$10,060,179)</u>
Subtotal	\$118,516,545	\$109,872,278	\$114,452,318	\$4,580,040	(\$8,644,267)
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$5,298,400</u>	<u>\$5,686,786</u>	<u>\$5,661,722</u>	<u>(\$25,064)</u>	<u>\$388,386</u>
Total Operating Expenditures	<u>\$123,814,945</u>	<u>\$115,559,064</u>	<u>\$120,114,040</u>	<u>\$4,554,976</u>	<u>(\$8,255,881)</u>

**Marketing, Outreach/Sales, and Other
 FY 2024-25 Proposed Expenditures Budget
 \$474.4
 (Dollars in Millions)**



Marketing Division

Budget Unit Description

The Marketing Division is responsible for developing and implementing Covered California’s comprehensive marketing campaign 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 California’s diverse population across cultures, regions, ethnicities, and languages. The proposed budget for FY 2024-25 totals \$50.4 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	34	34	36	2	0
Personnel Expenditures	\$4,902,423	\$5,177,048	\$5,370,516	\$193,468	\$274,625
Other Operating Expenditures	<u>\$53,506,950</u>	<u>\$42,722,950</u>	<u>\$42,727,950</u>	<u>\$5,000</u>	<u>(\$10,784,000)</u>
Subtotal	\$58,409,373	\$47,899,998	\$48,098,466	\$198,468	(\$10,509,375)
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$2,460,543</u>	<u>\$2,355,500</u>	<u>\$2,263,293</u>	<u>(\$92,208)</u>	<u>(\$105,043)</u>
Total Operating Expenditures	<u>\$60,869,916</u>	<u>\$50,255,498</u>	<u>\$50,361,758</u>	<u>\$106,260</u>	<u>(\$10,614,418)</u>

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Marketing Division’s baseline budget decreased by \$10.6 million.

Personnel expenditures increased by \$274,625, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend⁴.

⁴ The Director of the Marketing Division is an exempt position. It will have a monthly salary in FY 2024-25 of \$17,683. This information is reported in compliance with Government Code 100503, Section 2(A).

Baseline Other Operating Expenditures decreased by \$10.8 million. This decrease was the net effect of a decrease of \$10,000,000 in marketing support related to the Medi-Cal continuous coverage unwind, a transfer of \$500,000 to the Outreach & Sales division, and a decrease of \$295,000 for an Advertising Efficacy research project.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Marketing Division decreased by \$105,058.

FY 2024-25 Proposed Budget Adjustments

Funding for the Marketing Division increased by \$106,260 above the baseline for FY 2024-25, reflecting the net effect of a \$92,208 reduction in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$198,468 increase in funding for personnel.

The additional funding will support two new permanent positions in the research series. These new staff will address the substantial workload associated with the implementation of SB 260 auto-enrollment and provide data management, data analytics, and reporting to support targeted consumer outreach. Working with monthly data identifying consumers whose health insurance has been canceled as well as data feeds from the Franchise Tax Board (FTB) and the Employment Development Department (EDD) the new staff will develop data sets for consumer outreach via direct mail, email, and text messaging.

Key Objectives for FY 2024-25

The Marketing Division will focus on the following core areas in FY 2024-25:

- 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 deliver messages tailored to consumers transitioning off Medi-Cal 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.

- Continue to utilize consumer lists from the California Department of Healthcare Services (DHCS), Employment Development Department (EDD), Franchise Tax Board (FTB) 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 who have been determined to no longer be eligible for Medi-Cal and consumers applying for unemployment insurance.
- Develop and implement strategies for addressing the Strategic Plan Pillar, Reaching Californians to enhance outreach to hard-to-reach populations across the state.

Outreach and Sales Division

Budget Unit Description

The purpose of the Outreach and Sales Division is to educate, empower, and support Covered California’s network of 15,000 certified sales partners. These partners perform a vital role in informing and expanding the number of eligible individuals enrolled in affordable, quality health care coverage. The division oversees contracting, compliance, regulations, and policy implementation for all sales channel partner programs, ensuring both program integrity and consumer protection.

Sales channel partners include independent insurance agents as well as the Navigator program, a statewide partnership with community organizations, 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 in obtaining coverage that aligns with their needs and those of their employees. The proposed budget for FY 2024-25 totals \$50.6 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	68	68	68	0	0
Personnel Expenditures	\$8,973,229	\$9,557,485	\$9,557,485	\$0	\$584,256
Other Operating Expenditures	<u>\$33,930,329</u>	<u>\$35,218,360</u>	<u>\$38,653,360</u>	<u>\$3,435,000</u>	<u>\$1,288,031</u>
Subtotal	\$42,903,558	\$44,775,845	\$48,210,845	\$3,435,000	\$1,872,287
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$1,912,594</u>	<u>\$2,290,461</u>	<u>\$2,345,657</u>	<u>\$55,197</u>	<u>\$377,867</u>
Total Operating Expenditures	<u>\$44,816,152</u>	<u>\$47,066,306</u>	<u>\$50,556,502</u>	<u>\$3,490,197</u>	<u>\$2,250,154</u>

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Outreach & Sales Division's baseline budget increased by \$2.3 million.

Personnel expenditures increased by \$584,256, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend⁵.

Baseline Other Operating Expenditures increased by \$1.3 million. This increase was the combined effect of the transfer of \$500,000 in funding from the Marketing Division to fund the Print Store, which produces educational materials that are used at enrollment events by certified enrollment partners, and an increase of \$733,031 for pricing increases for Pinnacle.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Outreach and Sales Division increased by \$377,867.

FY 2024-25 Proposed Budget Adjustments

Funding for the Outreach and Sales Division increased by \$3.5 million above the baseline for FY 2024-25, reflecting the combined effect of a \$55,197 increase in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$3.4 million increase in funding for other operating expenditures.

The additional funding will support an expansion of the Navigator program that was approved by Covered California's Board of Directors on January 18, 2024. The Navigator Program is mandated by the Patient Protection and Affordable Care Act of 2010. Covered California's Navigator Program is a partnership with community organizations across the state who have experience in reaching and assisting California's diverse populations and enrolling consumers in health care programs. Covered California will measure success for the expanded program against three metrics, effectuated enrollment, outreach and education activities, and application assistance. Covered California research staff will monitor and produce regular reporting on the performance of the grant program throughout the year.

Key Objectives for FY 2024-25

The Outreach and Sales Division will focus on the following core areas in the FY 2024- 25 budget:

- Strengthen active outreach, communications, and education programs to more than 15,000 certified enrollers who provide personalized enrollment assistance to hundreds of thousands of Californians who seek their guidance each year. Focus areas will

⁵ The Director of the Outreach and Sales Division is an exempt position. It will have a monthly salary in FY 2024-25 of \$12,950. This information is reported in compliance with Government Code 100503, Section 2(A).

include improving the quality and discoverability of enroller support content, modernizing our messaging, and continuing to empower users with self-service capabilities in the Enroller Portal.

- Implement and manage improvements to the Navigator program for grant cycle 2024-27 by incorporating innovative program enhancements. Ensure that our Navigator partners are equipped with the necessary tools and resources to conduct effective outreach, education, enrollment assistance, and post-enrollment services to Californians. The Navigator program will continue to deepen Covered California's reach into the underserved and underrepresented populations to broaden healthcare coverage accessibility, enhance health literacy, and nurture a community of well-informed and empowered healthcare consumers.
- Engage Californians through robust community interactions and outreach by fostering strong community connections, utilizing certified sales partners to reach out to Californians and building relationships with local organizations, community leaders, and health advocates to extend our outreach and increase the accessibility and understanding of health coverage options.
- Recruit a diverse, knowledgeable, and committed group of members for the Marketing, Outreach, and Enrollment Assistance Advisory Group for the 2025-2027 term. Focus on attracting individuals with a variety of backgrounds and experiences in healthcare, marketing, and community engagement who can provide valuable insights and strategies to enhance our outreach and enrollment efforts.
- Further enhance Covered California for Small Business's enrollment and eligibility platform and processes. The improved capability will more efficiently and accurately onboard employer groups, employees, and covered dependents and increase the number of Californians who can access affordable and comprehensive health coverage. Covered California for Small Business will continue to support efforts to connect small business owners and their employees to affordable coverage either in the small business or individual market.

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, stakeholder management and support, and community engagement. 6The proposed budget for FY 2024-25 totals \$8.6 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	30	30	34	4	0
Personnel Expenditures	\$4,274,345	\$4,321,084	\$4,670,156	\$349,072	\$46,739
Other Operating Expenditures	\$3,210,210	\$2,843,500	\$3,441,000	\$597,500	(\$366,710)
Subtotal	\$7,484,555	\$7,164,584	\$8,111,156	\$946,572	(\$319,971)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$378,019	\$413,264	\$449,122	\$35,858	\$35,245
Total Operating Expenditures	\$7,862,574	\$7,577,848	\$8,560,278	\$982,430	(\$284,726)

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Communications, Public Relations & External Affairs Division's baseline budget decreased by \$284,726.

Personnel expenditures increased by \$46,739, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the

\$260 per month health premium stipend⁶.

Baseline Other Operating Expenditures decreased by \$366,710. This decrease was largely due to a decrease of \$375,000 for the “We’ll Keep You Covered” outreach campaign related to the to the Medi-Cal continuous coverage unwind.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Communications and External Affairs Division increased by \$35,245.

FY 2024-25 Proposed Budget Adjustments

Funding for the Communications and External Affairs Division increased by \$982,430 above the baseline for FY 2024-25, reflecting the combined effect of a \$35,858 increase in the division’s share of Covered California’s allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$946,572 increase in funding for personnel and other operating expenditures.

The budget augmentation includes \$349,072 for four new dedicated positions and \$162,000 for vendor assistance to support Covered California’s Community Engagement and Partnership Program. The budget augmentation also includes a one-time request for \$425,000 in consulting dollars to develop “Back to the Basics: Health Insurance Literacy and Education” resources.

The Community Engagement and Partnership program will facilitate outreach to underserved populations utilizing culturally appropriate communications and will provide a platform for feedback that will support our continued efforts to engage with California’s geographically and culturally disparate populations and communities. The program will foster relationships with community-based organizations and leaders; create pathways for ongoing, meaningful dialogue to inform stakeholders of Covered California’s activities and priorities; and utilize community-level trusted messengers to help break down cultural, linguistic, and other barriers to coverage and care impacting Californians throughout the state.

The Back to the Basics: Health Insurance Literacy and Education resources will support a larger initiative geared toward educating uninsured consumers – with a particular focus in rural communities and among recent immigrants - about the basics and fundamentals of the health insurance system in the US. These resources will be designed to help empower Californians to make informed decisions about their health care, encourage them to explore their options, and address misperceptions that are prevalent in many communities. A portion of the resources will be dedicated to continuing awareness and education for Medi-Cal transitioners and the auto-enrollment process.

⁶ The Communications and Public Relations has two exempt positions. The Director of Communications & External Affairs with a monthly salary in FY 2024-25 of \$23,479 and Communications Deputy Director with a monthly salary of \$17,457. This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for FY 2024-25

Communications and External Affairs will focus on the following core areas in its FY 2024-25 budget:

- Establish a new community engagement program designed to deepen and enrich community-based relationships and partnerships. The program will deploy various strategies to meet its goals, including fostering relationships with community-based organizations and leaders; creating pathways for ongoing, meaningful dialogue to inform Covered California's activities and priorities; and generating community-level trusted messengers to help break down cultural, linguistic, and other barriers to coverage and care impacting Californians throughout the state.
- Support efforts to reach and historically marginalized communities through the development of multilingual, multicultural educational resources that will promote health literacy and improved awareness and understanding of Covered California and its offerings.
- Enhance the way we share innovative work Covered California is doing by improving internal and external information sharing. Leverage new forms of media and digital communications to promote Covered California's work and strengthen its network of external partners to inform existing and new audiences to broaden our reach to consumers, health leaders, and policymakers. Inform new, ongoing, and emergent legislative and policy issues impacting Covered California, consumers, the insurance market, and the health care landscape through timely, relevant data, information, and technical assistance.
- Strengthen the Communications and External Affairs team by hiring and onboarding new staff to support existing operations, CoveredCA.com, and the new community engagement program.

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. The proposed budget for FY 2024-25 totals \$10.6 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	62	62	62	0	0
Personnel Expenditures	\$8,243,560	\$8,753,852	\$8,753,852	\$0	\$510,292
Other Operating Expenditures	\$1,475,500	\$1,278,000	\$1,278,000	\$0	(\$197,500)
Subtotal	\$9,719,060	\$10,031,852	\$10,031,852	\$0	\$312,792
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$547,243	\$627,560	\$603,649	(\$23,911)	\$80,317
Total Operating Expenditures	\$10,266,303	\$10,659,413	\$10,635,502	(\$23,911)	\$393,109

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Program Integrity Division's baseline budget increased by \$393,109.

Personnel expenditures increased by \$510,292, which constituted the net effect of exchanging a position with the Customer Care Division, an increase in health insurance and

retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend⁷.

Baseline Other Operating Expenditures decreased by \$197,500. This decrease was the combined effect of a decrease of \$101,000 in several budget lines to better align with past expenditures, and a \$96,400 decrease in audit funding due a shift to compliance audits from performance audits.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Program Integrity Division increased by \$80,317.

FY 2024-25 Proposed Budget Adjustments

Funding for the Program Integrity Division decreased by \$23,911 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Program Integrity Division will focus on the following core areas in FY 2024-25:

- Improve the accuracy and consistency of consumer eligibility information between CalHEERS and the carrier systems.
- Streamline and enhance the CalHEERS testing processes to improve operational efficiencies and effectiveness.
- 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.

⁷ The Director of the Program Integrity Division is an exempt position. It will have a monthly salary in FY 2024-25 of \$19,173. This information is reported in compliance with Government Code 100503, Section 2(A).

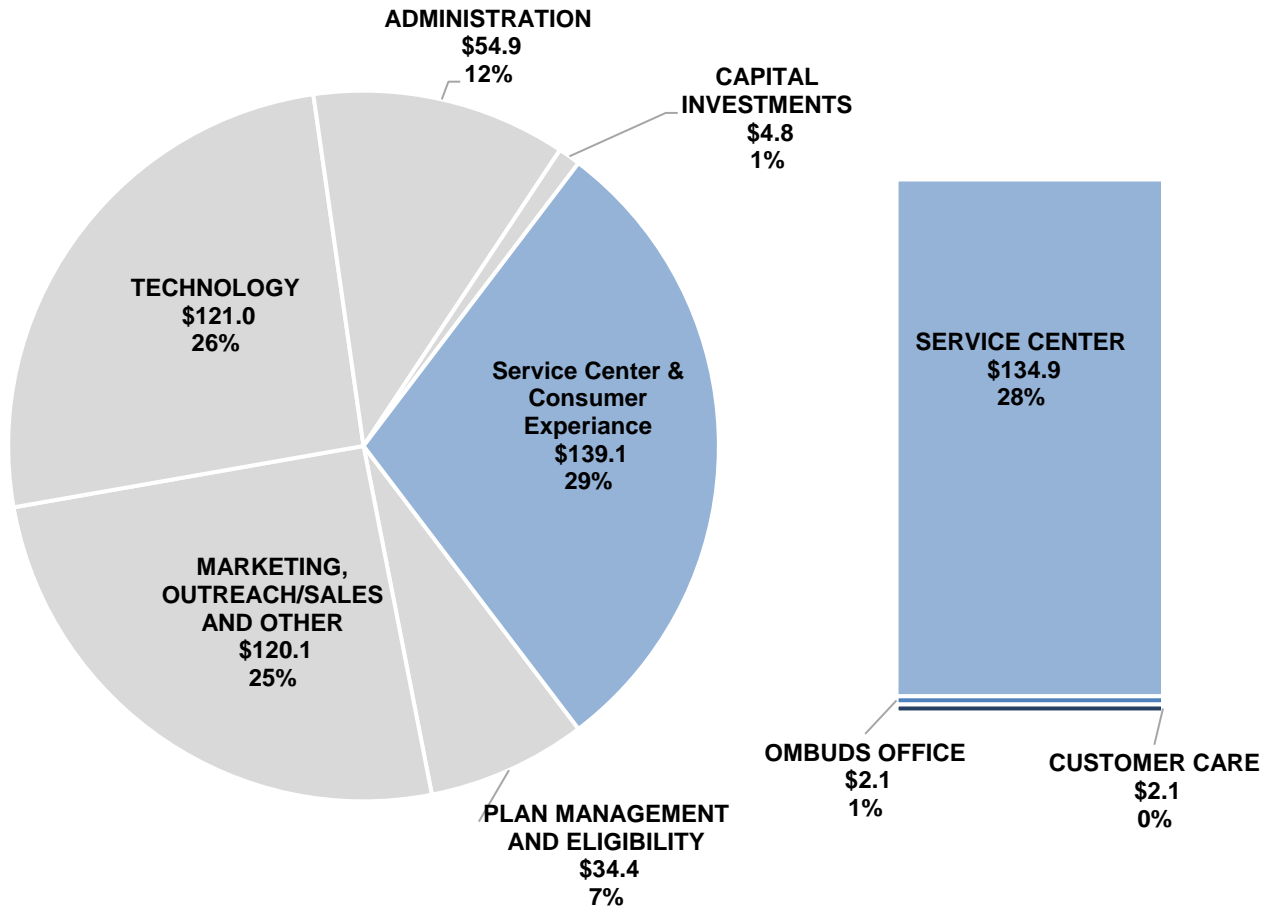
Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office, and Customer Care. The proposed budget for FY 2024-25 totals \$139.1 million.

Service Center and Consumer Experience: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	826	826	826	0	0
Personnel Expenditures	\$80,048,549	\$85,133,483	\$85,133,483	\$0	\$5,084,934
Other Operating Expenditures	\$40,864,567	\$40,221,067	\$46,013,553	\$5,792,486	(\$643,500)
Subtotal	\$120,913,116	\$125,354,550	\$131,147,036	\$5,792,486	\$4,441,434
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$6,941,881	\$7,967,187	\$7,928,908	(\$38,279)	\$1,025,306
Total Operating Expenditures	\$127,854,997	\$133,321,737	\$139,075,944	\$5,754,207	\$5,466,740

**Service Center and Consumer Experience
 FY 2024-25 Proposed Expenditure Budget:
 \$474.4
 (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.

The proposed budget for FY 2024-25 totals \$134.9 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	804	804	804	0	0
Personnel Expenditures	\$76,919,389	\$81,948,416	\$81,948,416	\$0	\$5,029,027
Other Operating Expenditures	<u>\$40,634,067</u>	<u>\$40,017,067</u>	<u>\$45,209,553</u>	<u>\$5,192,486</u>	<u>(\$617,000)</u>
Subtotal	\$117,553,456	\$121,965,483	\$127,157,969	\$5,192,486	\$4,412,027
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$6,751,322</u>	<u>\$7,752,598</u>	<u>\$7,695,281</u>	<u>(\$57,317)</u>	<u>\$1,001,276</u>
Total Operating Expenditures	<u>\$124,304,778</u>	<u>\$129,718,082</u>	<u>\$134,853,250</u>	<u>\$5,135,169</u>	<u>\$5,413,303</u>

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Service Center Division's baseline budget increased by \$5.4 million.

Personnel expenditures increased by \$5 million, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend⁸.

Baseline Other Operating Expenditures decreased by \$617,000. This decrease was the net effect of decreases for the Language Line, General Expenses, and Travel budget lines to better match past actual expenditures. Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Service Center Division increased by \$1 million.

FY 2024-25 Proposed Budget Adjustments

Funding for the Service Center increased by \$5.1 million above the baseline for FY 2024-25, reflecting the net effect of a \$57,317 reduction in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$5.2 million increase in funding for other operating expenditures.

It is anticipated that \$5.2 million in additional funding will be required to support a new contract for customer support "surge" vendor services to be negotiated later this year. The use of a surge vendor to meet seasonal and language requirements is an industry best practice and increases Covered California's ability to handle consumer interactions, especially those consumer interactions experienced during Open Enrollment. The addition of the surge vendor staff supports Covered California's goal to efficiently enroll consumers in health insurance coverage.

Over the past four years, unforeseen circumstances have necessitated increases to the contract with TTEC, the current surge vendor. Mindful of this, Covered California's Board of Directors has increased the contract authority for surge vendor services. While the contract with TTEC, provides extension options through 2028, Covered California has also issued an active Request for Proposal for these services.

⁸ The Service Center Division Director is an exempt position. It will have a monthly salary in FY 2024-25 of \$17,506. This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for FY 2024-25 Budget

The Service Center will focus on the following core areas in fiscal year 2024-25:

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 2024 in fiscal year 2023-24, the Service Center provided personal assistance almost 1.7 million times to consumers. There were over 1 million 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 fiscal year 2023-24, consumers registered a very high level of satisfaction in the services provided, stating they were satisfied 96% of the time. The Service Center's goal is to maintain the rate at which consumers who complete calls are "very satisfied" at or above the 85% mark in the coming year. Additional key deliverables for the upcoming fiscal year 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 comparable to fiscal year 2023-24 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 approximately 1.5 million consumer contacts during the special-enrollment period, which is forecasted to be comparable to fiscal year 2023-24 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 California Assembly Bill 4.
- **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.

- **Service Center support functions:** The Service Center also provides support to the consumer facing branches focusing on efficiencies, quality, and improving consumer and staff experiences. This is achieved through vendor management, Information Technology (IT) enhancement projects, evaluating consumer-facing workloads to identify trends, best practices, administrative support, staffing, and scheduling in an efficient, cost-effective, manner while ensuring the Service Center meets consumer demand and provides quality exceptional service.

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. The proposed budget for FY 2024-25 totals \$2.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	14	14	14	0	0
Personnel Expenditures	\$1,922,482	\$1,978,959	\$1,978,959	\$0	\$56,477
Other Operating Expenditures	\$52,000	\$34,000	\$34,000	\$0	(\$18,000)
Subtotal	\$1,974,482	\$2,012,959	\$2,012,959	\$0	\$38,477
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$114,611	\$129,738	\$124,892	(\$4,846)	\$15,128
Total Operating Expenditures	\$2,089,093	\$2,142,698	\$2,137,852	(\$4,846)	\$53,605

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Ombuds Office's baseline budget increased by \$53,605.

Personnel expenditures increased by \$56,477, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the

\$260 per month health premium stipend⁹.

Baseline Other Operating Expenditures decreased by \$18,000. This decrease was to adjust budget lines to match past actual expenditures.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Ombud's Division increased by \$15,128.

FY 2024-25 Proposed Budget Adjustments

Funding for the Ombuds Office decreased by \$4,846 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Ombuds Office will focus on the following core areas in FY 2024-25:

- Continue to explore new and innovative Ombuds services that can be used internally (organization) and externally (consumer).
- Updating and enhancing internal procedures to ensure we are assisting consumers effectively and efficiently through our customer service channels (i.e., phone, online form, mail, webpage, IVR, etc.).
- Fostering closer collaboration among our internal and external partnerships to create a seamless consumer support experience.

⁹ The Ombud's Office Director is an exempt position. It will have a monthly salary in FY 2024-25 of \$12,769. This information is reported in compliance with Government Code 100503, Section 2(A).

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). This work involves a high level of coordination, collaboration, and alignment throughout the organization to improve the consumer experience during all phases of the consumer journey. The proposed budget for FY 2024-25 totals \$2.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	8	8	8	0	0
Personnel Expenditures	\$1,206,678	\$1,206,108	\$1,206,108	\$0	(\$570)
Other Operating Expenditures	\$178,500	\$170,000	\$770,000	\$600,000	(\$8,500)
Subtotal	\$1,385,178	\$1,376,108	\$1,976,108	\$600,000	(\$9,070)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$75,948	\$84,850	\$108,735	\$23,884	\$8,902
Total Operating Expenditures	\$1,461,126	\$1,460,958	\$2,084,842	\$623,884	(\$168)

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Customer Care Division's baseline budget decreased by \$168.

Personnel expenditures decreased by \$570, which constituted the net effect of exchanging a position with the Program Integrity Division, an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend.

Baseline Other Operating Expenditures decreased by \$8,500. This decrease was to adjust budget lines to match past expenditures. Shared expenditures (Pro Rata, Supplemental

Pension and Department of General Services (DGS) allocated to the Customer Care Division increased by \$8,902.

FY 2024-25 Proposed Budget Adjustments

Funding for the Customer Care Division increased by \$623,884 above the baseline for FY 2024-25, reflecting the combined effect of a \$23,884 increase in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$600,000 increase in funding for other operating expenditures.

This funding will be used to secure consulting services in support of two initiatives, the Consumer Facing Communications Journey Project, and the Consumer Experience (CX) Key Performance Indicator (KPI) Dashboard Project.

The Consumer Facing Communications Journey Project will engage an independent contractor to study Covered California's consumer population, considering changing demographics and the latest market trends. The contractor's demographic analysis will be used to review Covered California's outbound communications and ensure that they reflect the current and future characteristics of its customer base.

Key Objectives for FY 2024-25

The Customer Care Division will focus on the following core areas in Fiscal Year 2024-25:

- Launch and enhance the Consumer Experience Score Card to measure Covered California's performance in providing exceptional service. The Score Card will also measure the success of consumer experience improvement initiatives.
- Continue to enhance Covered California's Chatbot (CiCi) by simplifying and streamlining assistance for the most common consumer inquiries by addressing top call drivers at the Service Center. Simplify the process to seamlessly transition Chatbot users to assistance when needed (e.g., help provided by the Service Center, Certified Insurance Agent/Enroller, or Medi-Cal County office).
- Implement quantitative and qualitative consumer research findings to improve information provided to consumers. Communicate complex health care terminology and concepts in a clear and understandable manner that resonates with consumers.
- Re-assess Covered California's journey maps to refine our understanding of the consumers' experience when they apply, shop, enroll and retain coverage. Provide recommendations to help inform the decision-making process when making improvements to simplify and streamline the consumer experience.

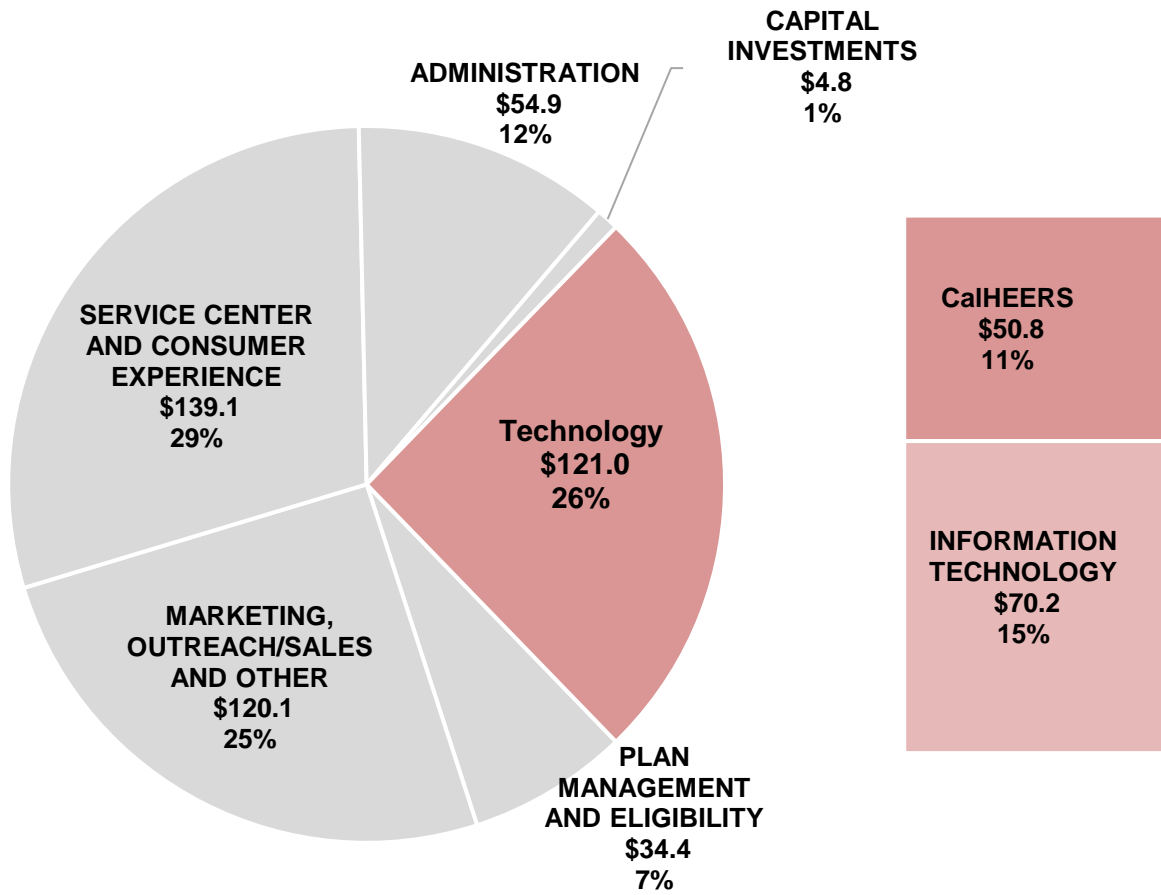
Technology

Technology includes the Information Technology (IT) Division and the consumer enrollment system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The FY 2024-25 proposed budget totals \$121 million.

Technology: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	113	111	113	2	-2
Personnel Expenditures	\$19,635,423	\$20,804,713	\$21,033,331	\$228,618	\$1,169,290
Other Operating Expenditures	<u>\$86,690,320</u>	<u>\$90,706,583</u>	<u>\$96,661,583</u>	<u>\$5,955,000</u>	<u>\$4,016,263</u>
Subtotal	\$106,325,743	\$111,511,296	\$117,694,914	\$6,183,618	\$5,185,553
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$2,590,609</u>	<u>\$3,153,840</u>	<u>\$3,301,876</u>	<u>\$148,037</u>	<u>\$563,231</u>
Total Operating Expenditures	<u>\$108,916,352</u>	<u>\$114,665,136</u>	<u>\$120,996,790</u>	<u>\$6,331,655</u>	<u>\$5,748,784</u>

Technology
FY 2024-25 Proposed Expenditure Budget:
\$474.4
(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. The proposed budget for FY 2024-25 totals \$50.8 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions				-	-
Personnel Expenditures	-	-	-	-	-
Other Operating Expenditures	\$49,468,552	\$50,752,923	\$50,752,923	\$-	\$1,284,371
Subtotal	\$49,468,552	\$50,752,923	\$50,752,923	\$-	\$1,284,371
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$-	\$-	\$-	\$-	\$-
Total Operating Expenditures	\$49,468,552	\$50,752,923	\$50,752,923	\$-	\$1,284,371

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The CalHEERS Division's baseline budget increased by \$1.3 million.

Baseline Other Operating Expenditures increased by \$1,3 million. This increase was the net effect of an increase of \$1.3 million related to Office of Systems Integration (OSI) expenditures for system changes and upgrades.

FY 2024-25 Proposed Budget Adjustments

There were no proposed changes to the CalHEERS baseline budget for FY 2024-25.

Key Objectives for Fiscal Year 2024-25

CalHEERS will focus on the following core areas in FY 2024-25:

- Collaborate with CalHEERS sponsors and partners to evaluate and innovatively improve consumer journeys across all channels with more efficient processes, seamless experiences, and new technology which allows Covered California to quickly test and implement enhancements.
- Deploy a new and improved intelligent document verification platform (IDP) leveraging artificial intelligence to validate uploaded consumer documents in real-time and materially reduce manual workstreams in Covered California's Service Center.
- Support and stage the transition of our physician provider network service to a new solution developed by IHA/Symphony.
- 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.
- Continue to improve consumer plan choice and the ability of agents and assisters to support consumer health plan enrollment via the Plan Choice and Assister Portal.
- Continue to improve the consumer experience utilizing human centered design, consumer focus group engagement, A|B testing in production, and consumer journey map data-driven initiatives.
- Continue to 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.

Information Technology Division

Budget Unit Description

The Information Technology Division provides technology acquisition, design, development, and support; program and project management; and information security services supporting Covered California business operations including health plan eligibility determination and enrollment, delivery of the enterprise strategic plan, business process optimization, applied innovation, and oversight of CalHEERS.

Three Information Technology Division branches deliver a broad array of services in support of this mission: Technology Solutions and Program Management, Technology Infrastructure and Operations, and the Information Security Office. The proposed budget for FY 2024-25 totals \$70.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	113	111	113	2	-2
Personnel Expenditures	\$19,635,423	\$20,804,713	\$21,033,331	\$228,618	\$1,169,290
Other Operating Expenditures	\$37,221,768	\$39,953,660	\$45,908,660	\$5,955,000	\$2,731,892
Subtotal	\$56,857,191	\$60,758,373	\$66,941,991	\$6,183,618	\$3,901,182
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$2,590,609	\$3,153,840	\$3,301,876	\$148,037	\$563,231
Total Operating Expenditures	\$59,447,800	\$63,912,213	\$70,243,867	\$6,331,655	\$4,464,413

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Information Technology Division's baseline budget increased by \$4.5 million.

Personnel expenditures increased by \$1.2 million, which constituted the net effect of reducing two positions as a transfer to the Human Resources Division, an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend¹⁰.

Baseline Other Operating Expenditures increased by \$2.7 million. This increase was the net effect an increase of \$800,000 for IT security projects, an increase of \$1.2 million for increased use of Microsoft products, \$565,000 for DocuSign rebuild of CLM and document conversion and \$65,000 for increased costs to Workday Contracting.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Information Technology Division increased by \$563,213.

FY 2024-25 Proposed Budget Adjustments

Funding for the Information Technology Division increased by \$6.3 million above the baseline for FY 2024-25, reflecting the combined effect of a \$148,037 increase in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$6.2 million increase in funding for personnel and other operating expenditures.

This \$6.1 million budget augmentation supports three initiatives emanating from Covered California's strategic plan. Additional funding of \$3 million will secure consulting services to explore opportunities for greater efficiencies and improved service through the adoption of artificial intelligence (AI) and develop an AI strategy and roadmap for Covered California.

Additional funding of \$1.7 million is intended to bolster and expand Covered California's Information Security Office. This funding will support two new positions and provide \$1.4 million for related consulting services.

Additional funding of \$1.5 million will be used to develop Covered California's Information Technology Strategic Initiative Program Development. Contracted services will be used to develop and manage implementation roadmaps, gather requirements, and provide technical architecture services for the IT-led initiatives in the Enterprise Strategic Plan. Key initiatives considered in this request include those driving Data Strategy, Innovation/Generative AI, Employee Experience, and Hybrid Workplace at Covered California.

Key Objectives for FY 2024-25

The Information Technology Division will focus on the following core areas in fiscal year 2024-25:

- Protect Covered California's brand and reputation by delivering an enterprise-wide information security program that reduces risk, increases information security

¹⁰ The Chief Technology Officer is an exempt position. It will have a monthly salary in FY 2024-25 of \$26,336. This information is reported in compliance with Government Code 100503, Section 2(A).

awareness, addresses emerging threats, and follows state and federal regulations.

- Provide Covered California employees and contractors with solutions to thrive in our hybrid work environment as we reimagine the relationships between our physical workplace environment at Expo and in employee home offices, technology, organizational change management, and human communication, collaboration, and engagement.
- Lead strategic initiatives to improve the consumer and employee experience, create a 360-degree view of every consumer engagement and a consistent brand experience across every consumer channel, deliver innovation by leveraging new technologies including generative artificial intelligence, and author an organizational data strategy promoting data literacy and data-driven decision making across the enterprise.
- Provide cost-effective oversight of the ongoing development, maintenance, and operation of CalHEERS, including delivering platform enhancements supporting real-time consumer document uploads and verification, and transition of our physician provider directory to IHA/Symphony.
- Collaborate with business divisions, our CalHEERS cosponsor DHCS and partners OTSI and Deloitte Consulting, 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.
- Partner with the Service Center Division to operationalize the recently deployed Amazon Connect contact center technology platform providing service center representatives and leadership with access to better tools and information supporting their critical engagement with consumers and support secure transition of the Service Center surge vendor relationship to Maximus.
- 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.
- Empower CCIT staff to keep our customer's perspective central to everything we do and showcase CCIT as the most innovative technology service provider and employer of choice in the State.

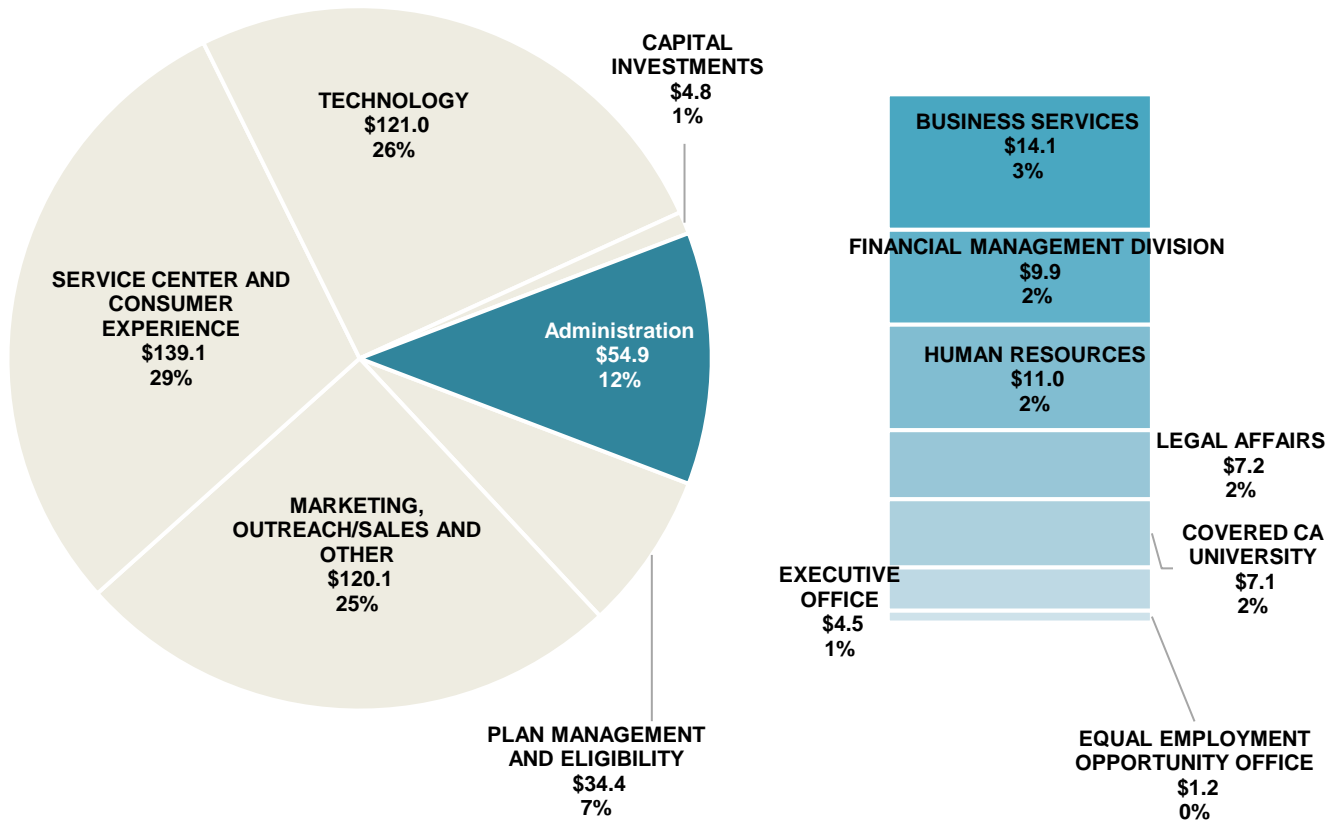
Administration

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 2024-25 is \$54.9 million.

Administration: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	230	232	235	3	2
Personnel Expenditures	\$35,157,248	\$37,193,333	\$37,510,321	\$316,988	\$2,036,085
Other Operating Expenditures	<u>\$16,102,661</u>	<u>\$14,509,280</u>	<u>\$14,516,780</u>	<u>\$7,500</u>	<u>(\$1,593,381)</u>
Subtotal	\$51,259,909	\$51,702,612	\$52,027,100	\$324,488	\$442,704
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$2,648,982</u>	<u>\$3,020,221</u>	<u>\$2,921,639</u>	<u>(\$98,582)</u>	<u>\$371,239</u>
Total Operating Expenditures	<u>\$53,908,891</u>	<u>\$54,722,833</u>	<u>\$54,948,739</u>	<u>\$225,906</u>	<u>\$813,942</u>

**Administration
 FY 2024-25 Proposed Expenditure Budget:
 \$474.4 Million
 (Dollars in Millions)**



Business Services Branch

Budget Unit Description

The Business Services Division 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. The proposed budget for FY 2024-25 totals \$14.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	41	41	41	0	0
Personnel Expenditures	\$5,369,197	\$5,679,890	\$5,679,890	\$0	\$310,693
Other Operating Expenditures	\$7,472,411	\$7,706,334	\$7,706,334	\$0	\$233,923
Subtotal	\$12,841,608	\$13,386,224	\$13,386,224	\$0	\$544,616
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$622,969	\$735,321	\$704,713	(\$30,608)	\$112,352
Total Operating Expenditures	\$13,464,576	\$14,121,544	\$14,090,936	(\$30,608)	\$656,968

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Business Services Division's baseline budget increased by \$656,968.

Personnel expenditures increased by \$310,693, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend.

Baseline Other Operating Expenditures increased by \$233,923. This increase was the net effect \$381,493 of increases in leases, a \$75,000 increase in general expenses offset by a \$91,431 decrease in other facility related expenditures and a \$131,139 decrease in Health and Safety, office supply, and other miscellaneous expenditures.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Business Services Division increased by \$112,352.

FY 2024-25 Proposed Budget Adjustments

Funding for the Business Services Division decreased by \$30,608 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Business Services Branch (BSB) will focus on the following core areas in FY 2024-25:

- Evaluate and enhance systems and technology to increase operational efficiency and create a positive user experience.
 - Ensuring the DocuSign Contract Lifecycle Management (CLM) is fully implemented including reporting and acts as a single trusted database for contracting activities.
 - Rolling out the new ServiceNow system to replace the existing asset database SRAM and Service Portal, and add new service request offerings, where appropriate, to continue developing BSB's service portfolio.
 - Conducting regular testing of Veoci (an emergency response system) so employees become more familiar during an emergency. In addition, fully deploying Veoci to use during an emergency and allow divisions to make updates in real-time.
 - Leveraging DocuSign Powerforms and Power Automate to move away from outdated manual workflows.
 - Expanding SharePoint resources and libraries and improving availability and accessibility of information.
- Identify areas of non-compliance and implement corrective action plans including:
 - Combining existing Program Contract Management training with DocuSign CLM training resources, reduce training hours needed to complete initial Program Contract Management training, and develop a shorter annual training refresh.
 - Implementing updated Business Continuity Plan multi-year training and

exercise plan, which includes conducting tabletop exercises and building out new incident action plans. Rolling out FEMA training via LMS to designated emergency operations center personnel.

- Develop mental health first-aid training for the organization.
- Enhance 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. This is a multi-year project.
- Execute implementation strategies for achieving BSB 2024-2025 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating, and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns.

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. The proposed budget for FY 2024-25 totals \$9.9 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	55	55	55	0	0
Personnel Expenditures	\$8,017,719	\$8,353,669	\$8,353,669	\$0	\$335,950
Other Operating Expenditures	<u>\$2,124,975</u>	<u>\$965,268</u>	<u>\$965,268</u>	<u>\$0</u>	<u>(\$1,159,707)</u>
Subtotal	\$10,142,694	\$9,318,937	\$9,318,937	\$0	(\$823,757)
Allocated Expenditures					
Prorata/Supp. Pension/Other	<u>\$547,363</u>	<u>\$576,618</u>	<u>\$554,487</u>	<u>(\$22,131)</u>	<u>\$29,254</u>
Total Operating Expenditures	<u>\$10,690,057</u>	<u>\$9,895,555</u>	<u>\$9,873,424</u>	<u>(\$22,131)</u>	<u>(\$794,503)</u>

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Financial Management Division's baseline budget decreased by \$794,503.

Personnel expenditures increased by \$335,950, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the

\$260 per month health premium stipend¹¹.

Baseline Other Operating Expenditures decreased by \$1.2 million. This decrease was due to the expiration of a contract for \$1.2 million. This work has been absorbed by staff of the Information Technology Division and the Financial Management Division.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Financial Management Division increased by \$29,254.

FY 2024-25 Proposed Budget Adjustments

Funding for the Financial Management Division decreased by \$22,131 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Financial Management Division will focus on the following core areas in FY 2024-25:

- 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 software.
- Continue to incorporate analytic tools, such as SAS, to better utilize FISCAL accounting data to create actionable information for better decisions.
- Develop 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.
- Design, develop, and implement an accounting training program to enhance the skills and knowledge of FMD staff.

¹¹ The Chief Financial Officer is an exempt position. It will have a monthly salary in FY 2024-25 of \$20,683. This information is reported in compliance with Government Code 100503, Section 2(A).

Human Resources Branch

Budget Unit Description

The Human Resources Branch provides overall policy direction on human resource management and administrative support functions related to employee management. Our mission is to cultivate a supportive and efficient work environment through various specialized units including Digital Innovation and Operations, Disability Management, Employment and Classification Services, Career Services (Diversity, Equity, and Inclusion, as well as Talent Acquisition), Labor Relations, Payroll and Benefits, Performance Management, and Strategic Solutions and Analytics. The proposed budget for FY 2024-25 totals 11.0 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	56	58	58	0	2
Personnel Expenditures	\$7,787,309	\$9,064,264	\$9,064,264	\$0	\$1,276,955
Other Operating Expenditures	\$1,638,650	\$1,302,600	\$1,302,600	\$0	(\$336,050)
Subtotal	\$9,425,959	\$10,366,864	\$10,366,864	\$0	\$940,905
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$520,637	\$633,669	\$609,148	(\$24,521)	\$113,032
Total Operating Expenditures	\$9,946,596	\$11,000,533	\$10,976,012	(\$24,521)	\$1,053,937

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Human Resources Division's baseline budget increased by \$1.1 million.

Personnel expenditures increased by \$1.3 million, which constituted the net effect of adding two positions as transfers from the Information Technology Division, an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend. Additionally, \$360,000 in allocated expenditures for payments for the State

Compensation Insurance Fund (SCIF) previously recognized in the Human Resources budget as other operating expenses, are recognized in the FY 2024-25 budget and going forward, as personnel expenses.

Baseline Other Operating Expenditures decreased by \$336,050. This decrease was the net effect of the transfer of \$360,000 in funding for the SCIF – workers compensation – to the personnel budget, and reductions of \$299,500 in funding for general and other expenses, combined with an increase of \$225,000 executive recruitment. Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Human Resources Division increased by \$113,029.

FY 2024-25 Proposed Budget Adjustments

Funding for the Human Resources Division decreased by \$24,521 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-2025

The Human Resources Branch will focus on the following core areas in fiscal year 2024-25:

- Promote inclusive hiring practices by incorporating diversity, equity, and inclusion into the hiring process by establishing a diverse hiring composition panel.
- Redesign the exit survey and interview processes to enhance feedback collection and gain deeper insights into the employee experience throughout their tenure.
- Transition all onboarding activities into Workday, aiming for seamless experience and integration as well as improved efficiency.
- Implement innovative onboarding strategies and practices for both employees and supervisors to ensure the successful integration of employees into their role.
- Boost employer brand and highlight organizational culture by expanding presence on LinkedIn with additional Life pages and revitalizing Covered CA Careers' social media presence to increase engagement and broaden reach.
- Develop a comprehensive toolkit for hiring managers in the recruitment process.
- Plan and execute additional career development workshops to boost employee professional development, growth, and learning.
- Conduct research on the appropriate use of classifications and explore potential options where issues are identified, to ensure optimal/effective utilization.
- Revamp the recruiting process into a simplified and streamlined workflow,

manageable for hiring managers.

- Identify and establish a new 'time to fill' goal to enhance recruitment efficiency and effectiveness.
- Facilitate and deliver comprehensive performance management training to supervisors and managers to enhance productivity and overall performance.
- Reevaluate and redesign the Career Management and You SharePoint page to ensure it remains current, relevant, and easy to navigate.
- Conduct a thorough assessment of the existing backlog and associated challenges in Workday to develop a strategic refinement plan to address issues effectively.

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. The proposed budget for FY 2024-25 totals \$7.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	25	25	25	0	0
Personnel Expenditures	\$4,204,145	\$4,317,600	\$4,317,600	\$0	\$113,455
Other Operating Expenditures	\$2,393,000	\$2,497,500	\$2,497,500	\$0	\$104,500
Subtotal	\$6,597,145	\$6,815,100	\$6,815,100	\$0	\$217,955
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$329,669	\$384,455	\$368,744	(\$15,711)	\$54,785
Total Operating Expenditures	\$6,926,814	\$7,199,555	\$7,183,843	(\$15,711)	\$272,740

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Office of Legal Affairs' baseline budget increased by \$272,740.

Personnel expenditures increased by \$113,455, which constituted the net effect of an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the

\$260 per month health premium stipend¹².

Baseline Other Operating Expenditures increased by \$104,500. This increase was the net effect an increase of \$84,000 for the Legal Aid Society and a \$45,000 increase for printing and mailing offset by a reduction of \$23,000 for Training, Travel and General Expense.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Office of Legal Affairs increased by \$54,785.

FY 2024-25 Proposed Budget Adjustments

Funding for the Office of Legal Affairs decreased by \$15,711 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Office of Legal Affairs will focus on the following core areas in FY 2024-25:

- Work closely with the Health Consumer Alliance to ensure smooth transitions to Covered California for individuals losing Medi-Cal coverage as Medicaid redeterminations resume after the ending of the continuous coverage requirement stemming from the COVID-19 Public Health Emergency and Covered California's new auto-enrollment initiative under SB 260 (Hurtado, Chapter 845, Statutes of 2019) continues.
- Support Covered California's critical efforts to develop a comprehensive data strategy that will better define how the organization will collect, manage, and access data to provide robust security and privacy protections, manage risk, and facilitate effective decision-making.
- 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.

¹² The Director of the Office of Legal Affairs is an exempt position. It will have a monthly salary in FY 2024-25 of \$18,617. This information is reported in compliance with Government Code 100503, Section 2(A).

Covered California University

Budget Unit Description

The Covered California University is the learning and development branch. As experts on change adoption strategies, information dissemination, knowledge-sharing, and management, learning programs and systems, the branch collaborates with programs and interacts across the organization leveraging subject matter experts and maintains both written materials and training courses that support organizational effectiveness and development. The branch manages and administers the technology that supports information and training, including the Knowledge Hub, Knowledge Management Center, Customer Relationship Management Salesforce Knowledge, Absorb Learning Management System and LinkedIn Learning. The branch consists of the following sections: Knowledge and Data section and the Learning Programs Section with supporting specialists in Diversity, Equity and Inclusion and Organizational Change Management. The proposed budget for FY 2024-25 totals \$7.1 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	33	34	36	2	1
Personnel Expenditures	\$4,967,581	\$5,396,269	\$5,610,129	\$213,860	\$428,688
Other Operating Expenditures	\$1,353,333	\$1,094,160	\$1,099,160	\$5,000	(\$259,173)
Subtotal	\$6,320,914	\$6,490,429	\$6,709,289	\$218,860	\$169,515
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$337,995	\$391,068	\$390,521	(\$547)	\$53,073
Total Operating Expenditures	\$6,658,909	\$6,881,497	\$7,099,810	\$218,313	\$222,588

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

Covered California University's baseline budget increased by \$222,588.

Personnel expenditures increased by \$428,688, which constituted the net effect of adding

one position as a transfer from the Executive Office, an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend.

Baseline Other Operating Expenditures decreased by \$259,173. This decrease was due to a \$300,000 reduction in the SharePoint Enterprise Content Management System project that will be funded from the Information Technology Division's budget.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Covered California University increased by \$53,073.

FY 2024-25 Proposed Budget Adjustments

Funding for Covered California University increased by \$218,313 above the baseline for FY 2024-25, reflecting the net effect of a \$547 reduction in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$218,860 increase in funding for personnel.

The additional funding will support two new permanent staff who will further develop and expand Covered California's Office of Change Management (CMO). The new personnel will focus on areas where changes occur on a regular basis including CalHEERS, Salesforce, Future of Work initiatives, strategic plan initiatives, various technology updates including Generative Artificial Intelligence (GenAI) tools, and policy changes that impact the organization.

The CMO will work to improve cross-divisional communication channels and collaboration, streamlining the flow of information, ensuring that all stakeholders and impacted end users are well-informed and aligned on the changes taking place. This strategic and structured approach to managing change is intended to reduce the potential for disruption and enhance the ability to predict and manage potential obstacles to change.

Key Objectives for FY 2024-25

Covered California University will focus on the following core areas in fiscal year 2024-25:

- Organizational Effectiveness – Drive adoption of approved policy, procedure, and technology changes and best practices through a variety of strategies, including change networks, guides, talking points, resources, and training for use by the department and external partners to ensure organizational compliance and effectiveness.
- Workforce Development – Assess, develop, and provide organizational learning and development opportunities through a variety of methods, including instructor-led, virtual instructor-led, eLearning, program-led and vendor training to maintain and

improve workforce development and productivity.

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

- Execute strategies to achieve CCU's 2024-2025 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating, and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns.
- Develop and support knowledge communities of representatives from each division to collaborate and apply knowledge-sharing and knowledge management strategies.
- Implement language and editor tool to check all Covered California University content to improve inclusive language, recommend plain language and verify language is consistent with Covered California's brand and language consistency best practices.
- Establish a Change Management Office to ensure common change management strategies are applied at the start of all projects and initiatives to that they are inseparable from project delivery processes.
- Develop and implement diversity, equity, and inclusion curriculum for three different end-user groups (Rank and File, Supervisors and Middle Managers, and Senior Leaders and Executives) across the Covered California organization and implement an inclusive language guide.
- Launch Learning Management System dashboards to track completion of Division Training Plan courses by user within each Division.

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 employees 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 employees, 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. The proposed budget for FY 2024-25 totals \$4.5 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	14	14	14	0	0
Personnel Expenditures	\$3,899,686	\$3,631,750	\$3,631,750	\$0	(\$267,936)
Other Operating Expenditures	\$694,075	\$636,708	\$636,708	\$0	(\$57,367)
Subtotal	\$4,593,761	\$4,268,458	\$4,268,458	\$0	(\$325,303)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$221,220	\$236,737	\$226,948	(\$9,789)	\$15,517
Total Operating Expenditures	\$4,814,981	\$4,505,195	\$4,495,406	(\$9,789)	(\$309,786)

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Executive Office's baseline budget decreased by \$309,786.

Personnel expenditures decreased by \$267,936, which constituted the net effect of transferring one position to Covered California University, transferring one position from Equal Employment Office, an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend¹³.

Baseline Other Operating Expenditures decreased by \$57,367. This decrease was the net effect of a reduction of \$75,000 for Strategic Planning offset by an increase of \$20,000 for The Center for Health Policy Development and \$10,000 increase for Diversity, Equity, and Inclusion.

Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Executive Office increased by \$15,517.

FY 2024-25 Proposed Budget Adjustments

Funding for the Executive Office decreased by \$9,789 below the baseline for FY 2024-25, reflecting a reduction of the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS).

Key Objectives for FY 2024-25

The Executive Office will focus on the following core areas in fiscal year 2024-25:

- 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 (final year of implementation). Prioritize diversity, equity, and inclusion (DEI) in our operational practices, decision-making, and culture.
- Execute implementation strategies for achieving OOCIE 2024-2025 milestones within the 2023-2026 Covered California strategic plan by monitoring, evaluating,

¹³ The Executive Office has five exempt positions. They include the Executive Director with a monthly salary in FY 2024-25 of \$41,344, the Chief Deputy Executive Director, Operations with a monthly salary in FY 2024-25 of \$28,971, the Chief Deputy Executive Director, Program with a monthly salary in FY 2024-25 of \$34,950, the Chief Deputy Executive Director, General Counsel with a monthly salary in FY 2024-25 of \$27,563, and the Administrative Services Division Director and Deputy Chief Operations Officer with a monthly salary in FY 2024-25 of \$16,028. This information is reported in compliance with Government Code 100503, Section 2(A).

and adjusting strategic initiatives within the plan to complete objectives and address new challenges and organizational concerns.

- Promote and measure employee engagement and DEI 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. The proposed budget for FY 2024-25 totals \$1.2 million.

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Positions	6	5	6	1	-1
Personnel Expenditures	\$911,611	\$749,891	\$853,019	\$103,128	(\$161,720)
Other Operating Expenditures	\$426,217	\$306,710	\$309,210	\$2,500	(\$119,507)
Subtotal	\$1,337,828	\$1,056,601	\$1,162,229	\$105,628	(\$281,227)
Allocated Expenditures					
Prorata/Supp. Pension/Other	\$69,129	\$62,355	\$67,078	\$4,724	(\$6,774)
Total Operating Expenditures	\$1,406,957	\$1,118,956	\$1,229,307	\$110,352	(\$288,002)

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Equal Employment Opportunity Office’s baseline budget increased by \$288,002.

Personnel expenditures decreased by \$161,720, which constituted the net effect of a reduction of one position as a transfer to the Executive Office, an increase in health insurance and retirement benefits expenditures and a scheduled 3.0 percent general salary

increase, partially offset by a decrease in employees receiving the \$260 per month health premium stipend.

Baseline Other Operating Expenditures decreased by \$119,507. This decrease is due to a decrease in funding for Diversity, Equity and Inclusion activities which are now budgeted in the Executive Office. Shared expenditures (Pro Rata, Supplemental Pension and Department of General Services (DGS) allocated to the Equal Employment Opportunity Office decreased by \$6,774.

FY 2024-25 Proposed Budget Adjustments

Funding for Equal Employment Opportunity Office increased by \$110,352 above the baseline for FY 2024-25, reflecting the combined effect of a \$4,724 increase in the division's share of Covered California's allocated expenditures (Pro Rata, Supplemental Pension and DGS) and a \$105,628 increase in funding for personnel.

The additional funding will support the reestablishment of a position that was transferred to the Executive Office division earlier but is now needed to support a growing workload in the Equal Employment Opportunity Office.

Key Objectives for FY 2024-25

The Equal Employment Opportunity Office will focus on the following core areas in fiscal year 2024-25:

- 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.
- Collaborate with HRB, OOCIE, and CCU in the development of DEI initiatives.

Capital Investments

Budget Unit Description

The Capital Investments budget unit identifies expenditures that are classified as capital assets. Capital assets for purposes of this 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 lease hold improvements and major equipment purchases.

The proposed budget for FY 2024-25 totals \$4.8 million

Budget Unit: Multi-Year View

	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2024-25	Difference	Difference
	Approved Budget	Baseline Budget	Proposed Budget	Between FY 2024-25 Baseline and Proposed FY 2024-25 Budget	Between FY 2023-24 Approved Budget and FY 2024-25 Baseline
Capital Investments - CalHEERS	\$0	\$0	\$0	\$0	\$0
Capital Investments - Other	\$5,651,000	\$4,825,000	\$4,825,000	\$0	-\$826,000
Total Investment Expenditures	\$5,651,000	\$4,825,000	\$4,825,000	\$0	-\$826,000

Highlights for FY 2024-25 Proposed Budget and Key Changes

Adjustments to the Baseline

The Capital Investment's baseline budget decreased by \$826,000. This decrease was the net effect of reductions of \$435,000 for tenant improvements, a \$260,000 reduction for AV Consulting Services, and an \$86,000 reduction for Service Center Laptop Conversion.

FY 2024-25 Proposed Budget Adjustments

There were no proposed changes to the Capital Investment's baseline budget for FY 2024-25.

III. Fiscal Year 2023-24 Budget Highlights and Projected Year-End Results

Covered California's FY 2023-24 budgetary financial outcome is forecasted to exceed budget expectations. This favorable outcome is driven by the net effect of slightly lower operating revenues relative to budgeted, and sizable favorable expenditure budget variances. Operating income was budgeted to total \$4.4 million; however, forecasted operating income is expected to total \$42.2 million, resulting in a favorable budget variance of \$37.8 million. The Fund balance is projected to increase by \$64.2 million by the end of FY 2023-24.

Budget to Actual Variances

The budget assumed that California's fund balance would increase by \$15.1 million during FY 2023-24. Based on actual revenue and expenditure forecasts, the projected change in fund balance is \$64.2 million, resulting in a \$49.0 million favorable change in fund balance budget variance.

The favorable budget variance is driven by several factors. These include an unfavorable enrollment budget variance, an unfavorable individual market revenue budget variance, a favorable CCSB revenue budget variance, a favorable operating expenditure budget variance, and a favorable non-operating income budget variance.

The unfavorable enrollment variance was primarily driven by fewer than expected Medi-Cal transitions. The budget assumed that more Medi-Cal transitions would flow into Covered California; however, due to slower than expected inflows the monthly average came in less than budgeted.

The individual market participation fee revenue is forecasted to come in at \$15.9 million less than budgeted, totaling \$417.5 million. The 3.7 percent unfavorable individual market revenue budget variance was primarily driven by fewer than expected member months.

The CCSB revenue totaled \$32.1 million, exceeding budget projections by \$5.9 million largely due to small employer group retention and premium levels that were greater than expected.

Personnel expenditures are forecasted to total \$167.2 million, which is \$9.9 million less than budgeted. The favorable budget variance was driven primarily by a higher-than-expected vacancy rate. The budget assumed a vacancy rate of 7.5 percent; however, the actual vacancy rate was roughly 11 percent.

Other operating expenditures are forecasted to total \$221.0 million, or \$37.9 million less than budgeted. This favorable budget variance is driven by anticipated budget expenditures that are not expected to materialize by fiscal year end.

Non-operating income totaled \$21.9 million, or \$11.2 million more than budgeted. The favorable budget variance was driven by higher-than-expected Surplus Money Investment Fund (SMIF) interest income returns and unbudgeted penalty assessment fees collected.

Year-Over-Year Changes

Forecasted FY 2023-24 operating income declined \$5.0 million year-over-year, from \$47.3 million in FY 2022-23 to \$42.2 million in FY 2023-24.

Covered California's forecasted FY 2023-24 operating revenue is \$31.5 million greater than the FY 2022-23 actual total of \$418.0 million. The increased revenue was driven by higher enrollment totals, and increased price. Total member months rose from 19,981,216 to 20,390,996, or 562,203 year-over-year. In addition, gross premiums per-member-per-month rose from \$591.16 to \$627.38, or 6.1 percent, between FY 2022-23 and FY 2023-24.

Operating expenditures increased year-over-year by \$36.5 million. The year-over-year increase was driven by personnel expenditures and other operating expenditures.

Personnel expenditures rose from \$160.1 million to \$167.2 million, or \$7.1 million. The increase in personnel expenditures year-over-year was the result of filling vacant positions (average filled rose from 1,289 to 1,302) and increased wages and benefits. A 3.0 percent general salary increase became effective on July 1, 2023.

Other operating expenditures rose from \$192.1 million to \$221.0 million year-over-year. The \$28.9 million year-over-year increase was driven by FY 2023-24 budget augmentations. During FY 2023-24, Covered California added seven positions and increased other operating expenditures. These investments were intended to:

1. Support the Medi-Cal continuous coverage unwind and auto-enrollment of those losing Medi-Cal eligibility. This included funding for additional marketing, outreach, consumer research, and customer service resources.
2. Make continued investments in information technology, security, and management.
3. Fund facility-related capital investments.
4. Support the Covered California for Small Business (CCSB) program, and
5. Advance various goals and priorities emerging from Covered California's ongoing strategic planning process.

State shared expenditures rose year-over-year by \$569,000. The increase is primarily related to benefit cost increases for retirees and pay-as-go / prefunding of health care.

Non-operating income rose year-over-year by \$8.8 million. The year-over-year increase was the result in increased return on investments associated with the Federal Reserve's monetary actions.

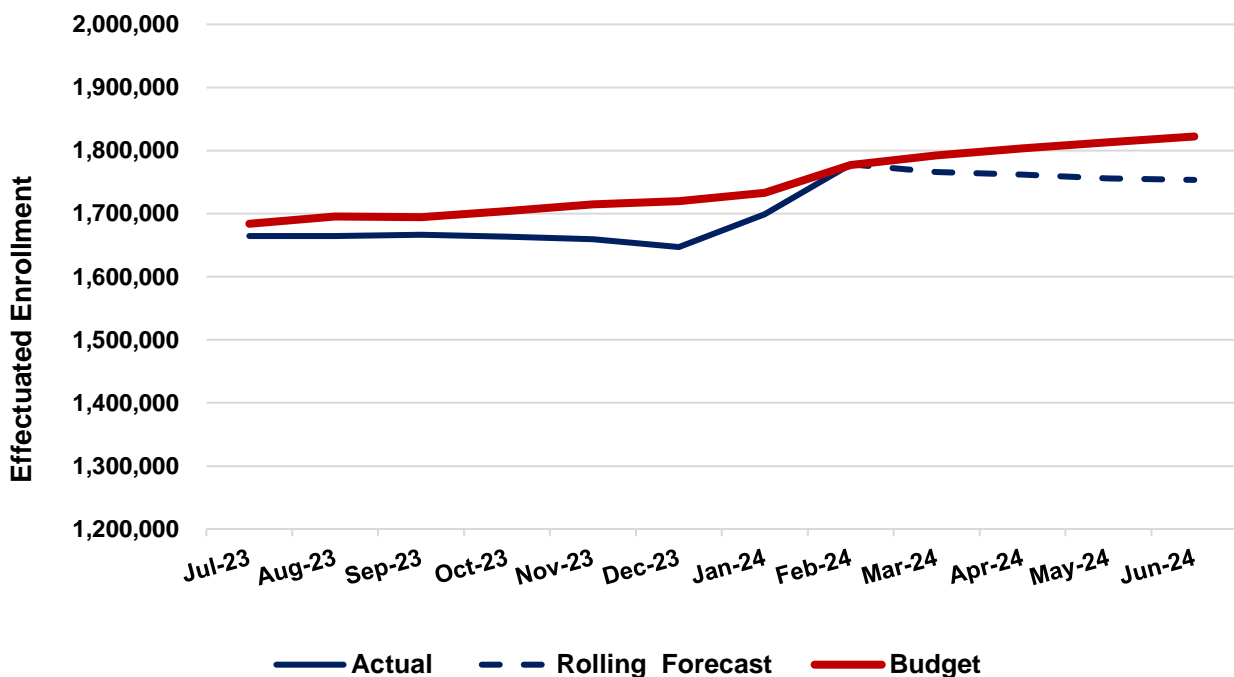
The year-over-year penalty assessments on carriers to enhance quality increased by \$2.4 million, increasing from \$367,000 to \$2.8 million.

Projected and Actual Individual Medical Enrollment for FY 2023-24

Individual medical plan member months are estimated to come in lower than budgeted by 562,203, or 2.7 percent. Individual medical plan per-member-per-month (PMPM) participation fee revenue is forecasted to average \$20.39, \$0.16 less than the budgeted PMPM of \$20.55.

Figure 4

Individual Medical Plan Enrollment for Fiscal Year 2023-24;
Budget Forecast Compared to Actual and Forecasted



Throughout the first half of the FY, actual enrollment lagged the budget estimate, reflecting lower than expected effectuations between July and September from individuals losing Medi-Cal eligibility. There were several reasons for the lower-than-expected transitions from Medi-Cal to Covered California. First, the eligibility redetermination process took longer to ramp up, resulting in both plan selections and effectuations associated with the Medi-Cal unwind coming in lower than expected, and

not rising until September. Second, the population disenrolled had lower incomes than had been projected in the budget. More than 80 percent of those disenrolled had incomes below 138 percent of the Federal Poverty Level (FPL), remaining eligible for Medi-Cal, and had been disenrolled for procedural reasons.

During the first three months of the fiscal year, July through September, effectuated enrollment from Medi-Cal transitioners averaged only 5,529 per month compared to the 19,913 per month expected in the budget forecast. However, over the next five months, October through February, effectuated enrollment from Medi-Cal transitioners averaged 14,423 per month. For the last four months of FY 2023-24, effectuated enrollment from Medi-Cal transitioners is expected to average 11,868, for a fiscal year average of 11,348 per month or 136,348 overall.

FY 2023-24 saw the first full year of auto-enrollment as mandated by SB 260. Enacted in 2019, SB 260 authorized Covered California to enroll consumers in a qualified health plan (QHP) automatically when they lose Medi-Cal coverage and gain eligibility for advanced premium tax credits (APTC). Covered California began its auto-enrollment program in June 2023 for consumers transitioning from Medi-Cal. These consumers were enrolled in the lowest cost silver plan to maximize premium tax credit and cost sharing support.

Table 10
FY 2022-23 Actual, FY 2023-24 Budget, and FY 2023-24 Projected Actual

	FY 2022-23	FY 2023-24	FY 2023-24	FY 2023-24	Difference
	<u>Actual</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Between FY 2023-24 Actual and FY 2022- 23 Actual</u>
Total Individual Market Member Months	19,981,216	20,953,189	20,390,986	(562,203)	409,770
Authorized/Average Filled	1,289	1,475	1,302	173	13
Operating Revenue					
Individual Market Revenue (Med. Dental, Vision)	\$ 387,632,959	\$ 433,398,743	\$ 417,506,622	\$ (15,892,121)	\$ 29,873,663
CCSB Medical, Dental, COBRA	\$ 30,410,077	\$ 26,154,080	\$ 32,063,712	\$ 5,909,632	\$ 1,653,635
Total Operating Revenue	<u>\$ 418,043,036</u>	<u>\$ 459,552,823</u>	<u>\$ 449,570,334</u>	<u>\$ (9,982,489)</u>	<u>\$ 31,527,298</u>
Operating Expenditures					
Personnel Expenditures	\$ 160,125,813	\$ 177,064,746	\$ 167,191,952	\$ 9,872,794	\$ 7,066,139
Other Operating Expenditures	\$ 192,120,816	\$ 258,945,912	\$ 221,029,571	\$ 37,916,341	\$ 28,908,755
State Shared Expenditures	\$ 18,541,965	\$ 19,111,015	\$ 19,111,015	\$ -	\$ 569,050
Total Operating Expenditures	<u>\$ 370,788,594</u>	<u>\$ 455,121,673</u>	<u>\$ 407,332,538</u>	<u>\$ 47,789,135</u>	<u>\$ 36,543,944</u>
Operating Income or (Loss)	<u>\$ 47,254,442</u>	<u>\$ 4,431,150</u>	<u>\$ 42,237,796</u>	<u>\$ 37,806,646</u>	<u>\$ (5,016,646)</u>
Non-Operating Income/(Loss)					
SMIF Interest Revenue/Other	\$ 10,401,153	\$ 10,714,911	\$ 19,166,200	\$ 8,451,289	\$ 8,765,047
Penalty Assessment	\$ 367,258	\$ -	\$ 2,751,055	\$ 2,751,055	\$ 2,383,797
Total Non-Operating Income/(Loss)	<u>\$ 10,768,411</u>	<u>\$ 10,714,911</u>	<u>\$ 21,917,255</u>	<u>\$ 11,202,344</u>	<u>\$ 11,148,844</u>
Change in Fund Balance	<u><u>\$ 58,022,853</u></u>	<u><u>\$ 15,146,061</u></u>	<u><u>\$ 64,155,051</u></u>	<u><u>\$ 49,008,990</u></u>	<u><u>\$ 6,132,198</u></u>

IV. Enrollment and Revenue Forecast

Introduction

Covered California's enrollment and revenue forecasts are fiscal management tools that present estimated information based on past, current, and projected values. The enrollment and revenue forecasts are 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 has prepared high, base, and low forecasts.

Individual Medical Enrollment Forecast Strategy

Step 1: Employ a Statistical Time-Series Model to Generate Baseline Forecast

For the fiscal year 2024-25 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 the historical enrollment trends. 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 and disenrollment pattern that would be implied by the enrollment values.

Step 2: Adjust Baseline Forecast for Future Changes Not Captured in Historical Trends

The time series model captures the historical enrollment trend 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 future policy or event is not reflected in the historical data, Covered California must adjust the time-series baseline forecast. These adjustments may add to or subtract from the baseline forecast. In the present case, the Medi-Cal inflows due to recurring redeterminations, Medi-Cal inflows

from continuous coverage unwind pending cases, expiration of the federal enhanced subsidies, and demographic and economic trends represent three future policy and labor market changes. These changes are not currently reflected in the statistical time series forecast and must be accounted for in the baseline ARIMA estimates. The Medi-Cal inflows into Covered California resulting from recurring redeterminations and resolution of pending cases from the continuous coverage unwind process, and future demographic and labor market conditions will increase future enrollment, while the expiration of the enhanced federal premium tax credits will decrease future enrollment. These policy and labor market changes required that Covered California develop adjustments to the statistical time-series baseline forecast based on what is known about the future policy change.

Estimated Medi-Cal Inflows to Covered California During Unwind Period

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 requirement¹⁴ for Medicaid from the Covid public health emergency (PHE) requirements. Beginning April 1, 2023, states were able to terminate Medicaid enrollment for individuals no longer eligible for benefits. According to the DHCS' PHE Unwinding Plan, the legislation required DHCS to begin redeterminations beginning April 1, 2023.¹⁵ On this date, states began reviewing Medicaid enrollees' eligibility through the "unwinding" process. It was expected that inflows from Medi-Cal to Covered California would not only return to normal but would also significantly increase as the continuous coverage requirement was eliminated to clear the backlog of cases. This assumption was made because the Medi-Cal caseload had grown by 2.0 to 3.0 million individuals compared to prior to the pandemic.

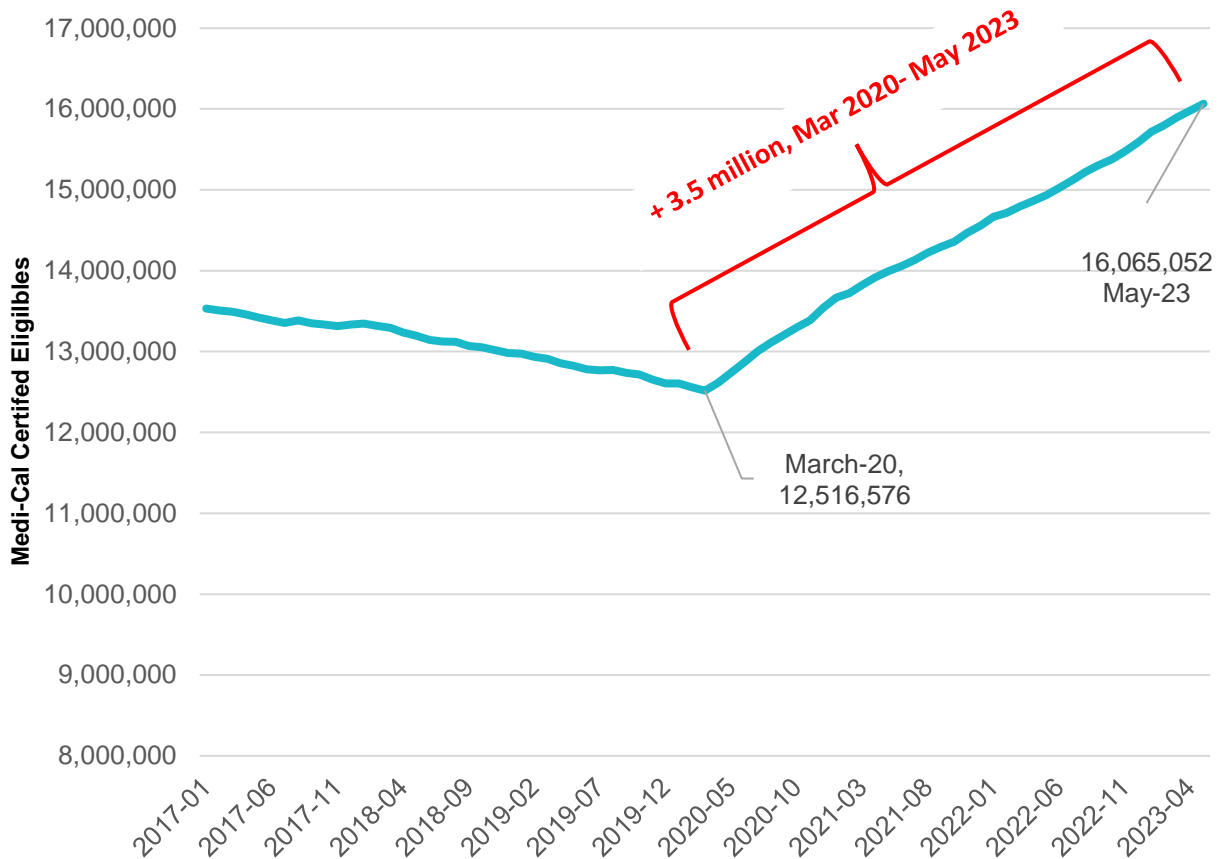
As States prepared for the Medi-Cal unwind process, projections regarding how many individuals would lose Medicaid eligibility varied. Nevertheless, data indicated that Medicaid enrollment had risen substantially since the start of the COVID-19 pandemic due to the continuous coverage requirement. Following the pause in redeterminations in March 2020, the Medi-Cal population increased from 12.5 million to 16.1 million as of May 2023 (**Figure 5**).

¹⁴ At the start of the pandemic, Congress enacted the Families First Coronavirus Response Act (FFCRA), which included a requirement that Medicaid programs keep people continuously enrolled through the end of the COVID-19 public health emergency (PHE), in exchange for enhanced federal funding.

¹⁵ [Medi-Cal Covid-19 PHE-Unwinding Plan](#)

Figure 5

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 were expected to conduct eligibility redeterminations for 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 were slated to lose Medi-Cal coverage. The DHCS estimated that roughly 2.8 million Medi-Cal beneficiaries, or a monthly average of 230,471 would be disenrolled during this period.

The Medi-Cal population remained at 14.5 million as of March 2024¹⁶, which is one million less than the average monthly 15.6 million individuals covered through the fiscal year prior to the continuous coverage unwinding. It is also 1.1 million less than the 2.1 million terminations DHCS anticipated as of March 2024 on its February 2023 forecast. Thus, three months before the end of the originally planned 12-months unwinding period, Medi-Cal population retention has been substantially higher than initially forecasted.

In February 2024, DHCS reported that there were roughly 1.6 million cases with pending redeterminations and about 3.3 million more cases due to renewal through the last quarter

¹⁶ [Medi-Cal Certified Eligibles Tables, by County from 2010 to Most Recent Reportable Month - Month of Eligibility, Age Group, and Sex, by County, Medi-Cal Certified Eligibility - California Health and Human Services Open Data Portal](#)

of FY 2023-24. Higher Medi-Cal retentions have also impacted Covered California's enrollment. Covered California's FY 2023-24 enrollment forecast assumed that 19,913 individuals would transition from Medi-Cal to Covered California monthly. However, actual inflows into Covered California during the unwind process have been far less. For example, effectuated enrollment from individuals leaving Medi-Cal averaged 5,531 monthly during the first quarter of FY 2023-24, 10,971 for the second quarter, and 17,457 (during the Open Enrollment period) in the third quarter. Inflows of individuals disenrolled from Medi-Cal to Covered California plan coverage has gradually increased as administrative issues and constraints have been resolved. However, despite these gradual increases, Covered California continues trending well below the 19,913 average monthly inflows forecasted in the FY 2023-24 budget.

As has occurred in state Medicaid programs elsewhere, fewer individuals disenrolling from Medi-Cal have transitioned to Marketplace coverage than expected. Consistent with nationwide research^{17,18}, the income distribution of Medi-Cal beneficiaries and procedural challenges mostly explain the lower-than-expected inflows from Medi-Cal into Covered California. In June 2023, the Medi-Cal program requested CMS approval to implement federal waivers designed to reduce procedural disenrollments.¹⁹ The waivers allowed Medi-Cal to eliminate the requirement that the applicant reapply for other benefits, such as unemployment or food assistance, concurrently with Medi-Cal. They also allowed for the redetermination of individuals with stable income without further verification of income²⁰. As a result, Medi-Cal is retaining a much higher level of enrollment than anticipated by DHCS in February 2023 and a smaller percentage are being disenrolled from Medi-Cal based on income.

Estimated Medi-Cal Inflows During FY 2024-25 and Beyond

Covered California will continue to add new enrollees because of recurring Medi-Cal redeterminations through FY 2024-2025 and beyond. However, during FY 2024-25, Covered California is expected to add greater number of enrollees from Medi-Cal than usual. The additional enrollees are expected to come from a large pool of beneficiaries whose eligibility status is pending and is yet to be resolved because of the administrative challenges in conducting Medi-Cal redeterminations during the FY 2023-24 unwind period. These rollover inflows represent one-time added enrollment for Covered California. In this section, we provide the estimate of inflows from two sources—usual recurring Medi-Cal redeterminations and the one-time transitions from unwind pending cases.

¹⁷ Recent family income estimates from the U.S. Census Bureau report that the median U.S. household income has fallen by 2.3 percent between years 2021 to 2022. This drop in median income was induced by high inflationary pressures on the average consumer, especially the historic high rate of inflation experienced in year 2022 that outpaced wage growth.

<https://www.brookings.edu/articles/why-so-many-americans-are-unhappy-about-the-economy/>

¹⁸ [Medicaid Unwinding Leads to Churn, Backlogs, and Delayed Services in Many States | CLASP](#)

¹⁹ Procedural disenrollments are cases where people are disenrolled because they did not complete the renewal process and can occur when the state has outdated contact information or because the enrollee does not understand or otherwise does not complete renewal packets within a specific timeframe.

²⁰ All County Welfare Director's Letter 23-42, APPROVAL OF ADDITIONAL SECTION 1902(e)(14)(A) WAIVER FLEXIBILITIES: UNCONDITIONALLY AVAILABLE INCOME AND STABLE INCOME RENEWAL WAIVER. URL: <https://www.dhcs.ca.gov/services/medi-cal/eligibility/letters/Documents/I23-42.pdf>

Medi-Cal inflows resulting from recurring annual Medi-Cal redeterminations are forecasted to total 24,000 (monthly average of 2,000) for the low scenario, 97,000 (monthly average of 8,033) for the base, and 123,000 (monthly average of 10,250) for the high through FY 2024-25 and subsequent fiscal years. This estimate-range relied on historical trends of total Medi-Cal terminations and corresponding effectuated enrollment inflows to Covered California registered by DHCS and Covered California from 2018 to 2023, respectively. Note that the extrapolated range of Medi-Cal inflows include increases in the Medi-Cal inflow take-up rate induced by the interaction of SB 260 and ARPA's enhanced subsidies.

For Medi-Cal inflows from pending unwind redeterminations during the first half of FY 2024-25, Covered California forecasted a total of 12,000 (monthly average of 2,000) for the base scenario and 34,000 (monthly average 5,700) for the high scenario. For the low scenario, it is assumed that the unwind period will conclude as planned at the end of FY 2023-24 and no additional inflows will materialize.

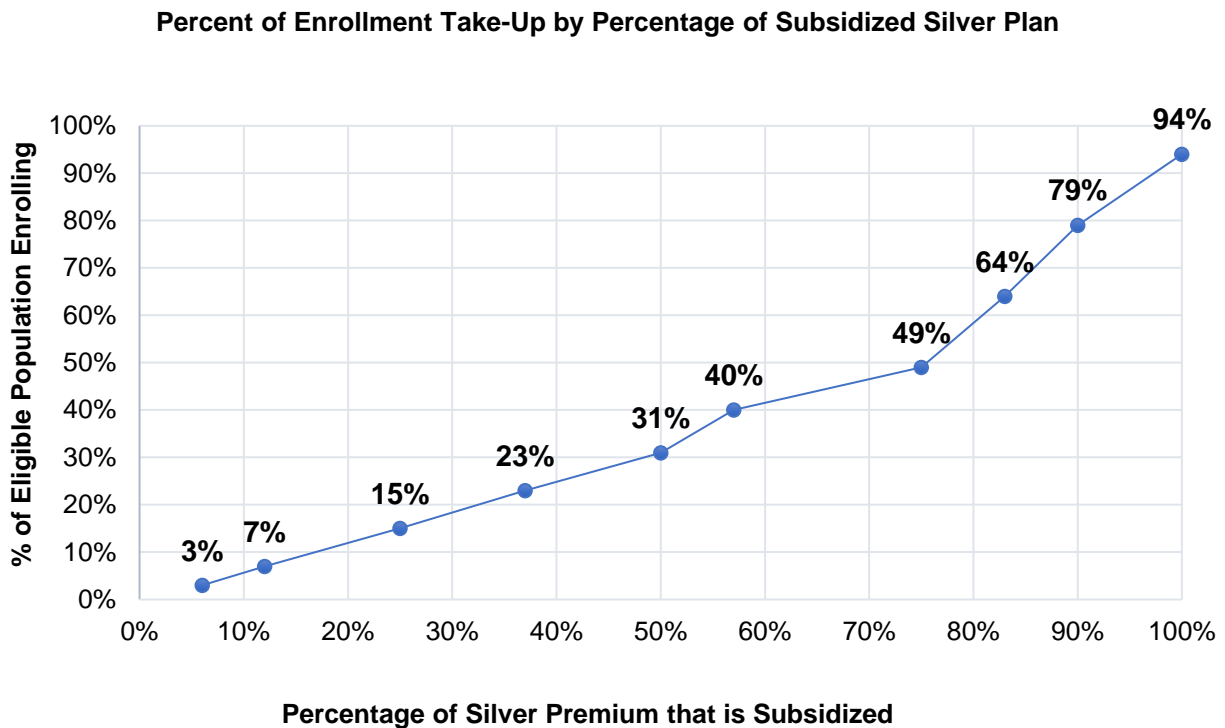
Availability of Federal and State Subsidy Funds after December 2025

Action by the Congress to either extend the American Rescue Plan's enhanced subsidies beyond 2025 or allow them to expire at the end of 2025 may exert the greatest impact on enrollment after December 2025. 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 (**Figure 6**). 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.²¹

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.

²¹ 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>

Figure 6
Willingness to Pay Curve



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.

Applying this methodology, Covered California used its own administrative data to estimate that between 138,000 and 183,000 current enrollees could disenroll if the American Rescue Plan’s subsidies expire in December 2025, even if a state health care affordability support is reinstated. 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. This enrollment decrease will not occur until the second half of fiscal year 2025-26 and fiscal year 2026-27.

Demographic and Economic Conditions Influencing Enrollment and Revenue Outlook

Economic and demographic trends influence Covered California’s enrollment inflows and outflows. The eligible pool for Covered California enrollment moves in tandem with the size and demographic composition of the California population to some extent. For

instance, a growing and younger population on average, will yield a higher pool of eligibles than an ageing and shrinking population over time.

Similarly, the macroeconomic situation also influences the potential decline or growth in Covered California's enrollment. For example, employment losses could trigger higher enrollment inflows if workers and family dependents lose their employer sponsored insurance. Inversely, employment losses could also trigger enrollment outflows as incomes fall and people become eligible for Medi-Cal.

A strong labor market could also affect enrollment inflows and outflows. For instance, employment expansion with a tight labor market could lead to more employers providing their workers higher wages and supplemental benefits. Thus, on the one hand, higher enrollment outflows might occur due to an increase in offers of affordable employer sponsored insurance to workers and dependents currently enrolled with Covered California. On the other hand, higher enrollment inflows might occur in situations where workers increase their income and lose Medi-Cal eligibility, but do not have access to employer sponsored insurance due to self-employment, or because the employer does not offer health coverage as a supplemental benefit, or the employer offers unaffordable choices.

The overall assessment of the economic outlook based on projections by the California Department of Finance, UCLA Anderson Forecast, and others is that the economy is still growing, but at a slower pace than before the pandemic. The specific demographic and economic trends include an overall stagnant population growth, unemployment rate going from 4.8 percent to 5.2 percent, and a meager real average wage growth of 1.1 percent.

Covered California built a micro-simulation model to forecast enrollment, holding all factors constant other than economic and demographic indicators. As stated, based on the latest demographic and economic forecasts prepared by the California Department of Finance, Covered California expects to retain higher enrollment for FY 2024-25 than the retention captured by baseline ARIMA projections. Accordingly, Covered California estimated to retain approximately 24,000 more enrollees due to projected demographic and economic trends during FY 2024-25.

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**.

The base and low forecasts assume that the American Rescue Plan's subsidies expire on December 31, 2025, which is consistent with current law, and that the California Legislature approves funding for a health care affordability program beginning on January 1, 2026. The high scenario assumes that the American Rescue Plan's enhanced subsidies continue throughout the multi-year forecast period.

Table 11

Summary of Enrollment Assumptions Under Three Possible forecasts

Assumption	High Forecast	Base Forecast	Low Forecast
American Rescue Plan Act/Inflation Reduction Act Enhanced Subsidies	Extended beyond December 2025	Not extended beyond December 2025 Reduced subsidies beginning January 2026	Not extended beyond December 2025 Reduced subsidies beginning January 2026
State Affordability Program	No additional State health care affordability support	Additional health care affordability support January 2026	Additional health care affordability support January 2026
ARPA / IRA Enrollment Loss	No loss of enrollment	138,000 in December 2025 & by the end of FY 2026-27 an additional 50,000 in losses will occur for a total enrollment loss of 188,000 .	183,000 in December 2025 & by the end of FY 2026-27 an additional 63,000 in losses will occur for a total enrollment loss of 246,000 .
On-going Medi-Cal Flows/Public Health Emergency Unwind	Inflows from PHE Unwind/SB 260 will resume in July 2023. Average monthly effectuations during PHE Unwind Period: 12,400	Inflows from PHE Unwind/SB 260 will resume in July 2023. Average monthly effectuations during PHE Unwind Period: 8,800	Inflows from PHE Unwind/SB 260 will resume in July 2023. Average monthly effectuations during PHE Unwind Period: 2,000
Demographic and Economic Trends	Average monthly 2,000 higher retentions induced by the overall economic and demographic outlook trends in FY 2024-25	Average monthly 2,000 higher retentions induced by the overall economic and demographic outlook trends in FY 2024-25	Average monthly 2,000 higher retentions induced by the overall economic and demographic outlook trends in FY 2024-25
Premium Growth Year Over Year	Revenue estimates use. 2025-7%, 2026-6%, and 2027-6%	Revenue estimates use. 2025-6%, 2026-5%, and 2027-5%	Revenue estimates use. 2025-5%, 2026-4%, and 2027-3%
Enrollment Forecast	Average monthly enrollment in FY 2024-25 is forecast to be 1,797,607	Average monthly enrollment in FY 2024-25 is forecast to be 1,719, 588, a decrease of 78,019 compared to the high forecast.	Average monthly enrollment in FY 2024-25 is forecast to be 1,678, 324, a decrease of 119,283 compared to the high forecast.
Participation Fee (2025)	2.25 percent	2.25 percent	2.25 percent

Multi-Year Enrollment Forecast: FY 2024-25 through FY 2026-27

Over the next three-fiscal years, Covered California will see the number of monthly transitions from Medi-Cal to Covered California coverage decline to pre-pandemic levels as the unwind process approaches completion. Enhanced federal subsidies, however, are anticipated to last till the end of December 2025 for the base and low forecast scenarios. The high scenario assumes the continuation of enhanced federal subsidies.

The budget forecast anticipates a steady enrollment decline through the years after the completion of the Medi-Cal unwind. In the absence of any major policy changes, the pool of potential new Covered California enrollees will diminish annually to the extent that it will not offset the total annual enrollment terminations.

The projected economic expansion in California beyond 2025 will influence an overall declining trend in Covered California enrollment. However, a relatively slower economy during FY 2024-25 is likely to provide a small enrollment cushion due to increased retentions.

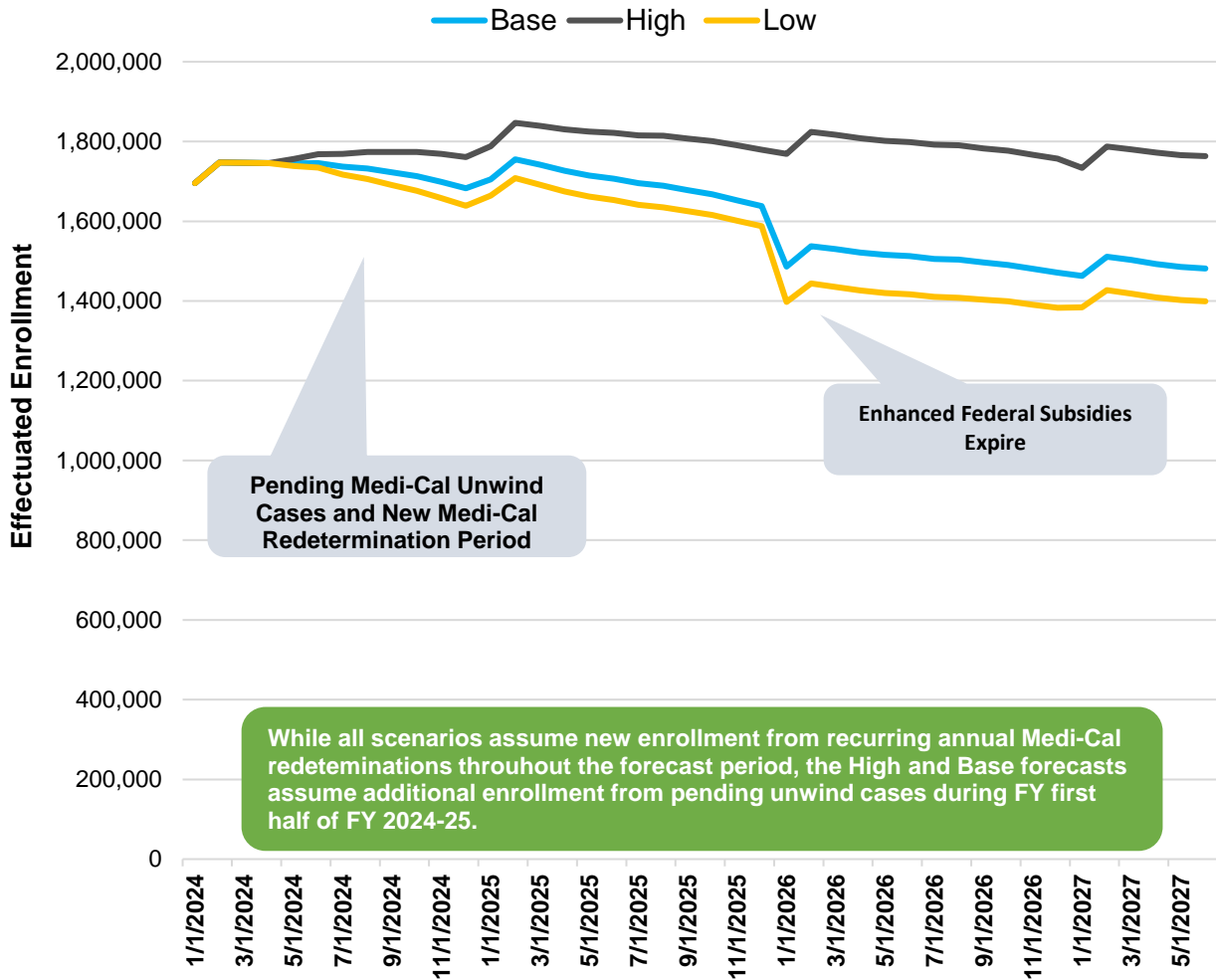
While the high scenario assumes similar disenrollment rates, Medi-Cal enrollees are forecasted to disenroll at higher rates than non-Medi-Cal enrollees through the multi-year forecast period under the low and base scenarios. This is based on the actual historical trends observed thus far²². Medicaid 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.

Finally, consistent with current law, the low and base enrollment forecast scenarios assume that the enhanced federal subsidies expire at the end of 2025, inducing a *sticker shock* among a portion of the Covered California enrollees. This will substantially drop Covered California enrollment for the second half of FY 2025-26 and the entire FY 2026-27. **Figure 7** depicts three fiscal years enrollment forecasts.

²² Historically, individuals transitioning to Covered California from Medi-Cal report annual disenrollment rates 7 percent higher than individuals transition from other coverage sources.

Figure 7

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



High Forecast: Pending Medi-Cal Unwind Cases through December 2024 and Higher Take-Up from Recurring Medi-Cal Redeterminations

In the High forecast, Covered California projects an average monthly enrollment of 1,797,607 in fiscal year 2024-2025, which would be 5.6 percent greater than the 1,701,966 forecasted for fiscal year 2023-24 (Table 12).

The High forecast assumes Medi-Cal inflows from pending unwind cases for the first half of the fiscal year. It also assumes Medi-Cal inflows from recurring Medi-Cal redeterminations throughout the multi-year forecast period. Individuals coming from both sources of Medi-Cal transitions to Covered California will take up coverage at higher rates than the base and low forecast because of federal enhanced subsidies and the ease of effectuating coverage resulting from the implementation of the auto-plan selection features established under SB 260.

This scenario assumed that added Medi-Cal inflows resulting from the enhanced federal subsidies and auto-enrollment inducements would come from individuals otherwise uninsured or enrolled with alternative health coverage sources such as employer sponsored insurance and off-exchange.

Base Forecast: Pending Medi-Cal Unwind Cases through December 2024 and Moderate Take-Up from Recurring Medi-Cal Redeterminations

Covered California projects an average monthly enrollment of 1,719,588 in FY 2024-25, which would be 1.2 percent greater than the 1,699,249 forecasted for FY 2023-24. Enrollment is mostly driven by inflows from Medi-Cal to Covered California from pending unwind cases and recurring Medi-Cal redeterminations (**Table 12**).

The base forecast also assumes Medi-Cal inflows from pending unwinding cases for the first half of the fiscal year and from recurring Medi-Cal redetermination through the multi-year forecast period. However, for both Medi-Cal inflow sources, the number of Medi-Cal redeterminations and associated take-up rates of Covered California health plans are assumed to be lower than the high forecast scenario.

Low Forecast: Completed Medi-Cal Unwind in June 2024 and Lower Take-Up from Recurrent Medi-Cal Redeterminations

In the Low forecast, Covered California projects an average monthly enrollment of 1,678,324 in fiscal year 2024-25, which would represent a 1.1 percent decline from the monthly average of 1,697,769 forecasted for fiscal year 2023-24 (**Table 12**).

The low forecast only assumes Medi-Cal inflows from recurring Medi-Cal redeterminations. Under this scenario, it is anticipated that the Medi-Cal unwind is completed as planned by DHCS at the end of FY 2023-24 and Medi-Cal enrollment would settle around 13 million, which is around pre-pandemic level. As a result, there would be fewer Medi-Cal disenrollments, resulting in fewer transitions to Covered California.

In addition to this, the low scenario assumes the worst-case scenario where the share of Medi-Cal terminations transitioned from Medi-Cal to Covered California return to the levels observed prior to COVID-19.

Note that the base and low forecast scenarios assume higher termination rates for enrollees from Medi-Cal than for Non-Medi-Cal enrollees. This assumption is based on the analysis of terminations conducted by Covered California for these two subpopulations. The high, however, takes a more optimistic approach assuming the same termination rates for both Medi-Cal and Non-Medi-Cal enrollees. This is the reason why the base and low forecast trends presented in **Figure 7** depict sharper decline in enrollment, and thus a more pronounced saw-tooth pattern.

Table 12
Individual Medical Plan Enrollment Forecasts
Effectuated Enrollment (Average Monthly Enrollment)

Fiscal Year	High	Base	Low
FY 2023-24	1,701,966	1,699,249	1,697,769
FY 2024-25	1,797,607	1,719,588	1,678,324
FY 2025-26	1,802,023	1,593,609	1,520,374
FY 2026-27	1,772,363	1,490,333	1,402,827

Covered California Premium Projection

Covered California's revenue projections are influenced by three main drivers: enrollment numbers (volume), average gross premium (price), and the participation fee percentage (margin). As the price component, the estimation of future premium change is crucial for revenue forecasting. Thus, Covered California thoroughly analyzes various data, including administrative, inflation, and medical expenditures data to arrive at annual premium growth assumptions for its multi-year forecast.

The drivers of change in average gross premiums include both internal and external variables. Internal factors include characteristics of Covered California's enrolled population such as age and health risk (also known as “case-mix”), as well as metal tier and carrier choices. For example, looking beyond 2025, the possible expiration of enhanced federal subsidies could lead to younger, healthier enrollees terminating coverage at a greater rate, leaving on average, an older and more costly population that carriers would consider when setting premiums.

External factors that influence health care premiums include increases or decreases in the unit cost of medical goods, supplies, and services. Rising costs may reflect general increases in the overall consumer price index, supply chain disruptions, or health care labor shortages. Technological advancements and new drugs or treatments, and policy and regulatory changes may also contribute to higher prices. Lastly, the levels of competition and market concentration among providers in different regions of the state may also be a factor leading to higher or lower prices. It should be noted that, as contracts between insurers and providers are typically negotiated for a year or more in advance, medical inflation often lags inflation in the rest of the economy.

This section begins with analyzing the historical trends in average gross premiums for Covered California enrollees, leading to establishing a base premium growth rate for FY 2024-25. We then review several estimates of future health care cost trends. Finally, we

conclude the section with Covered California’s high, base, and low premium growth projection scenarios for three fiscal years—FY 2024-25, FY 2025-26, and FY 2026-27.

Figures 8 and 9 illustrate the plan year trend in average gross premiums and the percent change in premiums year-over-year (YoY). As shown in **Figure 8**, the compound average annual growth rate (CAGR) since the establishment of the Exchange in 2014 has been 5.5 percent. Between 2021 and 2023, the CAGR was only 2.1 percent. This recent trend corresponds to the post-COVID-19 years and is also highlighted by the YoY percentage change in average gross premiums revealed in **Figure 9**. Factors such as an increase in younger enrollees enticed by ARPA’s enhanced subsidies, more carrier participation fostering competition, and decreased elective medical care due to the pandemic, collectively contributed to minimal premium growth during this period.

As reflected in the CAGR and YoY percentage changes, policy initiatives both at the state and federal levels since 2020 and the once in a hundred-year pandemic outbreak resulted in a three-year period of low premium growth. Over the following three years, premium growth is expected to range between 5 to 7 percent. Covered California, has thus, assumed a **six** percent premium growth rate as its base premium growth for FY 2024-25, which is essentially the midpoint of the premium growth range of 6 to 7 percent.

Figure 8
Covered California
Average Gross Premium by Year, Plan Year 2014 Through 2027

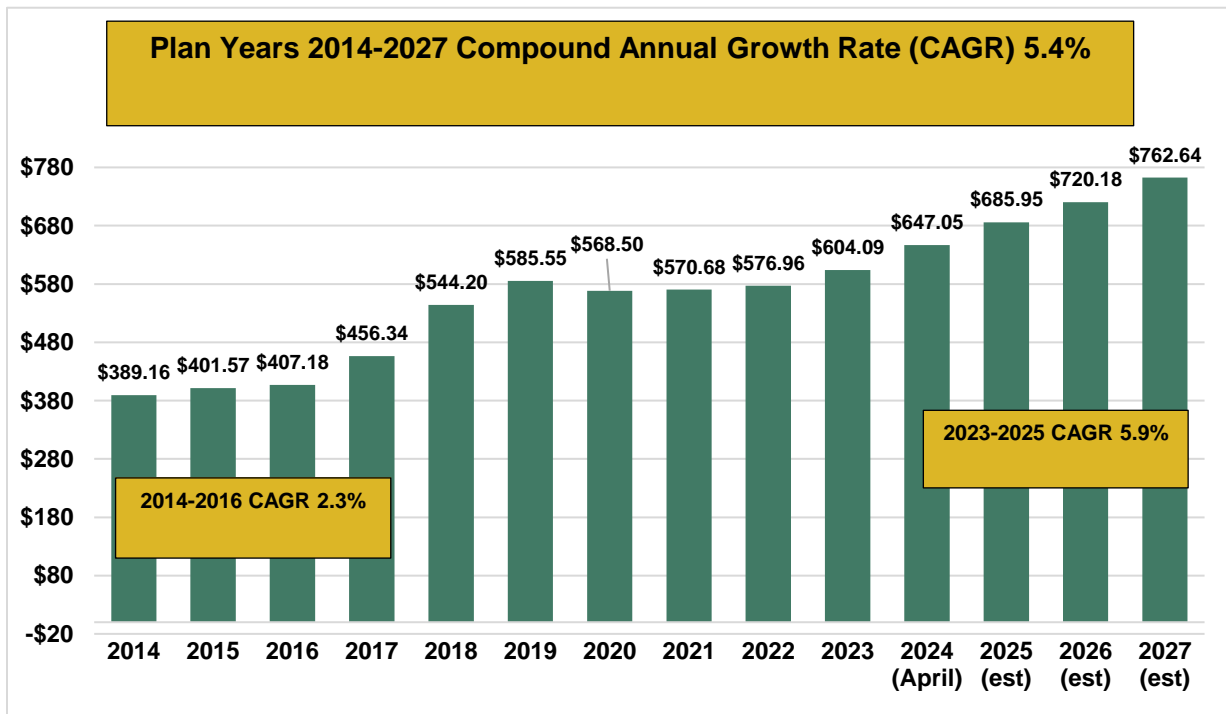
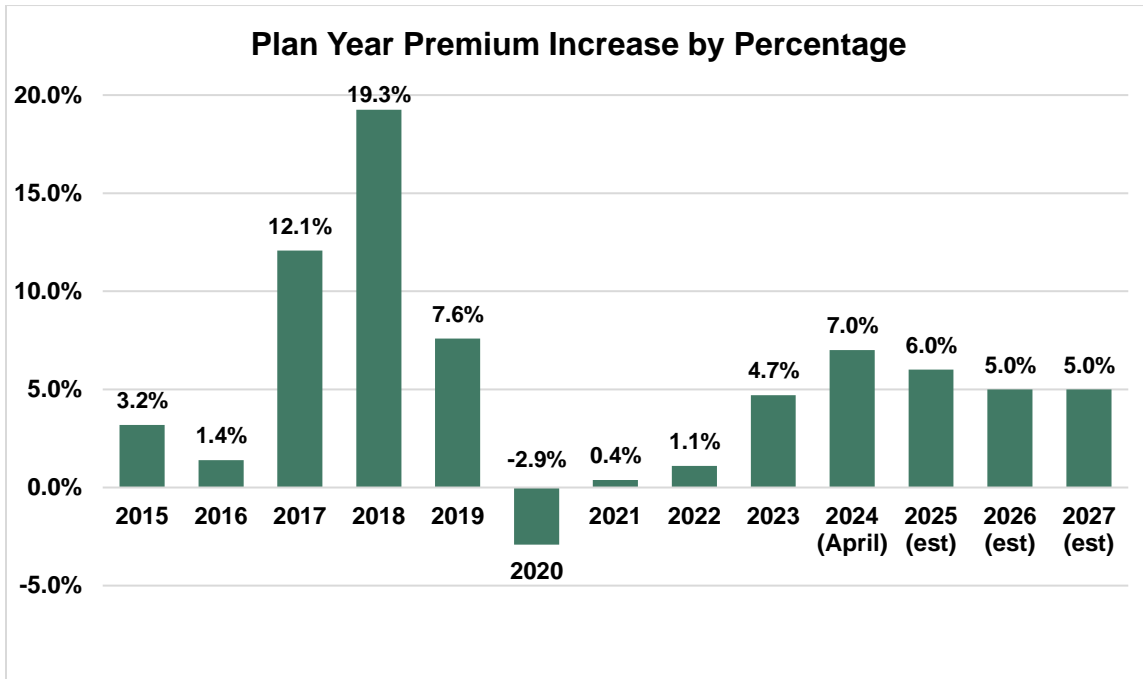


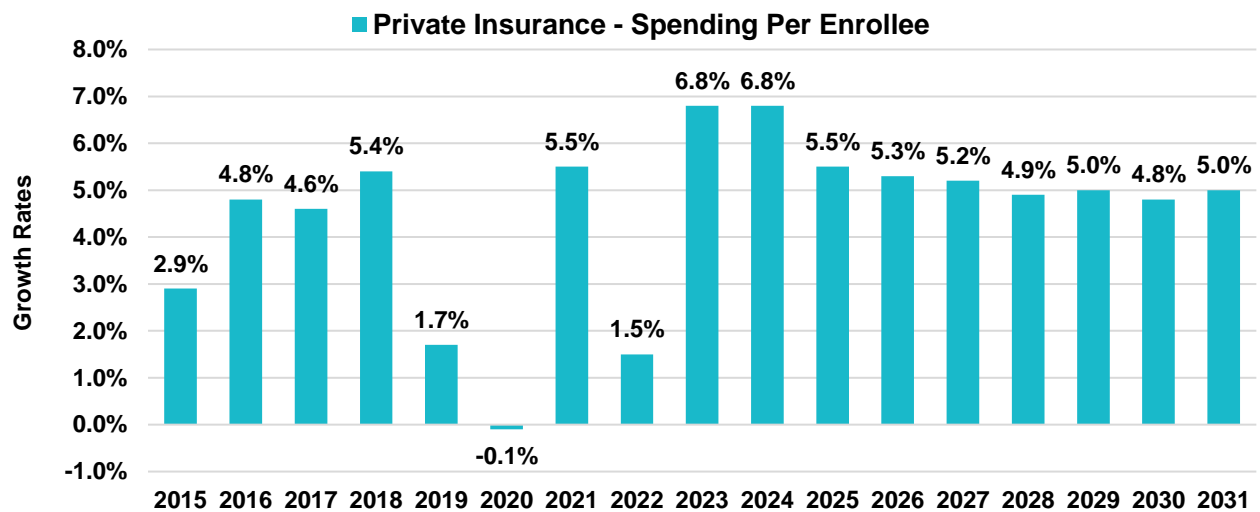
Figure 9
Covered California
Percent Change in Average Gross Premium, Individual Medical
Plan Year 2014 Through 2027



Premium Growth Estimates: FY 2024-25 through FY 2026-27

Covered California’s premium growth estimates for the budget are consistent with leading government and industry projections. Most forecasts of health insurance premium growth rates over the next few years project a return to earlier, higher levels of price increase, interrupted by the period of low-price growth experienced between 2019 and 2022. CMS National Health Expenditure projections forecast growth rates for private health insurance at 6.8 percent for 2024, 5.5 percent for 2025, 5.3 percent for 2026, and 5.2 percent for 2027 (**Figure 10**).

Figure 10: CMS National Health Expenditure Projections.



Source: National Health Expenditure Projections, Table 17 - Health Insurance Enrollment and Enrollment Growth Rates, Calendar Years, 2013-2031

The PricewaterhouseCoopers' (PwC) Health Research Institute 2024 edition of its medical cost report, entitled "*Medical Cost Trend: Behind the Numbers 2024*" discusses trends and developments that may influence health care prices over the next few years.²³ According to the report, PwC projects a 7.0 percent medical cost trend for 2024. PricewaterhouseCoopers identifies two key factors contributing to the potential rise in healthcare costs:

- **Clinical Workforce Shortages**-- *The shortage of clinical staff is expected to exacerbate inflationary pressure. Hospitals and physicians facing financial challenges may seek higher rate increases during contract negotiations, possibly with increased frequency.*
- **Rising Median Prices of Drugs**-- *Inflationary pressure on health plans is driven by the escalating prices of new and existing drugs. The report anticipates high single or double-digit increases in drug prices from FY 2023-24, coupled with the accelerated approvals of new cell and gene therapies.*

Specialty drugs, commonly used for complex chronic conditions, are experiencing a steady increase in demand. Factors contributing to the rise include weight loss drugs and the approval of new cell and gene therapy drugs, leading to higher prescription costs. The category of medical pharmaceuticals, encompassing cellular or genetic-based drugs for rare conditions, constitutes 25 percent of Blue Cross' total medication spending and 70 percent of retail pharmacy spending. In California, health plans spent

nearly \$11 billion on prescription drugs in 2021, comprising over 13 percent of total health plan premiums for that year.²⁴

Covered California Individual Medical Premiums

Based on the analysis of available data and literature, Covered California projects that individual plan carriers will increase gross premiums by approximately 5 to 7 percent in Plan Year 2025, 4 to 6 percent in Plan Year 2026, and 3 to 6 percent in Plan Year 2027, as detailed in **Table 13**. This trend reflects a historical pattern of upward movement in premium rates, which Covered California anticipates will persist into the future.²⁵

High Forecast Premium Growth Assumptions

In the High forecast, Covered California projects that growth in average monthly premiums will remain at 7.0 percent in the plan years 2024 and 2025 and increase by 6.0 percent in the plan years 2026 and 2027 (**Table 13**). Factors such as continued economic growth and strong labor market, heightened demand for healthcare services, advancements in medical technology driving up costs, and fewer regulatory constraints on insurance companies contribute to this outlook. Additionally, an aging population, escalating chronic health conditions, and greater utilization of healthcare services further boost premium growth rates.

Base Forecast Premium Growth Assumptions

In the Base forecast, Covered California projects the growth in average monthly premiums will remain at 7.0 percent in the plan year 2024, 6.0 percent in the plan year 2025, and 5.0 percent in the plan years 2026 and 2027 (**Table 13**). The Base scenario assumes moderate economic conditions and healthcare utilization trends. The plan years following 2024 witness a gradual decline in premiums. This trend can be attributed to stable economic growth, moderate healthcare cost inflation, and potential regulatory adjustments impacting insurance pricing.

Low Forecast Premium Growth Assumptions

In the Low forecast, Covered California projects the growth in average monthly premiums will remain at 7.0 percent in the plan year 2024, and increase by 5.0 percent in the plan year 2025, 4.0 percent in the plan year 2026, and 3.0 percent in the plan year 2027 (**Table 13**). The Low scenario assumes even slower growth in healthcare costs and premiums compared to the Base, resulting from sluggish economic growth, cost containment measures in healthcare, heightened competition among insurers pressuring pricing, and stricter regulatory oversight on premium increases. Furthermore, advancements in healthcare technology, like the implementation of biosimilars driving cost efficiencies, healthier population trends, or changes in healthcare policy favoring cost reduction, also lead to lower premium growth rates in this scenario.

²⁵ <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

Table 13
Projected Premium Growth Rates: Individual Medical and Dental

Scenario	High	Base	Low
Plan Year 2024	7.0%	7.0%	7.0%
Plan Year 2025	7.0%	6.0%	5.0%
Plan Year 2026	6.0%	5.0%	4.0%
Plan Year 2027	6.0%	5.0%	3.0%

Individual Medical Revenue Forecast

As stated above, Covered California’s revenue is the product of volume, price, and the percent of premium participation fee that is assessed. 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 FY 2024-25 period, individual medical and dental revenue is projected to be driven by both - higher enrollment and rising per member, per month (PMPM) gross premiums. However, total medical and dental revenues will decrease as the forecast assumes that the participation fee drops to 2.25 percent during plan year 2025, a one percentage points decline from 2024 (**Table 14**).

- At the High forecast, individual medical revenue is expected to total \$392.2 million in FY 2024-25, \$346.5 million in FY 2025-26 and \$361.2 million in FY 2026-27.
- At the Base forecast, individual medical revenue is expected to total \$374.3 million in FY 2024-25, \$301.6 million in FY 2025-26 and \$296.6 million in FY 2026-27.
- At the Low forecast, individual medical revenue is expected to total \$364.1 million in FY 2024-25, \$283.6 million in FY 2025-26 and \$271.3 million in FY 2026-27.

Table 14
Individual Medical Plan Participation Fee Revenue
dollars in thousands

Fiscal Year	High	Base	Low
FY 2023-24	\$415,952	\$415,268	\$414,896
FY 2024-25	\$392,173	\$374,298	\$364,102
FY 2025-26	\$346,470	\$301,615	\$283,592
FY 2026-27	\$361,188	\$296,608	\$271,258

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 will drop to 2.25 percent in 2025. 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 scenario, average monthly individual dental plan enrollment is forecast to be 332 thousand in FY 2024-25, 333 thousand in FY 2025-26, and 327 thousand in FY 2026-27.
- At the Base scenario, average monthly individual dental plan enrollment is forecast to be 317 thousand in FY 2024-25, 294 thousand in FY 2025-26, and 275 thousand in FY 2026-27.
- At the Low scenario, average monthly individual dental plan enrollment is forecast to be 310 thousand in FY 2024-25, 281 thousand in FY 2025-26, and 259 thousand in FY 2026-27.

Table 15
Individual Dental Plan Enrollment Forecasts
Effectuated Enrollment
(Average Monthly Enrollment)

Fiscal Year	High	Base	Low
FY 2023-24	303,066	302,564	302,291
FY 2024-25	331,898	317,493	309,874
FY 2025-26	332,713	294,233	280,711
FY 2026-27	327,237	275,165	259,008

- At the high forecast, individual dental revenue is expected to total \$3.2 million in FY 2024-25, \$2.8 million in FY 2025-26 and \$2.9 million in FY year 2026-27.
- At the base forecast, individual dental revenue is expected to total \$3.0 million in FY 2024-25, \$2.4 million in FY 2025-26 and \$2.4 million in FY 2026-27.
- At the low forecast, individual dental revenue is expected to total \$2.9 million in FY 2024-25, \$2.3 million in FY 2025-26 and \$2.2 million in FY 2026-27.

Table 16
Individual Dental Plan Participation Fee Revenue
dollars in thousands

Fiscal Year	High	Base	Low
FY 2023-24	\$3,155	\$3,150	\$3,147
FY 2024-25	\$3,161	\$3,018	\$2,936
FY 2025-26	\$2,756	\$2,400	\$2,257
FY 2026-27	\$2,874	\$2,360	\$2,158

Covered California for Small Business

Covered California for Small Business (CCSB) represents California's adaptation of the Small Business Health Options Program (SHOP), a pivotal component of the Affordable Care Act (ACA) introduced in March of 2014²⁶. This program caters to employers with 50 or fewer employees, offering a tailored small-group health insurance solution focusing on providing comprehensive health and dental coverage to the small business workforce. Unlike most states, California is one of four that uniquely allows small group plans to be extended to employers with up to 100 employees, illustrating the state's commitment to accommodating a broader range of businesses.²⁷

Under the ACA, CCSB adheres to the same fundamental regulations governing the individual market. Provisions ensuring fair and comprehensive coverage include the elimination of pre-existing condition exclusions, modification of community ratings (preventing insurers from varying rates based on health status), limits on the percentage of premium for insurer profits or overhead (referred to as a minimum "medical loss ratio"), and the establishment of essential health benefits. The ACA's emphasis on employer wellness programs further augments the program, offering incentives for healthier workplaces and activities that support employee well-being. The maximum reward to employers using a wellness program that is contingent on employee health has increased from 20 percent to 30 percent of the cost of health coverage, promoting a healthier workforce and longevity.²⁸

Employers participating in CCSB may benefit from a federal tax credit, a critical financial incentive under the ACA. This credit, applicable to for-profit and tax-exempt employers, can reach up to 35 percent of premium expenses, respectively. Eligibility criteria include having fewer than 25 full-time equivalent employees, an average annual wage below \$56,000²⁹, and employer contributions of at least 50 percent of insurance coverage costs.³⁰ This credit, applicable for two consecutive tax years, aligns with the program's goal of easing the financial burden on small businesses and promoting comprehensive employee coverage.

In the second quarter of 2023, California's small businesses employed 6.7 million individuals, comprised of roughly 1.2 million small businesses, as shown in **Table 17**.³¹ The number of small businesses during this period increased by 10.2 percent or 131 thousand compared to the first quarter of 2020.³² Small businesses represent 99.8 percent of all businesses in the state and are pivotal to the state's economy.³³ About

²⁶ Launching the Small Business Health Option Program (SHOP) Marketplace, CMS.gov. Sep 26, 2013. URL:

<https://www.cms.gov/newsroom/press-releases/launching-small-business-health-option-program-shop-marketplace>

²⁷ ...Small-Group Health Insurance, HealthInsurance.org. URL: <https://www.healthinsurance.org/obamacare/are-you-ready-to-offer-small-group-health-insurance/>

²⁸ Exploring Coverage Options for Small Businesses, HealthCare.gov. URL: <https://www.healthcare.gov/small-businesses/learn-more/how-aca-affects-businesses/#:~:text=The%20Affordable%20Care%20Act%20creates.the%20cost%20of%20health%20coverage>

²⁹ This limit has been adjusted for inflation since 2014.

³⁰ Small Business Health Care Tax Credit...Calculating the Credit, IRS. URL: <https://www.irs.gov/newsroom/small-business-health-care-tax-credit-questions-and-answers-calculating-the-credit>

³¹ California Firms and Employment by Size Range 2023 Q2, EDD. URL: <https://labormarketinfo.edd.ca.gov/file/firmsize/CA-2023-Qtr2-FirmSize-ADA.pdf>

³² Firm Size Data for California (Quarterly), EDD. URL: https://labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data_for_CA.html

³³ 2023 California Small Business Profile, SBA. URL: <https://advocacy.sba.gov/wp-content/uploads/2023/11/2023-Small-Business-Economic-Profile-CA.pdf>

3.35 million of the total number of small businesses in the state are non-employers, meaning they are one-person-run and operated establishments. Of these establishments, 717,000 have between one and 19 employees, and 82,000 have between 20 and 499 employees, emphasizing the significance of programs like CCSB for most businesses.³⁴

Table 17
Number of Businesses and Number of Employees
by Business Size, 2023, Q2

Business Size	Number of Businesses	Percentage of Businesses	Number of Employees	Percentage of Employees
Under 10	1,120,288	86%	2,410,538	16%
10 to 49	148,444	11%	2,958,672	19%
50 to 99	19,175	2%	1,319,585	8%
100 to 1,000	16,214	1%	3,968,558	26%
Over 1,000	1,301	0%	4,797,457	31%
Total	1,305,422		15,454,810	

Source: Firm Size Data for California (Quarterly), Employment Development Department State of California. URL: https://labormarketinfo.edd.ca.gov/LMID/Size_of_Business_Data_for_CA.html

Employees in small businesses benefit from various health insurance coverage options, ranging from employer-sponsored plans to eligibility for Medi-Cal and individual market plans.³⁵ The program's accessibility is reinforced through targeted marketing campaigns, educational workshops, and streamlined enrollment processes. CCSB ensures that small businesses across California are well-informed by using certified insurance agents and small business service centers to support employers in finding affordable health coverage for their businesses and employees. Additionally, the MyCCSB portal allows employers to complete the initial enrollment process online, manage their accounts, make plan changes, update employee information, and renew their coverage. These resources ensure that small businesses can efficiently participate and contribute to employees' overall health and well-being.

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 enhancing the product offerings from participating carriers and allowing participating employer groups to choose multi-carrier offerings to increase health insurance options for their employees.

In the plan year 2025, Covered California for Small Business will provide health and dental plans from three insurance companies each, and employers will be able to enroll year-round. In addition, four coverage tiers will be offered: Bronze, Silver, Gold, and

³⁵ Exploring Coverage Options for Small Businesses, HealthCare.gov. URL: <https://www.healthcare.gov/small-businesses/learn-more/explore-coverage/>

Platinum. In prior years, employers could provide their employees with two adjacent metal tiers for increased flexibility, which has since expanded to one or all four tiers, giving employees more options without extra cost.³⁶ 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 2024-25, three enrollment and revenue forecasts for Covered California for Small Businesses 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, as shown in **Table 18**.

- In the High forecast, Covered California for Small Business projects average monthly medical enrollment of 78,613 in FY 2024-25, 80,845 in FY 2025-26, and 83,313 in FY 2026-27.
- In the Base forecast, Covered California for Small Business projects average monthly medical enrollment of 77,375 in FY 2024-25, 76,982 in FY 2025-26, and 76,908 in FY 2026-27.
- In the Low forecast, Covered California for Small Business projects average monthly medical enrollment of 74,738 in FY 2024-25, 69,854 in FY 2025-26, and 65,228 in FY 2026-27.

Table 18
Covered California for Small Business Enrollment Forecasts
Medical Effectuated Enrollment
(Average Monthly Medical Enrollment)

Fiscal Year	High	Base	Low
FY 2023-24	77,104	77,104	77,104
FY 2024-25	78,613	77,375	74,738
FY 2025-26	80,845	76,982	69,854
FY 2026-27	83,313	76,908	65,228

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

³⁶ Covered California for Small Business Participant Guide. URL: https://hbexmail.blob.core.windows.net/eap/IPAS%20Homepage%20Documents_Final_CloudBerry/GUIDE_CC_Small_Biz_150817_FINAL.pdf

of the premium. Covered California will not change the participation fee in plan year 2025.

Covered California for Small Business uses estimated annual percentage increases in plan gross premiums to forecast revenue for the current fiscal year and the subsequent three years. These projections are based on recent trends and industry expectations regarding changes in healthcare costs and insurance rates.

The Base budget incorporates premium growth of 7.3 percent in FY 2024-25, in FY 2025-26 the premium growth is forecasted to be 5.9 percent and in FY 2026-27 the growth rate is 5.2 percent. 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 National Health Expenditure Projections incorporate Affordable Care Act marketplace plans and estimate 4 to 6 percent growth for private health insurance spending in 2024, 2025, and 2026.³⁷

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 19
Covered California for Small Business
Projected Medical Premium Growth Rates

Fiscal Year	High	Base	Low
FY 2023-24	7.4%	7.4%	7.4%
FY 2024-25	7.4%	7.3%	7.1%
FY 2025-26	6.4%	5.9%	5.0%
FY 2026-27	5.8%	5.2%	4.4%

As **Table 20** shows, Covered California for Small Business generates revenue from three lines of business: small-group medical plans, small-group dental plans, and small-group COBRA.³⁸ In FY 2024-25, the small-group medical product will generate approximately 99 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 \$33.9 million in FY 2024-25, \$37.0 million in FY 2025-26, and \$40.2 million in FY 2026-27.

³⁷ ...2021-2030 Projections of National Health Expenditures, CMS.gov. URL: <https://www.cms.gov/newsroom/press-releases/cms-office-actuary-releases-2021-2030-projections-national-health-expenditures>

³⁸ 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 of the plan.

- In the Base forecast, Covered California for Small Business total revenue from the three lines of business is projected to be \$33.4 million in FY 2024-25, \$35.1 million in FY 2025-26, and \$36.9 million in FY 2026-27.
- In the Low forecast, Covered California for Small Business total revenue from the three lines of business is projected to be \$32.2 million in FY 2024-25, \$31.7 million in FY 2025-26, and \$31.0 million in FY 2026-27.

Table 20
Covered California for Small Business Forecasted Revenue
dollars in thousands

Forecast	FY 2024-25	FY 2025-26	FY 2026-27
High			
Medical	\$29,883	\$32,625	\$35,471
Dental	\$144	\$153	\$162
COBRA	\$341	\$350	\$333
Excess Agent Fees	\$3,569	\$3,897	\$4,236
Total	\$33,936	\$37,025	\$40,203
Base			
Medical	\$29,390	\$30,967	\$32,552
Dental	\$142	\$145	\$149
COBRA	\$335	\$334	\$323
Excess Agent Fees	\$3,510	\$3,699	\$3,888
Total	\$33,378	\$35,145	\$36,912
Low			
Medical	\$28,344	\$27,932	\$27,336
Dental	\$137	\$132	\$127
COBRA	\$324	\$303	\$302
Excess Agent Fees	\$3,385	\$3,336	\$3,265
Total	\$32,189	\$31,702	\$31,029

Table 21 presents total forecasted operating revenue under the base forecast for the individual medical market, individual dental market, Covered California Small Business, and the total for all three combined. As displayed below under the base forecast, total operating revenue in FY 2024-25 is projected to total \$410.9 million with participation fee revenue from the individual medical market contributing 91.1 percent, fee revenue from individual dental contributing 0.7 percent and fee revenue from Covered California for Small Business contributing 8.1 percent.

Table 21
Total Participation Fee Revenue: Base Forecast
dollars in thousands

Market	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Individual Medical	\$414,212	\$374,298	\$301,615	\$296,608
Individual Dental / Vision	\$3,295	\$3,192	\$2,579	\$2,543
CCSB / COBRA	\$32,064	\$33,378	\$35,145	\$36,912
Total Participation Fee Revenue	\$449,570	\$410,868	\$339,338	\$336,063

V. Multi-Year Budget Projection: FY 2024-25 to FY 2026-27

Covered California’s multi-year financial forecast projects revenue and expenditures for three years into the future, spanning FY 2024-25 through FY 2026-27. The multi-year financial forecast 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.

Covered California projects both changes in its budgeted and actual expenditures. This requires the utilization of assumptions regarding expenditure growth for personnel, benefits, and other operating expenditures. Covered California projects budgeted expenditures starting from a FY 2023-24 baseline. The actual expenditures are projected based on evaluating the budgeted values and applying assumptions regarding historical trends in actual expenditures. Historical actual expenditure trends indicate that Covered California recognizes favorable expenditure variances year over year which are around 10 percent.

The forecasts for budgeted and actual expenditures are based on California Department of Finance economic forecasts. Below are the assumptions used to forecast budgeted and actual expenditures throughout the forecasting frame (**Table 22**).

Table 22

Assumptions Utilized to Forecast Growth in Operating Expenditures

Growth Component	Assumption Utilized
Operating Expenditure Growth	The Department of Finance CPI forecast was used to calculate expected growth. Annual growth rates for other operating costs are 3.5 percent for FY 2023-24, 2.9 percent for FY 2024-25, 2.9 percent for FY 2025-26, and 2.9 percent for FY 2026-27. Healthcare costs for employees were expected to grow at a rate higher than overall DOF CPI -U growth at 5.6%.

Growth Component	Assumption Utilized
Personnel Staffing Level	Assumes the addition of 8 additional permanent positions annually.
Vacancy Rate	Assumes that the vacancy rate declines from 12.1 percent to 7.5 percent over the forecasting range.

High Enrollment and Revenue Forecast

The **High** forecast assumes that the enhanced federal subsidies are extended beyond the current expiration date of December 31, 2025. The **High** enrollment and revenue forecast (High forecast) is also characterized by more generous inflows from the Medi-Cal continuous coverage unwind than the **Low** and **Base** forecasts.

Average monthly enrollment is forecasted to total 1,797,607 in FY 2024-25, 1,802,023 in FY 2025-26, and 1,772,363 in FY 2026-27. The High forecast assumes that Medi-Cal inflows total 12,400 per month.

The **High** forecast reflects increases in the average premiums of 7 percent in plan year (PY) 2025, 6 percent in PY 2026, and 6 percent in PY 2027. It is recognized that actual premium increases may exceed the budget assumptions given 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 rise by 8 positions annually during the forecast range.

The **High** forecast assumes the participation fee on individual market premiums to be 3.25 percent for 2024 and 2.25 percent in 2025, 2026, and 2027. 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 Working Capital/ Budgetary Fund Balance

In FY 2024-25, operating and non-operating revenues are projected to total \$448.5 million, while operating and capital expenditures are forecasted to total \$425.7 million. This results in a projected increase in working capital/fund balance of \$22.8 million. End of year working capital/fund balance is forecasted to total \$611.7 million (**Table 23**). Operating and capital expenditures are forecasted based on historical spending patterns. Covered California recognizes favorable expenditure budget variances of

around ten percent each year. Therefore, the forecasted actual expenditures are projected to come in below the budgeted amount. During FY 2024-25, the individual market participation fee is assumed to be lowered from 3.25 percent to 2.25 percent in January 2025, resulting in six months of revenue based on the 2.25 percent rate.

In FY 2025-26, operating and non-operating revenues are projected to total \$399.9 million, while operating and capital expenditures are forecasted to total \$438.6 million. This results in a projected decrease in working capital/fund balance of \$38.6 million. End of year working capital/fund balance is forecasted to total \$573.1 million (**Table 23**). The decrease in operating and non-operating revenue results from the lowering of the participation fee in plan year 2025 from 3.25 percent to 2.25 percent. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which is at a level to fund roughly 6 to 9 months of budgeted operations.

In FY 2026-27, operating and non-operating revenues are projected to total \$414.4 million, while operating and capital expenditures are forecasted to total \$453.9 million. This results in a projected decrease in working capital/fund balance of \$39.5 million. End of year working capital/fund balance is forecasted to total \$533.6 million (**Table 22**). The \$533.6 million in working capital / fund balance would fund roughly 12.3 months of the next FYs budgeted expenditures. The increase in operating and non-operating revenue results from an assumed increase in premiums (premiums are assumed to grow by 6 percent in plan year 2027). The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which is at a level to fund roughly 6 to 9 months of budgeted operations.

Table 23
High Forecast
Covered California, Statement of Revenue Inflows, Expenditures Outflows and
Changes in Working Capital/Fund Balance
For FY 2024-25, FY 2025-26, and FY 2026-27

	FY 2024-25	FY 2025-26	FY 2026-27
Beginning Fund Balance At July 1	\$ 588,966,122	\$ 611,728,442	\$ 573,097,785
Adjusted Beg. Fund Balance	<u>\$ 588,966,122</u>	<u>\$ 611,728,442</u>	<u>\$ 573,097,785</u>
Additions (Operating/Non-Operating Revenue)	\$ 448,456,035	\$ 399,921,451	\$ 414,375,785
Deductions (Actual Expenditures)	<u>\$ (425,693,715)</u>	<u>\$ (438,552,109)</u>	<u>\$ (453,866,910)</u>
Increase / Decrease in Fund From Operations	\$ 22,762,320	\$ (38,630,657)	\$ (39,491,124)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted Working Capital/Fund Balance	<u><u>\$ 611,728,442</u></u>	<u><u>\$ 573,097,785</u></u>	<u><u>\$ 533,606,660</u></u>

Base Enrollment and Revenue Forecast

The **Base** forecast assumes that the enhanced federal subsidies expire on December 31, 2025, which is consistent with current law. The enrollment losses are forecasted to total 138,000 in December 2025. Additional losses will continue through 2027, which will bring the total to 188,000. The **Base** enrollment and revenue forecast is also characterized by lower inflows from Medi-Cal, but higher than the low.

Average monthly enrollment is forecasted to total 1,719,588 in FY 2024-25, 1,593,609 in FY 2025-26, and 1,490,333 in FY 2026-27. The Base forecast assumes that Medi-Cal inflows total 8,800 per month.

The **Base** forecast reflects increases in the average premiums of 67 percent in 2025, 5 percent in 2026, and 5 percent in 2027. It is recognized that actual premium increases 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 rise by 8 positions annually during the forecast range.

The **Base** forecast assumes the participation fee on individual market premiums to be 3.25 percent for 2024 and 2.25 percent in 2025, 2026, and 2027. The Covered California for Small Business market participation fee is assumed to remain at 5.2 percent of the premium for the forecast duration.

Base Enrollment and Revenue Forecast: Statement of Revenue, Expenditures and Changes in Working Capital/ Budgetary Fund Balance

In FY 2024-25, operating and non-operating revenues are projected to total \$429.7 million, while operating and capital expenditures total \$425.7 million. This results in a projected increase in working capital/fund balance of \$4 million. End of year working capital/fund balance is forecasted to total \$592.9 million (**Table 24**). During FY 2024-25, the individual market participation fee is assumed to be lowered from 3.25 percent to 2.25 percent in January 2025, resulting in six months of revenue based on the 2.25 percent rate.

In FY 2025-26, operating and non-operating revenues are projected to total \$352.1 million, while operating and capital expenditures total \$438.6 million. This results in a projected decrease in working capital/fund balance of \$86.5 million. End of year working capital/fund balance is forecasted to total \$506.5 million (**Table 24**). The decrease in operating and non-operating revenue in FY 2025-26 results from the lowering of the participation fee in plan year 2025 from 3.25 percent to 2.25 percent, and the expiration of the federal enhanced subsidies. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which is at a level to fund roughly 6 to 9 months of budgeted operations.

In FY 2026-27, operating and non-operating revenues are projected to total \$344.6 million, while operating and capital expenditures total \$453.9 million. This results in a projected decrease in working capital/fund balance of \$109.3 million. End of year working capital/fund balance is forecasted to total \$397.2 million (**Table 23**). The \$397.2 million in working capital / fund balance would fund roughly 9 months of the next FYs budgeted expenditures. The decrease in operating and non-operating revenue results from assuming the expiration of the enhanced federal subsidies and continuation of the 2.25 percent participation fee. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which is at a level to fund roughly 6 to 9 months of budgeted operations.

Table 24
Base Forecast
Covered California, Statement of Revenue Inflows, Expenditures Outflows and
Changes in Working Capital/Fund Balance
For FY 2024-25, FY 2025-26, and FY 2026-27

	FY 2024-25	FY 2025-26	FY 2026-27
Beginning Fund Balance At July 1	\$ 588,966,122	\$ 592,952,310	\$ 506,500,903
Adjusted Beg. Fund Balance	<u>\$ 588,966,122</u>	<u>\$ 592,952,310</u>	<u>\$ 506,500,903</u>
Additions (Operating/Non-Operating Revenue)	\$ 429,679,903	\$ 352,100,701	\$ 344,557,059
Deductions (Actual Expenditures)	\$ (425,693,715)	\$ (438,552,109)	\$ (453,866,910)
Increase / Decrease in Fund From Operations	\$ 3,986,188	\$ (86,451,408)	\$ (109,309,850)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted Working Capital/Fund Balance	<u><u>\$ 592,952,310</u></u>	<u><u>\$ 506,500,903</u></u>	<u><u>\$ 397,191,052</u></u>

Low Enrollment and Revenue Forecast

The **Low** forecast assumes that the enhanced federal subsidies expire on December 31, 2025, which is consistent with current law. The enrollment losses are forecasted to total 183,000 in December 2025, Additional monthly losses through 2027, brings the total to 246,000. The **Low** enrollment and revenue forecast is also characterized by lower inflows from Medi-Cal than both High and Base forecasts.

Average monthly enrollment is forecasted to total 1,678,324 in FY 2024-25, 1,520,374 in FY 2025-26, and 1,402,827 in FY 2026-27. The Base forecast assumes that Medi-Cal inflows total 2,000 per month.

The **Low** forecast reflects increases in the average premiums of 5 percent in 2025, 4 percent in 2026, and 3 percent in 2027. It is recognized that the premium increases 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 rise by 8 positions annually during the forecast range.

The **Low** forecast assumes the participation fee on individual market premiums to be 3.25 percent for 2024 and 2.25 percent in 2025, 2026, and 2027. The Covered California for Small Business market participation fee is assumed to remain at 5.2 percent of the premium for the forecast duration.

Low Enrollment and Revenue Forecast: Statement of Revenue, Expenditures and Changes in Working Capital/ Budgetary Fund Balance

In FY 2024-25, operating and non-operating revenues are projected to total \$418.1 million, while operating and capital expenditures total \$425.7 million. This results in a projected decrease in working capital/fund balance of \$7.6 million. End of year working capital/fund balance is forecasted to total \$581.3 million (**Table 25**). During FY 2024-25, the individual market participation fee is assumed to be lowered from 3.25 percent to 2.25 percent in January 2025, resulting in six months of revenue based on the 2.25 percent rate.

In FY 2025-26, operating and non-operating revenues are projected to total \$330.0 million, while operating and capital expenditures total \$438.6 million. This results in a projected decrease in working capital/fund balance of \$108.5 million. End of year working capital/fund balance is forecasted to total \$472.8 million (**Table 24**). The decrease in operating and non-operating revenue in FY 2025-26 results from the lowering of the participation fee in plan year 2025 from 3.25 percent to 2.25 percent, and the expiration of the federal enhanced subsidies. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which is at a level to fund roughly 6 to 9 months of budgeted operations.

In FY 2026-27, operating and non-operating revenues are projected to total \$312.3 million, while operating and capital expenditures total \$453.9 million. This results in a projected decrease in working capital/fund balance of \$141.6 million. End of year working capital/fund balance is forecasted to total \$331.2 million (**Table 25**). The \$331.2 million in working capital / fund balance would fund roughly 7.6 months of the next FYs budgeted expenditures. The decrease in operating and non-operating revenue results from assuming the expiration of the enhanced federal subsidies and continuation of the 2.25 percent participation fee. The difference between total revenue inflows and expenditure outflows would be funded with excess working capital/fund balance. This would occur until working capital/fund balance is at an appropriate level, which is at a level to fund roughly 6 to 9 months of budgeted operations.

Table 25
Low Forecast
Covered California, Statement of Revenue Inflows, Expenditures Outflows and
Changes in Working Capital/Fund Balance
For FY 2024-25, FY 2025-26, and FY 2026-27

	FY 2024-25	FY 2025-26	FY 2026-27
Beginning Fund Balance At July 1	\$ 588,966,122	\$ 581,324,862	\$ 472,802,775
Adjusted Beg. Fund Balance	<u>\$ 588,966,122</u>	<u>\$ 581,324,862</u>	<u>\$ 472,802,775</u>
Additions (Operating Revenue/Non-Operating Revenue)	\$ 418,052,454	\$ 330,030,022	\$ 312,312,085
Deductions (Actual Expenditures)	<u>\$ (425,693,715)</u>	<u>\$ (438,552,109)</u>	<u>\$ (453,866,910)</u>
Increase / Decrease in Fund From Operations	\$ (7,641,261)	\$ (108,522,087)	\$ (141,554,825)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted Working Capital/Fund Balance	<u><u>\$ 581,324,862</u></u>	<u><u>\$ 472,802,775</u></u>	<u><u>\$ 331,247,950</u></u>