



COVERED CALIFORNIA POLICY AND ACTION ITEMS

May 16, 2024 Board Meeting

2025 CALIFORNIA ENHANCED COST-SHARING REDUCTION PROGRAM DESIGN

Katie Ravel, Director
Policy, Eligibility, and Research Division

2025 CALIFORNIA ENHANCED COST-SHARING REDUCTION (CSR) PROGRAM ELIGIBILITY EXPANSION

- ❑ Program eligibility will be expanded for 2025. All enrollees on a subsidized application with income above 200% FPL will be eligible for a California Enhanced Silver 73 plan.
- ❑ American Indian/Alaska Native members with income above 300% will have the California Enhanced Silver 73 design.

Household Income Eligibility by Percentage of FPL	2025 California Enhanced CSR Program Plan
100% up to 150%	Enhanced Silver 94
Above 150% up to 200%	Enhanced Silver 87
Above 200% up to 250%	Enhanced Silver 73
Above 250%	Enhanced Silver 73
American Indian/Alaska Native Above 300%	Enhanced Silver 73

OVERVIEW OF THE PROGRAM DESIGN PROVISIONS FOR CALIFORNIA ENHANCED CSR PROGRAM

- The 2025 California Enhanced CSR Program Design Document specifies the following elements for the proposed program:
 1. Establishes income eligibility for the California Enhanced CSR program.
 2. Specifies the qualified health plan (QHP) features of the California Enhanced CSR variants.
 3. Establishes per member per month payment rates, payable to the QHP issuers, for each plan design that will be offered through the California Enhanced CSR program and a QHP issuer payment reconciliation process.
 4. Defines key terms related to the California Enhanced CSR program.

ACTION ITEM: PROPOSED 2025 CALIFORNIA ENHANCED COST-SHARING REDUCTION PROGRAM DESIGN

- ❑ **Action requested:** Covered California staff is seeking Board approval of the proposed 2025 California Enhanced Cost-Sharing Reduction Program Design, contingent upon enactment of the Budget Act of 2024.
- ❑ If approved and upon enactment of the Budget Act, Covered California staff will provide notification of the program design to the Joint Legislative Budget Committee (JLBC) as required by statute.

PUBLIC COMMENT

CALL: (877) 336-4440

PARTICIPANT CODE: 6981308

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NOTE: Written comments may be submitted to BoardComments@covered.ca.gov.

2025 PLAN YEAR AMENDMENT: ATTACHMENT 4 QUALITY TRANSFORMATION INITIATIVE

May 16, 2024

S. Monica Soni, MD
Chief Medical Officer
Chief Deputy Executive Director,
Health Equity & Quality Transformation (EQT) Division

QUALITY TRANSFORMATION INITIATIVE

Make
Quality
Count

0.8% to 4%
premium
at risk for

Measures
that Matter

a small set
of clinically
important
measures

Equity
is
Quality

stratified by
race/ethnicity

Amplify
through
Alignment

selected in
concert with
other public
purchasers*

*Public purchasers includes CalPERS and DHCS/Medi-Cal

GUIDING PRINCIPLES: USE OF FUNDS

Centered on goal to improve health outcomes for Covered California enrollees



Equity First: funds should preferentially focus on geographic regions or communities with the largest identified gaps in health and quality among California subpopulations



Direct: use of funds should lead to measurable improvements in quality and outcomes for enrollees that are related to QTI Core Measure performance



Evidence-based: use of funds should be grounded in approaches that have established evidence of success in driving improvements in quality or outcomes



Additive: funds should be used to advance quality in a currently underfunded arena.

POPULATION HEALTH INVESTMENTS: SELECTION CRITERIA



A prioritized list of Population Health Investments will be presented at Plan Management Advisory Workgroup and Covered California Board in 2024

POPULATION HEALTH INVESTMENT ADVISORY COUNCIL

The Council is a **trusted advisory body** consisting of stakeholders and subject matter experts selected by Covered California who support **successful deployment of PopHIs** to improve the quality of healthcare and to reduce health disparities for Covered California enrollees.

- Advise Covered California in the **selection of initial Population Health Investments** (PopHIs, pronounced “Poppy”).
- Guide and **inform program design features** of selected PopHIs, such as: member eligibility, program operations, and key performance indicators and evaluation approaches.
- Establish a forum that **supports successful deployment** of PopHIs through expert and trusted counsel.

The PopHI Advisory Council **does not have decision making authority**, and Covered California is not bound to adopt any of the PopHI Advisory Council’s recommendations, but the input shared is critical to sculpting both design and implementation.

POPULATION HEALTH INVESTMENT ADVISORY COUNCIL

Membership:

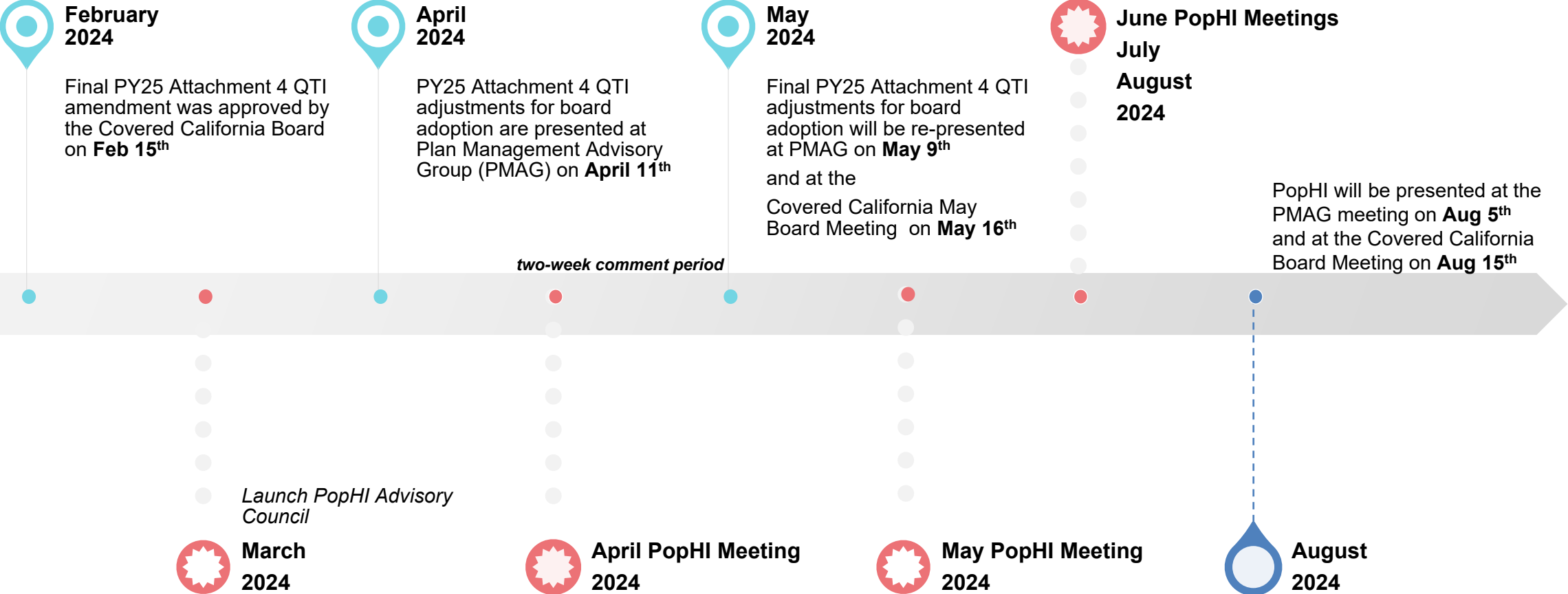
The Advisory Council consists of 10 to 12 members plus Ex Officio, including the following:

- ❑ Qualified Health Plan Issuers (2-3)
- ❑ California-based Government Officials (2)
- ❑ Consumer, Consumer Advocates, Thought Leaders, and Experienced Professionals (4-6)
- ❑ California-based Providers (2-3)
- ❑ Ex Officio (2)
 - California Department of Health Care Services
 - California Public Employees' Retirement System

Participants:

- **Tomás Aragón, MD, DrPH** - Director and State Public Health Officer, California Department of Public Health
- **Palav Babaria, MD, MPH** - Deputy Director & Chief Quality and Medical Officer, QPHM, Department of Health Care Services
- **Corrin Buchanan, MPP** - Deputy Secretary for Policy and Strategic Planning, CalHHS
- **Tracy M. Imley, MD** - Regional Assistant Medical Director, Quality and Clinical Analysis, Southern California Permanente Medical Group
- **Amanda Johnson** - Deputy Director, State and Population Health Group, CMS Innovation Center
- **Edward Juhn, MD, MBA, MPH** - Chief Quality Officer, Inland Empire Health Plan
- **Julia Logan, MD** - Chief Clinical Director, Clinical Policy & Programs Division, CalPERS
- **Peter Long, PhD** - Executive Vice President, Strategy and Health Solutions, Blue Shield of California
- **Bianca Mahmood** - Covered California Consumer
- **Sarita Mohanty, MD** - President and Chief Executive Officer, The SCAN Foundation
- **Cary Sanders, MPP** - Senior Policy Director, California Pan-Ethnic Health Network
- **Kristof Stremikis, MPP, MPH** - Director, Market Analysis and Insight, California Health Care Foundation
- **Sadena Thevarajah, JD** - Managing Director, Health Begins
- **Raymond Tsai, MD, MS** - Vice President, Advanced Primary Care, Purchaser Business Group on Health

TIMELINE



POPHI: YEAR 1 AND 2 FOUNDATIONAL ELEMENTS

High-Impact	Covered CA Oversight	Feasible and Measurable	Alignment
<ul style="list-style-type: none">• 4-5 investments• Selected by Covered California• Informed by the Advisory Council• Focused on areas identified through Population Needs Assessment• Not duplicative of the work of QHP Issuers or delivery system	<ul style="list-style-type: none">• PopHI will be selected by Covered California• Program design including eligibility, enrollment, regions, etc. will be done by Covered California and include input from Advisory Council and stakeholders• Aim to spend funds in same year collected	<ul style="list-style-type: none">• Reports will be shared with Issuers• Formal quantitative and qualitative evaluation of impact with partners• Example outcomes: health seeking behaviors, self-efficacy, financial toxicity, delays due to cost, global health and well-being	<ul style="list-style-type: none">• Continued partnership with DHCS and CalPERS• Synergies with DHCS/Medi-Cal work, especially for Community Reinvestment and Equity and Practice Transformation

UPDATES TO ATTACHMENT 4: 2025 AMENDMENT

To capture additional feedback from Issuers on preferred mechanism of administration of QTI payments, the following updates have been made:

- ❑ **1.04 Administration of QTI Payments:** revised to document the process of transmitting QTI payments with two options, either to a third party or retained by Contractor as directed by Covered California.
- ❑ **1.05.2 Population Health Investments Implementation Plan:** Contractors follow PopHI Directives for implementation, which will include specific payment directions from Covered California. Covered California may request additional information during implementation, emphasizing enhanced oversight.

UPDATES TO ATTACHMENT 4: 2025 AMENDMENT

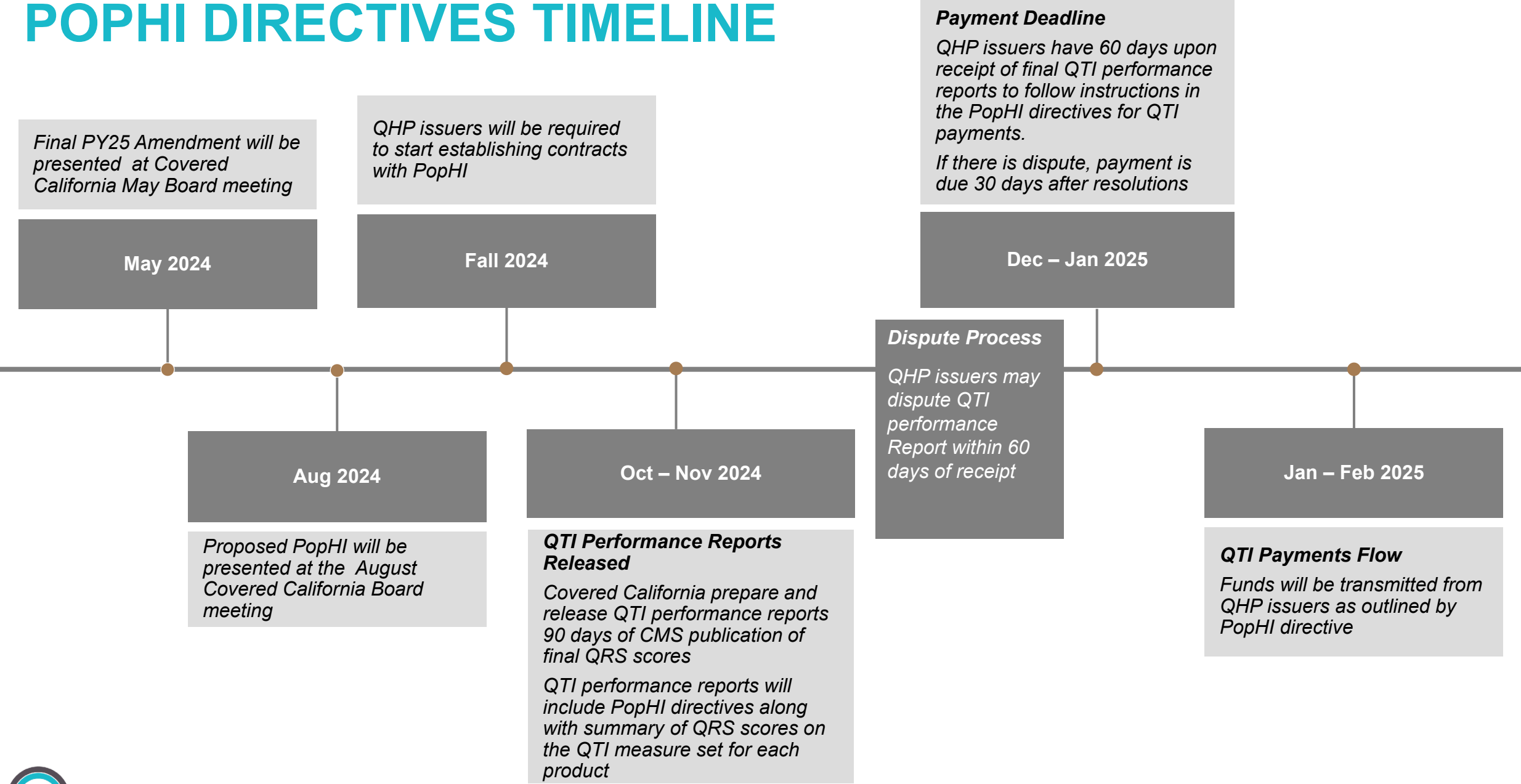
To capture additional feedback from Issuers on preferred mechanism of administration of QTI payments, the following updates have been made:

Attachment 4	Current	Key Updates
1.04 Administration of QTI Payments	<p>Covered Ca will manage collection and administration of funds, including specifying how funds are allocated and will select from the following methods:</p> <ol style="list-style-type: none"> 1. Funds transmitted to and retained by Covered California 2. Funds transmitted to and retained by a Covered California contracted entity 3. Funds retained by Contractor as used as expressly approved by Covered California 	<p>Covered Ca will direct Contractor’s use and transmission of QTI payments to Population Health Investments (PopHIs) using one of the following methods:</p> <ol style="list-style-type: none"> 1. Funds transmitted and retained by an entity as directed by Covered California 2. Funds retained by contractor and used as expressly directed by Covered California
1.05.2 Population Health Investments Implementation Plan	<p>Contractor must receive written approval of any proposed PopHIs established pursuant to contract. Implementation plan must include:</p> <ol style="list-style-type: none"> 1. How contractor will implement PopHI 2. Estimated funds necessary to implement PopHI 	<ul style="list-style-type: none"> • Contractor will submit a written implementation plan based on PopHI Directive • Covered California reserves the right to request additional information and documentation regarding approved implementation plan

PUBLIC COMMENTS THEMES

- ❑ Comments received support the amendment
- ❑ One issuer requested further clarification on the deadlines and processes for compliance with submission requirements
- ❑ One issuer requested postponing substantial contract changes until the 2026-2028 contract

POPHI DIRECTIVES TIMELINE



PUBLIC COMMENT

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COVERED CALIFORNIA'S PROPOSED FISCAL YEAR 2024-2025 BUDGET

Jim Watkins, CPA, Chief Financial Officer
Financial Management Division

Proposed Budget for Fiscal Year 2024-25

May 16, 2024

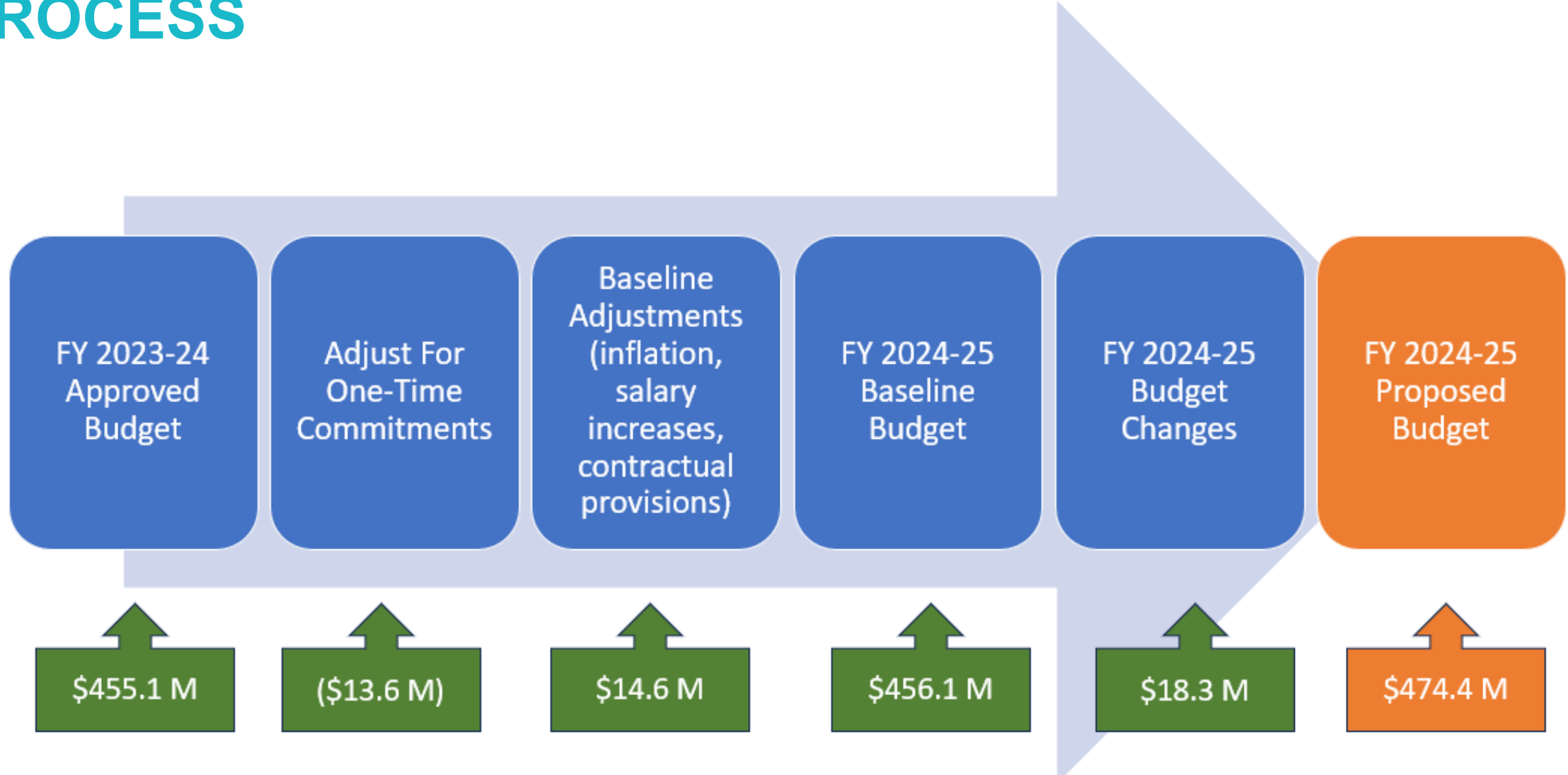


AGENDA

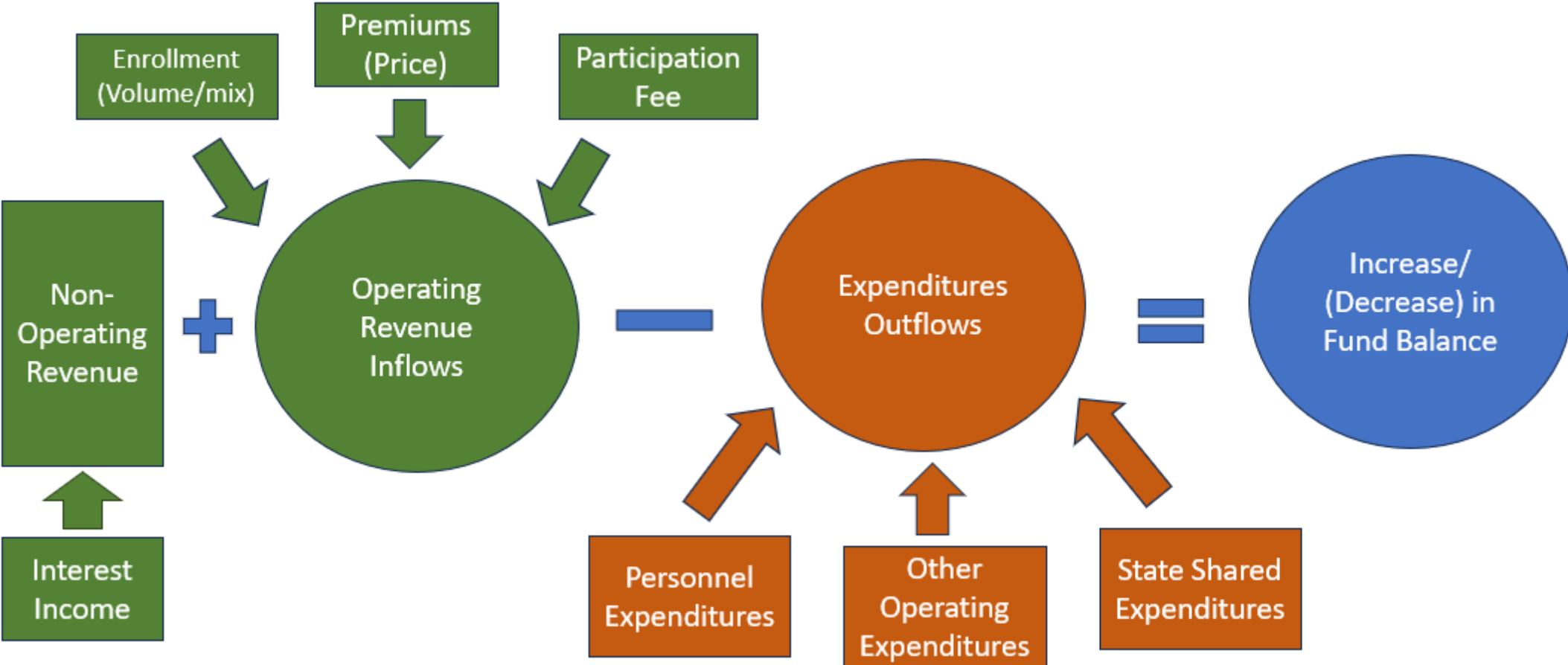
- ❑ Covered California's Budgeting Process
- ❑ Forecasted Enrollment and Revenue
- ❑ FY 2024-25 Proposed Budget Expenditures
- ❑ Proposed Participation Fee Rate Recommendation for Plan Year 2025
- ❑ Forecasted FY 2024-25 Budgetary Financial Outcomes

COVERED CALIFORNIA'S BUDGETING PROCESS

COVERED CALIFORNIA'S INCREMENTAL BUDGET PROCESS



COVERED CALIFORNIA'S REVENUE INFLOW AND EXPENDITURE OUTFLOWS

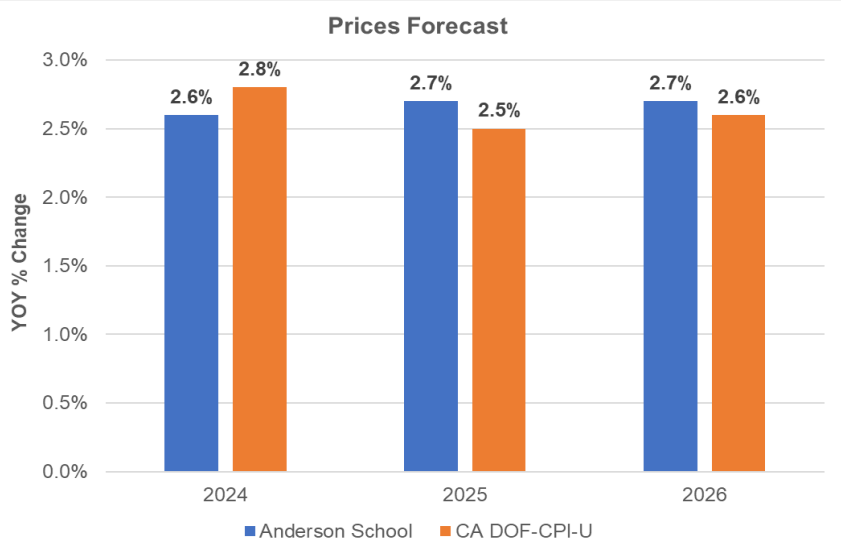
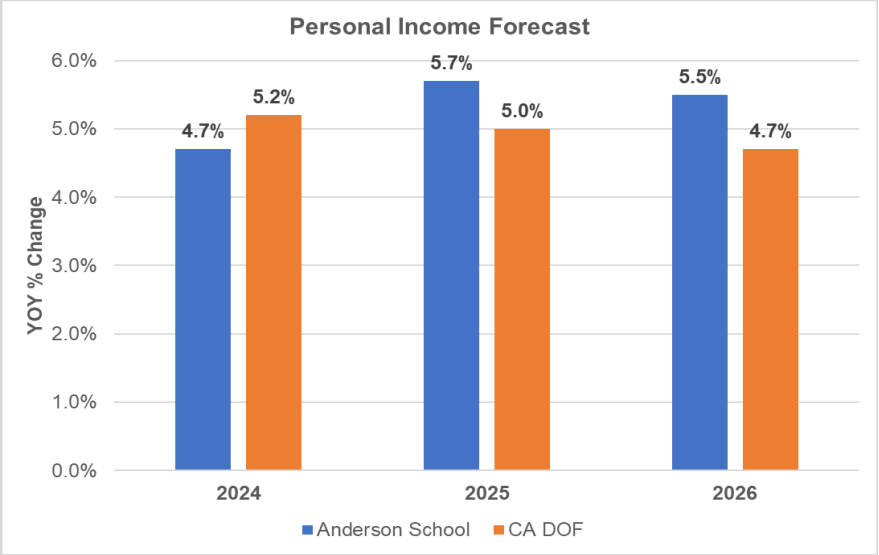
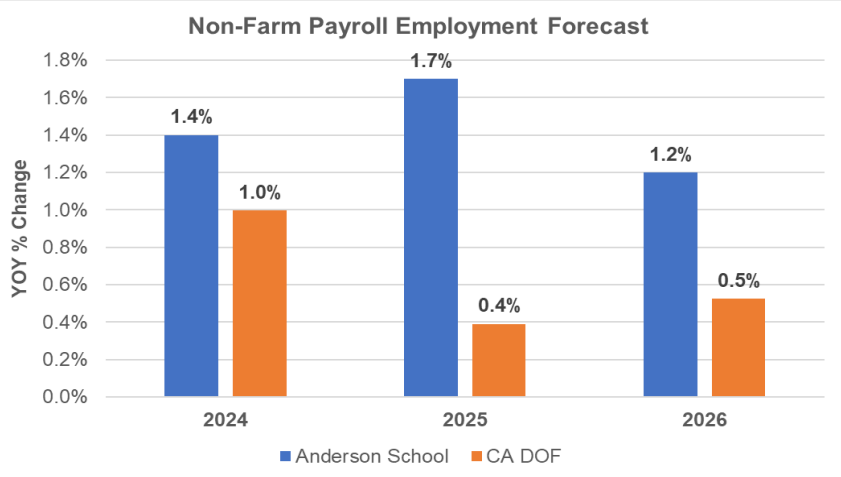
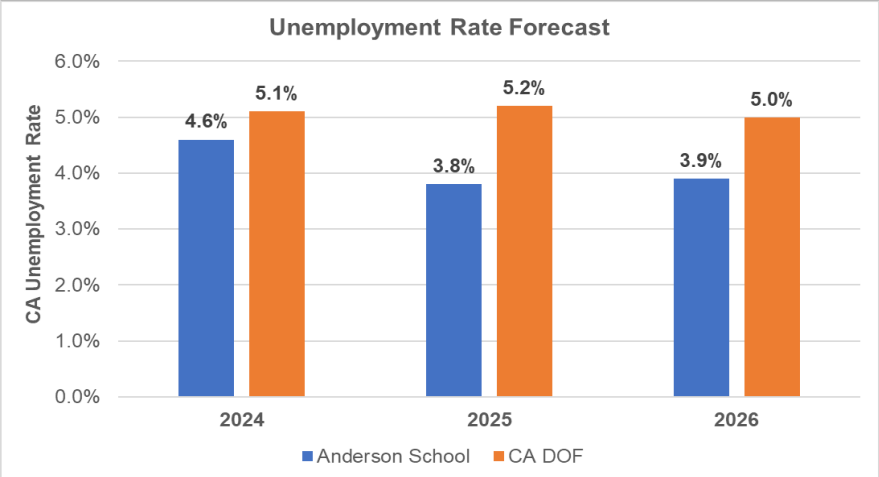


Forecasted Enrollment and Revenue

ECONOMIC OUTLOOK – RETURN TO TREND, EXPANSIONARY ECONOMY

- ❑ Unemployment rate will remain low, but higher than pre-pandemic level.
- ❑ Forecasted expansionary economic activity, but slower than pre-pandemic growth.
- ❑ AI, Defense & Aerospace manufacturing ramping up in 2025.
- ❑ Inflation continues to remain higher than the desired level. This will delay federal reserve rate reductions.
- ❑ Risks to the Forecast– Geopolitical, political, potential interest rate disruptions.
- ❑ **Bottom Line:** Covered California does not expect any material variations in enrollment prompted by macroeconomic changes in the near term.

ECONOMIC FORECASTS – RETURN TO TREND, EXPANSIONARY ECONOMY



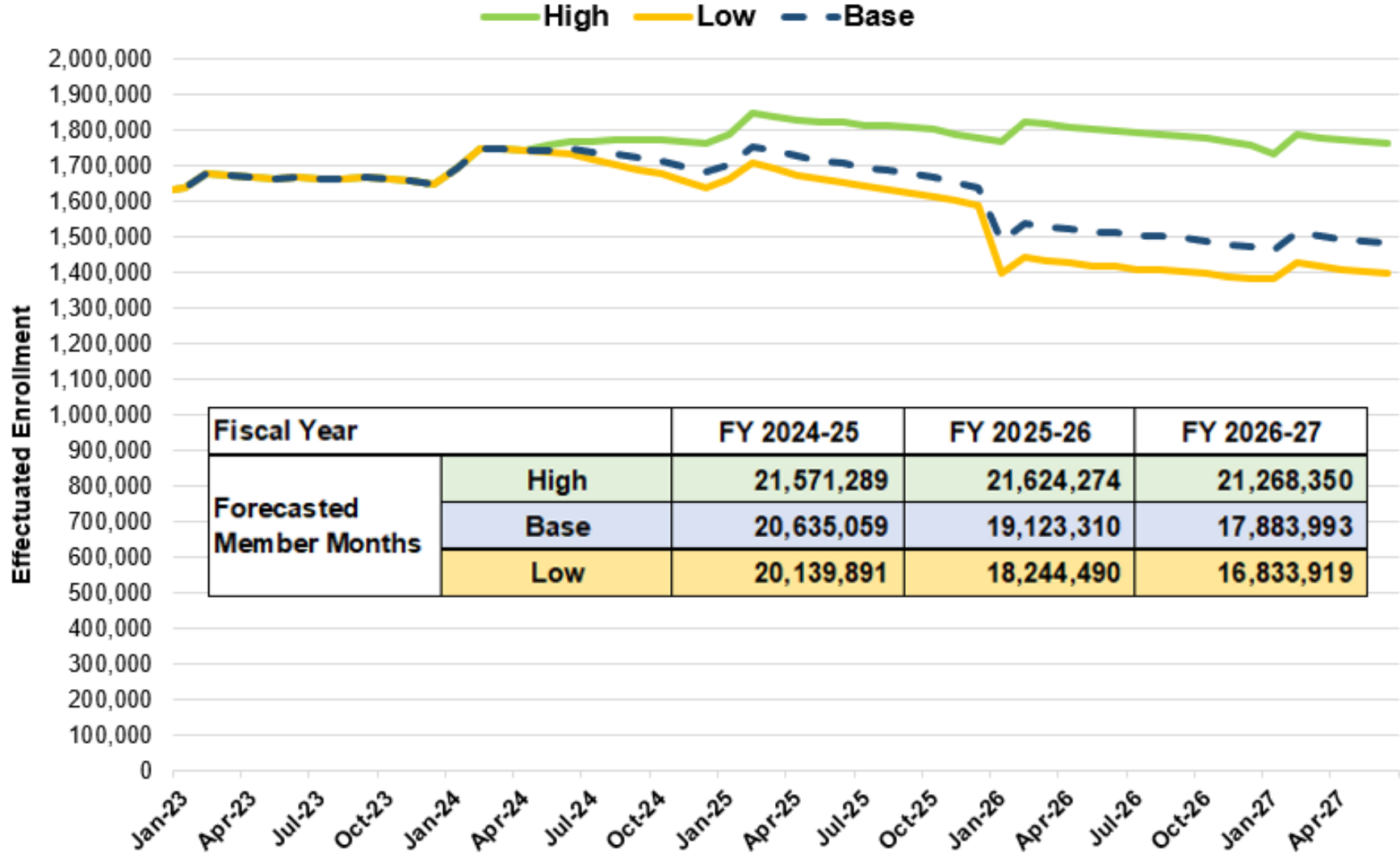
The FY 2024-25 budget assumes that California’s economy continues to expand. The expansionary economic activity, with continued modest labor market improvements means that Covered California does not expect any material variations in enrollment prompted by macroeconomic changes in the near term.

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.

PRELIMINARY FY 2024-25 BUDGET ASSUMPTIONS

Factor	High	Base	Low
ARPA / IRA 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 187,000 .	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 .
Demographic & Economic Trends	24,000 higher retentions (2,000 monthly) induced by the overall outlook on economic and demographic trends	24,000 higher retentions (2,000 monthly) induced by the overall outlook on economic and demographic trends	24,000 higher retentions (2,000 monthly) induced by the overall outlook on economic and demographic trends
Ongoing Medi-Cal Flows	Ongoing Medi-Cal inflows with SB 260 starting July 2024, plus pending unwinding Monthly Average: 12,400 (149,000)	Ongoing Medi-Cal inflows with SB 260 starting July 2024, plus pending unwinding Monthly Average: 8,800 (106,000)	Ongoing Medi-Cal inflows at pre-COVID19 levels starting July 2024 Monthly Average: 2,000 (24,000)
Premium Growth Y-O-Y (Effective Rate)	Preliminary estimates use 2025-7%, 2026-6%, and 2027-6%	Preliminary estimates use 2024-7% 2025-6%, 2026-5%, and 2027-5%	Preliminary estimates use 2025-5%, 2026-4%, and 2027-3%

FORECASTED ENROLLMENT – INDIVIDUAL MEDICAL



Under the Base forecast, individual medical monthly enrollment is expected to average 1,719,588 in FY 2024-25.

Under the base forecast and assuming current law, enhanced federal premium tax credits are scheduled to expire in December 2025, leading to a 7.3 percent year-over-year decrease in average enrollment between FY 2024-25 and FY 2025-26.

In the absence of any new policy intervention the enrollment trend is expected to return to its pre-pandemic sawtooth pattern.

FY 2024-25 FORECASTED REVENUE – HIGH, BASE, LOW

	Forecast		
	High FY 2024-25	Base FY 2024-25	Low FY 2024-25
Total Member Months	21,571,289	20,635,059	20,139,891
1st Half of FY	10,620,262	10,285,525	10,086,117
2nd Half of FY	10,951,027	10,349,534	10,053,774
Operating Revenue			
Individual Med Fee Revenue 1st half	\$ 220,790,750	\$ 213,839,881	\$ 209,698,515
Individual Med Fee Revenue 2nd half	\$171,381,889	\$ 160,458,362	\$ 154,403,942
Total Individual Medical Revenue	\$392,172,639	\$ 374,298,243	\$ 364,102,457
Individual Dental/Vision Fee Revenue	\$3,273,440	\$ 3,191,866	\$ 3,110,083
CCSB / COBRA Revenue/dental/excess fees	\$33,936,484	\$ 33,377,567	\$ 32,189,468
Total CCSB and COBRA Revenue	\$37,209,924	\$ 36,569,433	\$ 35,299,551
Total Operating Revenue	\$429,382,563	\$ 410,867,676	\$ 399,402,008
Non-Operating Revenue			
Interest Revenue	\$18,677,870	\$ 18,416,624	\$ 18,254,844
Other	\$395,602	\$ 395,602	\$ 395,602
Total Non-Operating Revenue	\$19,073,472	\$ 18,812,227	\$ 18,650,446
Total Revenue	\$448,456,035	\$ 429,679,903	\$ 418,052,454

Under the High FY 2024-25 enrollment forecast, individual market revenue totals \$392.2 million. The second half of the FY shows a decline, as the participation fee is lowered from 3.25% to 2.25%.

The Base FY 2024-25 enrollment forecast generates \$374.3 million. Also, the second half of the FY shows a decline related to the reduction in the participation fee from 3.25% to 2.25%.

The Low FY 2024-25 enrollment forecast generate \$364.1 million in individual market revenue.

Total revenue, which includes CCSB, and interest income is \$448.5 million under the High forecast, \$429.7 million under the Base forecast, and \$418.1 million under the Low forecast.

Proposed FY 2024-25 Budgeted Expenditures

FY 2023-24 APPROVED BUDGET, FY 2024-25 BASELINE, AND FY 2024-25 PROPOSED BUDGET

	Fiscal Year 2023-24 Approved Budget	Fiscal Year 2024-25 Baseline Budget	Fiscal Year 2024-25 Proposed Budget	% of Total Budget FY 2024-25 Budget	Difference Between FY 2024-25 Proposed Budget and FY 2023-24 Approved	% Change Change in % FY 2023-24 Approved Budget and FY 2024-25 Proposed Budget
Positions	1475	1,475	1,494		19	1.3%
Operating Expenditures						
Personnel Expenditures	\$ 177,064,746	\$ 187,723,059	\$ 189,644,435	40.0%	12,579,689	7.1%
Other Operating Expenditures	\$ 253,294,912	\$ 241,924,389	\$ 258,351,875	54.5%	5,056,963	2.0%
Subtotal	\$ 430,359,658	\$ 429,647,448	\$ 447,996,310	94.4%	\$ 17,636,652	4.1%
Allocated Expenditures						
Prorata/Supp. Pension/Other	19,111,015	21,582,415	\$ 21,582,415	4.5%	2,471,400	12.9%
Total Operating Expenditures	\$ 449,470,673	\$ 451,229,863	\$ 469,578,725	99.0%	\$ 20,108,052	4.5%
Capital Investments						
Other	\$ 5,651,000	\$ 4,825,000	\$ 4,825,000	1.0%	(826,000)	-14.6%
Total - Capital Project Expenditures	\$ 5,651,000	\$ 4,825,000	\$ 4,825,000	1.0%	\$ (826,000)	-14.6%
Total Budgeted Expenditures	\$ 455,121,673	\$ 456,054,863	\$ 474,403,725	100.0%	\$ 19,282,052	4.2%

Covered California's FY 2024-25 proposed budget totals \$474.4 million, an increase of 4.2% over the FY 2023-24 approved budget.

Total personnel expenditures rise from \$177.1 million to \$189.6 million, or 7.1%. The increased expenditures arise from a general salary increase, increased benefits costs, and the addition of 19 new positions. Total positions increased by 1.3% year-over-year.

Other operating expenditures increase by 2%, rising from \$253.3 million to \$258.4 million.

Prorata or state shared expenditures increase by 12.9% and total \$21.6 million.

Capital expenditures decrease by 14.6%.

FY 2024-25 PROPOSED BUDGET SUMMARY

	Fiscal Year 2023-24	Fiscal Year 2023-24	Fiscal Year 2023-24		Fiscal Year 2024-25	Fiscal Year 2024-25	Fiscal Year 2024-25
Positions	Approved Budget	Adjustments to Prior Year for One-Time Spending	Approved Budget Adjusted for One-Time Spending	Baseline Adjustments	Baseline Budget	Proposed Budget Augmentations	Proposed Budget
	1475	0	1475	0	1,475	19	1,494
Operating Expenditures							
Personnel Expenditures	\$ 177,064,746		\$ 177,064,746	\$ 10,658,313	\$ 187,723,059	\$ 1,921,376	\$ 189,644,435
Other Operating Expenditures (Less one-time expenses)	\$ 253,294,912	\$ (13,620,000)	\$ 239,674,912	\$ 2,249,477	\$ 241,924,389	\$ 16,427,486	\$ 258,351,875
Subtotal	\$ 430,359,658	\$ (13,620,000)	\$ 416,739,658	\$ 12,907,790	\$ 429,647,448	\$ 18,348,862	\$ 447,996,310
Allocated Expenditures							
Prorata/Supp. Pension/Other	\$ 19,111,015.0	\$ -	\$ 19,111,015	\$ 2,471,400	\$ 21,582,415	\$ -	\$ 21,582,415
Total Operating Expenditures	\$ 449,470,673	\$ (13,620,000)	\$ 435,850,673	\$ 15,379,190	\$ 451,229,863	\$ 18,348,862	\$ 469,578,725
Capital Investments							
Other	\$ 5,651,000	\$ -	\$ 5,651,000	\$ (826,000)	\$ 4,825,000	\$ -	\$ 4,825,000
Total - Capital Project Expenditures	\$ 5,651,000	\$ -	\$ 5,651,000	\$ (826,000)	\$ 4,825,000	\$ -	\$ 4,825,000
Total Budgeted Expenditures	\$ 455,121,673	\$ (13,620,000)	\$ 441,501,673	\$ 14,553,190	\$ 456,054,863	\$ 18,348,862	\$ 474,403,725



Covered California utilizes an incremental budgeting process.

This means that we start with the prior year's approved budget and adjust to arrive at the FY 2024-25 baseline budget.

The FY 2024-25 baseline budget totals \$456.1 million. The FY 2023-24 approved budget was reduced for \$13.6 million in one-time expenditures, increased by \$10.7 million for personnel costs, including general salary increases and benefit increases, increased by \$2.2 million in other operating expenditures associated with inflationary contractual provisions, increased by \$2.5 million for state share expenditures, and decreased by \$826 thousand for capital expenditures.

The FY 2024-25 baseline budget was increased by \$1.9 million for 19 staffing additions, and \$16.4 million for other operation expenditures associated with various strategic initiatives

FY 2024-25 BUDGET AUGMENTATIONS

Effective and Targeted Marketing and Outreach - \$4.6 million

- 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

Understanding the Consumer Journey Experience and Applying Lessons for Enrollment System Redesign and Enhancement - \$1.2 million

- 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

Utilizing Technology to Drive Greater Efficiency and Productivity - \$4.7 million

- Fostering innovation and harnessing the potential of Artificial Intelligence (AI) within Covered California
- Information Technology Strategic Initiative Program Development
- Enhance Change Management Office

Information Security - \$1.7 million

- Information Security Office (ISO) expansion to support the revised information security program

Quality Transformation Initiative - \$896 thousand

- Consulting Services to Support Quality Transformation Initiative Population Health Investments
- Population Health and Informatics team expansions

Customer Support - \$5.3 million

- Contracted Call Center Customer Support Services (subject to negotiation)

Total - \$18,348,862

- 19 permanent positions
- Personnel expenditures: \$1,921,376
- Other Operating Expenditures: \$16,427,486

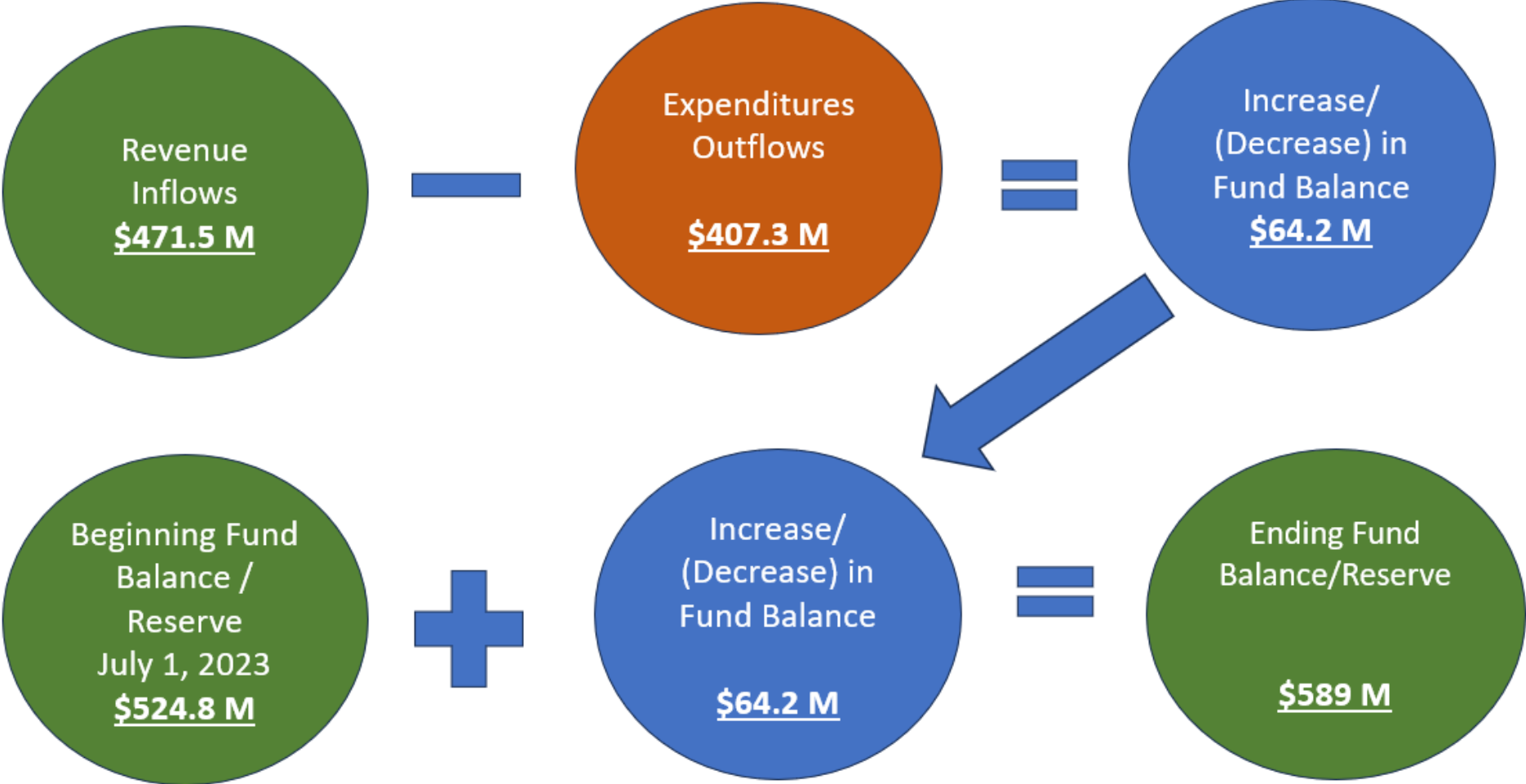
PROPOSED Participation Fee Rate Recommendation For Plan Year 2025

MANAGING WORKING CAPITAL IN A BALANCED AND PRUDENT MANNER

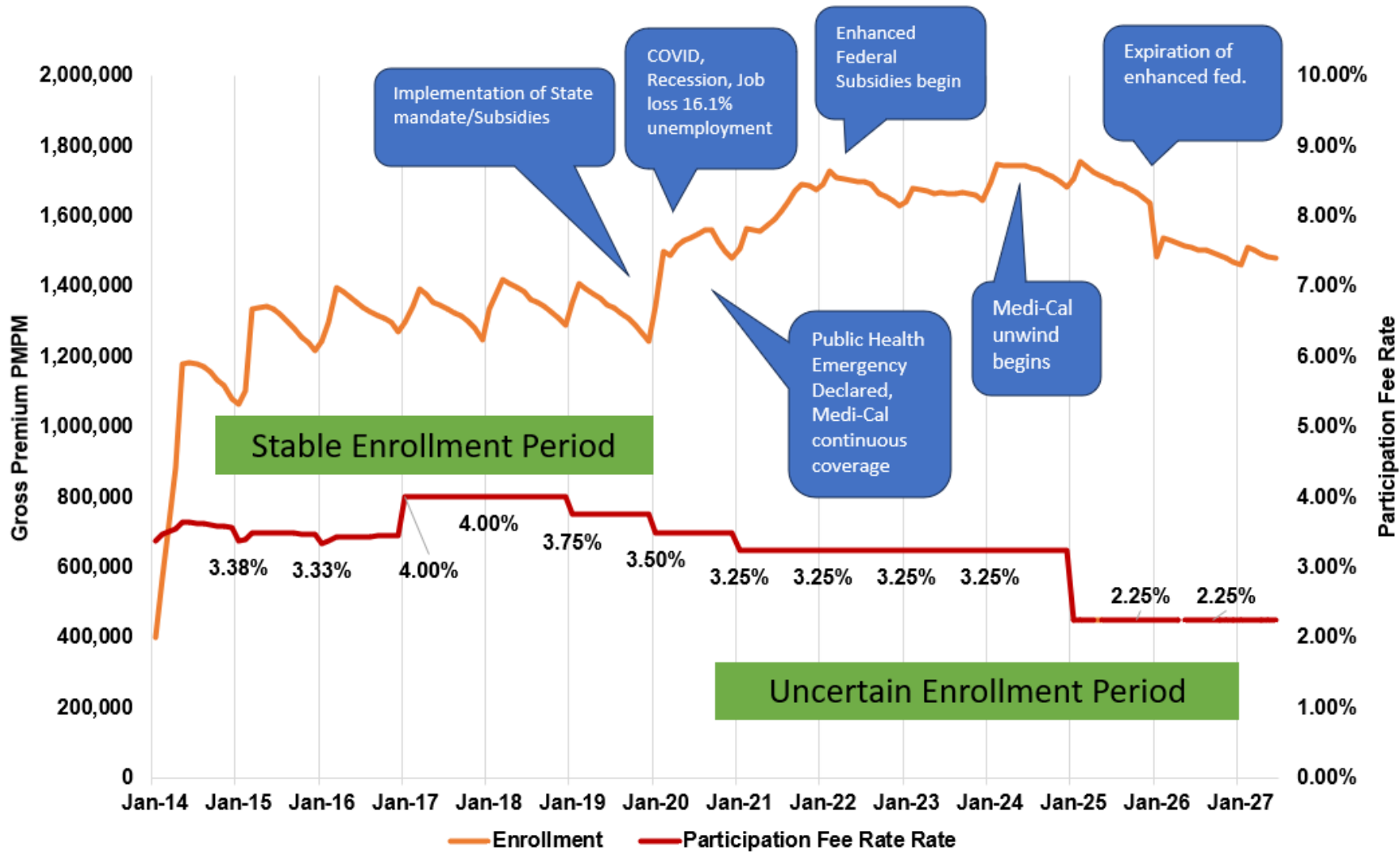
- ❑ **Covered California must maintain adequate levels of working capital/Fund Balance (Reserves) that:**
 - mitigates current and future risks, and
 - ensures stable fees.
- ❑ **Prior to the COVID-19 pandemic, the participation fee had been lowered three times from 2019 through 2021 (4.0 % to 3.25%)**
- ❑ **Throughout the COVID-19 pandemic period, Covered California faced unprecedented uncertainty.**
 - Held the individual market participation fee constant at 3.25% throughout the pandemic and recovery period.
 - 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.**
 - Forecasts of future enrollment and premium growth indicate that lowering the individual market participation fee rate is necessary to ensure that excess working capital does not continue to accumulate.
 - The adjustment to the individual market participation fee rate will not impact Covered California consumer services, or its 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'S FLOW OF FUNDS/ FUND BALANCE AND RESERVES

FY 2023-24 Projected Budgetary Outcome



ENROLLMENT TREND AND PARTICIPATION FEE RATE



Covered California's revenue model initially utilized a flat per-member-per month (PMPM) charged to carriers of \$13.95. Starting January 2017, the revenue model was based on a percentage of gross premiums.

The initial rate was set at 4.0%. The participation fee rate was lowered by 25 basis points between plan year's 2019 and 2021. During the uncertain pandemic period, the participation rate was held constant at 3.25%.

Throughout the uncertain environment, the financial uncertainties settled favorably for Covered California, which resulted in continued accumulation of working capital/fund balance.

Therefore, after evaluating Covered California's working capital needs and considering some future uncertain events, we recommend lowering the participation fee rate by one percentage point, from 3.25% to 2.25% in plan year 2025.

FORECASTED FY 2024-25 BUDGETARY FINANCIAL OUTCOMES

**Revenue – Expenditures = Change in Fund
Balance**

FORECASTED REVENUE, ACTUAL EXPENDITURES, CHANGE IN WORKING CAPITAL / FUND BALANCE, AND END OF YEAR WORKING CAPITAL/ FUND BALANCE-BASE

	Actual	Actual/ Forecasted	
	FY 2022-23	FY 2023-24	FY 2024-25
Beginning Fund Balance At July 1	\$ 466,788,219	\$ 524,811,073	\$ 588,966,122
Adjusted Beg. Fund Balance	\$ 466,788,219	\$ 524,811,073	\$ 588,966,122
Additions	\$ 428,811,448	\$ 471,487,588	\$ 429,679,903
Deductions (Actual Expenditures)	\$ (370,788,594)	\$ (407,332,538)	\$ (425,693,715)
Increase / Decrease in Fund From Operations	\$ 58,022,854	\$ 64,155,050	\$ 3,986,188
	\$ -	\$ -	\$ -
Unrestricted Working Capital/Fund Balance	\$ 524,811,073	\$ 588,966,122	\$ 592,952,310

Covered California's working capital/fund balance is forecasted to increase by \$64.2 million in FY 2023-24. This is driven by lower-than-expected expenditures and higher than expected revenues. Under the BASE forecast, assuming the participation fee rate is lowered from 3.25% to 2.25% in plan year 2025, it is projected that the working capital/fund balance will total \$593 million by the end of FY 2024-25.

Under the BASE forecast, the forecasted FY 2024-25 revenue inflows will total \$430 million while expenditure outflows will total \$426 million. This results in a \$4 million increase in fund balance.

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 generally 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.

FORECASTED REVENUE, ACTUAL EXPENDITURES, CHANGE IN WORKING CAPITAL / FUND BALANCE, AND END OF YEAR WORKING CAPITAL/ FUND BALANCE-LOW

	Actual	Actual/ Forecasted	
	FY 2022-23	FY 2023-24	FY 2024-25
Beginning Fund Balance At July 1	\$ 466,788,219	\$ 524,811,073	\$ 588,966,122
Adjusted Beg. Fund Balance	\$ 466,788,219	\$ 524,811,073	\$ 588,966,122
Additions (Operating Revenue/Non-Operating Revenue)	\$ 428,811,448	\$ 471,487,588	\$ 418,052,454
Deductions (Actual Expenditures)	\$ (370,788,594)	\$ (407,332,538)	\$ (425,693,715)
Increase / Decrease in Fund From Operations	\$ 58,022,854	\$ 64,155,050	\$ (7,641,261)
	\$ -	\$ -	\$ -
Unrestricted Working Capital/Fund Balance	\$ 524,811,073	\$ 588,966,122	\$ 581,324,862

Covered California's working capital/fund balance is forecasted to increase by \$64.2 million in FY 2023-24. This is driven by lower-than-expected expenditures and higher than expected revenues. Under the LOW forecast, assuming the participation fee rate is lowered from 3.25% to 2.25% in plan year 2025, it is projected that the working capital/fund balance will total \$581.3 million by the end of FY 2024-25.

Under the LOW forecast, the forecasted FY 2024-25 revenue inflows will total \$418.1 million while expenditure outflows will total \$426 million. This results in a \$7.6 million decrease in fund balance.

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 generally 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.

FORECASTED REVENUE, ACTUAL EXPENDITURES, CHANGE IN WORKING CAPITAL / FUND BALANCE, AND END OF YEAR WORKING CAPITAL/ FUND BALANCE-HIGH

	Actual	Actual/ Forecasted	
	FY 2022-23	FY 2023-24	FY 2024-25
Beginning Fund Balance At July 1	\$ 466,788,219	\$ 524,811,073	\$ 588,966,122
Adjusted Beg. Fund Balance	\$ 466,788,219	\$ 524,811,073	\$ 588,966,122
Additions (Operating/Non-Operating Revenue)	\$ 428,811,448	\$ 471,487,588	\$ 448,456,035
Deductions (Actual Expenditures)	\$ (370,788,594)	\$ (407,332,538)	\$ (425,693,715)
Increase / Decrease in Fund From Operations	\$ 58,022,854	\$ 64,155,050	\$ 22,762,320
	\$ -	\$ -	\$ -
Unrestricted Working Capital/Fund Balance	\$ 524,811,073	\$ 588,966,122	\$ 611,728,442

Covered California's working capital/fund balance is forecasted to increase by \$64.2 million in FY 2023-24. This is driven by lower-than-expected expenditures and higher than expected revenues. Under the HIGH forecast, assuming the participation fee rate is lowered from 3.25% to 2.25% in plan year 2025, it is projected working capital/fund balance will grow to \$611.7 million by the end of FY 2024-25.

Under the HIGH forecast, the forecasted FY 2024-25 revenue inflows will total \$448.5 million while expenditure outflows will total \$426 million. This results in a \$22.8 million increase in fund balance.

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 generally 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.

PUBLIC COMMENT

CALL: (877) 336-4440

PARTICIPANT CODE: 6981308

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

EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM

NOTE: Written comments may be submitted to BoardComments@covered.ca.gov.