

COVERED CALIFORNIA BOARD MINUTES
Thursday, May 15, 2025
Covered California
1601 Exposition Blvd.
Sacramento, CA 95815

Agenda Item I: Call to Order, Roll Call, and Welcome

The meeting was called to order at 10:30 a.m.

Board Members Present During Roll Call:

Craig Cornett
Sumi Sousa
Kim Johnson

Board Members Absent During Roll Call:

Mayra Alvarez
Jerry Fleming

Agenda Item II: Closed Session

A conflict disclosure was performed and there were no conflicts from the Board members that needed to be disclosed. The Board adjourned for closed session to discuss contracting and litigation matters pursuant to Government Code Sections 100500(j) and 11126(e).

The open session was called to order at 12:30 p.m.

Agenda Item III: Board Meeting Action Items

April 17, 2025 Meeting Minutes

Board Discussion: None.

Public Comment: None.

Motion/Action: Chairwoman Johnson called for a motion to approve the April 17, 2025, meeting minutes. Ms. Sousa moved to approve the meeting minutes. The motion was seconded by Mr. Cornett.

Vote: The motion was approved by a unanimous vote of those present.

Board Committee Appointments: Finance Committee, Personnel Committee, and Audit Committee

Board Discussion: None.

Motion/Action: Chairwoman Johnson called for a motion to appoint Mr. Cornett and Mr. Fleming to the Finance Committee, Ms. Sousa and Ms. Alvarez to the Personnel Committee, and Ms. Sousa and Mr. Cornett to the Audit Committee. The motion was seconded by Mr. Cornett.

Public Comment: None.

Vote: The motion was approved by a unanimous vote of those present.

Election of Board Vice Chair

Board Discussion: None.

Motion/Action: Chairwoman Johnson called for a motion to appoint Ms. Alvarez as Vice Chair. The motion was seconded by Ms. Sousa.

Public Comment: None.

Vote: The motion was approved by a unanimous vote of those present.

Agenda Item IV: Executive Director's Report

Discussion – Announcement of Closed Session Actions

Jessica Altman, Executive Director, stated that the Board met in closed session to undertake issues related to contracting. There were no items to report.

Discussion – Executive Director's Update

Ms. Altman shared that the next Covered California Board meeting is scheduled for June 3rd and noted that there is not a July meeting currently anticipated.

Discussion – State and Federal Policy/Legislative Update

Ms. Altman recognized the Department of Managed Health Care for submitting an application to update California's Essential Health Benefits Benchmark Plan, which, if approved, would expand coverage beginning in 2027 to include infertility treatments, hearing services, and durable medical equipment. She also discussed the Governor's May Budget Revision, which addresses a \$12 billion shortfall and includes funding allocations for Covered California programs, such as \$165 million for financial assistance, \$20.35 million for the California Premium Credit, and \$2 to \$3 million for the Striking Worker Benefit Program. Ms. Altman emphasized the importance of federal enhanced premium tax credits, noting her recent visit to Washington, D.C., where she joined other State-based Marketplaces to advocate for their extension and discussed the interconnectedness of Medicaid and Marketplace programs in providing comprehensive health coverage.

Ms. Altman addressed the potential expiration of the federal enhanced premium tax credits and significant provisions in the federal reconciliation package that could negatively impact Covered California and Marketplace consumers. She expressed concerns about the timeline for addressing federal enhanced premium tax credits, which may not occur until September, posing challenges for open enrollment preparation and consumer notification. Ms. Altman highlighted troubling Marketplace proposals that could reduce enrollment, increase costs, and limit access to coverage, including cutting open enrollment periods and excluding certain groups from coverage. She also acknowledged the media reports regarding Covered California's inadvertent disclosure of consumer data through LinkedIn advertising tools, emphasizing that the Covered California is conducting a thorough investigation with external experts.

Discussion – Data and Research

Annual Plan Performance Report: Dr. Barbara Rubino, Associate Chief Medical Officer, presented the Annual Plan Performance Report and detailed the significant strides made in health data transparency, emphasizing the importance of stratifying data by race, ethnicity, language, geography, and income. The 2025 report includes new measures on primary care utilization, telehealth, and behavioral health visits, and expanded subpopulation analysis. One finding revealed that breast cancer screening rates, which had declined during the COVID-19 pandemic, have since rebounded beyond pre-pandemic levels. Disparities were noted in screening rates by income, but not by race or geography. Dr. Rubino further summarized data among racial and ethnic groups, emphasizing that the data is being used to inform Covered California's strategic planning and contract standards, including collaboration mandates for health plans and community stakeholders. She explained it is also guiding marketing and outreach strategies to ensure members are supported in utilizing their coverage.

Board Comments: Chairwoman Johnson expressed her appreciation to Dr. Rubino for highlighting the importance of transparency and addressing disparities through data collection and its utilization for continuous quality improvement and actionable outcomes. She also thanked Ms. Altman, acknowledging the complex deliberations surrounding the Governor's May Revision and the Legislature's efforts to finalize a budget amidst difficult economic conditions and federal impacts on state revenues.

Mr. Cornett expressed appreciation for the Executive Director's report, acknowledging the challenges posed by both a tough fiscal year and larger issues. He also praised the data report for its insights and inquired whether the findings are summarized and communicated to health plans during discussions.

Dr. Rubino explained that the report includes key findings summarized in slides for each section, as well as an executive summary highlighting top-line trends. She emphasized the team's ongoing efforts to ensure findings are shared in meaningful and actionable ways, expressing appreciation for the suggestion to further enhance this approach.

Ms. Sousa asked for more details about the recent discussions in Washington, D.C., specifically, feedback from the U.S. Department of Health and Human Services (HHS) on the proposed Marketplace Integrity rule and the extension of federal enhanced premium tax credits.

Covered California Board Minutes
May 15, 2025 Meeting

She sought clarification on who was engaged in these conversations, the nature of their responses, and the timeline and potential impact of the subsidy extension on open enrollment, noting a mix of supportive and noncommittal feedback from the delegation.

Ms. Altman explained that the proposed rule is at the Office of Management and Budget awaiting finalization, though its future is uncertain as many of its provisions have been integrated into the federal reconciliation package. She emphasized that Covered California's data does not align with the rule's premise of rampant fraud, waste, and abuse in the Marketplace, and noted ongoing interest from HHS in California's innovative approaches, such as its custom agent portal. Ms. Altman shared that during her recent trip to Washington, D.C., she met with administration officials, congressional representatives from both parties, and members of California's delegation, receiving widespread appreciation for Covered California's role and data-driven advocacy. She noted that while there is support for extending the federal enhanced premium tax credits, uncertainty remains, as an amendment to include them in the reconciliation package failed on a party-line vote. Ms. Altman acknowledged the fast pace of the reconciliation process in the House but expects a more deliberative approach in the Senate, where she plans to work with other state Marketplaces to inform the discussion.

Ms. Sousa sought clarification on the timing of potential inclusion of provisions like the federal enhanced premium tax credits in the reconciliation package, noting the narrow legislative window. She also inquired about how the overlap between reconciliation and open enrollment would impact Covered California's ability to adjust operations, especially given that parts of the proposed rule have been incorporated into the reconciliation bill.

Ms. Altman explained that provisions from the proposed rule, now incorporated into the reconciliation package, have varying effective dates, with some potentially impacting the upcoming open enrollment period if passed in time. She noted that discussions on the extension of the federal enhanced premium tax credits are unlikely to occur before the September Continuing Resolution timeframe, presenting a significant operational challenge for Covered California. Ms. Altman emphasized Covered California's ongoing efforts to prepare contingencies and communicate to policymakers in Washington about what is feasible and what is not, while continuing collaboration with state colleagues and ground-level partners to ensure readiness.

Public Comment: Beth Capell, representing Health Access California, expressed opposition to the Medi-Cal changes proposed in the May Revision. She also voiced concerns about the federal reconciliation package and acknowledged Covered California's actions following the LinkedIn data disclosure, suggesting that broader policy considerations should be prioritized alongside marketing efforts.

Doreena Wong, representing Asian Resources, Inc., expressed deep concern over both state and federal budget proposals, and recommended that Covered California provide clear communication to enrollees regarding the LinkedIn data issue to address privacy fears in vulnerable communities.

Additionally, Ms. Wong thanked Dr. Rubino and her team for their report, commending the use of stratified and granular data to identify disparities and make meaningful improvements in health equity for Covered California enrollees.

Cary Sanders, representing the California Pan-Ethnic Health Network, expressed appreciation for Covered California's national leadership in providing data and education to policymakers on the harmful impacts of federal proposals. She also acknowledged Covered California's efforts to address the LinkedIn data breach while praising its commitment to marketing and outreach to underserved communities.

Alicia Emanuel, representing the National Health Law Program and the Health Consumer Alliance, expressed gratitude to Covered California for its efforts to educate congressional staff and provide technical assistance on the harmful impacts of the proposed reconciliation bill. She voiced strong opposition to both federal and state-level budget proposals and acknowledged Covered California's transparency regarding the LinkedIn data breach and commended the agency's use of intersectional data to drive improvements in care for consumers through its data presentation.

Agenda Item V: Covered California Policy and Action Items

Discussion – Covered California's Proposed Fiscal Year 2025-2026 Budget

Jim Watkins, Chief Financial Officer and Director of the Financial Management Division, outlined Covered California's proposed budget for Fiscal Year (FY) 2025-2026, emphasizing the need to address significant uncertainties and maintain flexibility in the face of challenges such as federal policy changes, economic pressures, and geopolitical risks.

The budget incorporates strategies to adapt to the expiration of federal enhanced premium tax credits, which could impact enrollment significantly, with forecasts ranging from 1.4 million to 1.9 million member months depending on consumer sensitivity to price changes. He explained that Covered California uses an incremental budgeting approach, starting with the prior year's budget, adjusting for baseline changes, and aligning proposals with strategic objectives. For FY 2025-2026, the budget is set at \$496.1 million, reflecting a 4.6 percent increase from the prior year, driven primarily by personnel expenditures, including salary increases and reduced vacancy rates as well as \$17.5 million in budget augmentations.

Ms. Sousa and Mr. Watkins then engaged in a conversation in which Ms. Sousa sought clarification regarding the assumptions made for high and low enrollment forecasts, and on whether workload assumptions were adjusted in light of enrollment projections, noting that low enrollment forecasts may represent a significant decrease in workload.

Ms. Altman emphasized that the slide presented was intended as a fiscal forecasting thought exercise, illustrating the potential impact of holding trends constant on the participation fee.

She noted that, given the numerous uncertainties, none of the scenarios would likely maintain consistent trends, and the slide does not reflect the broader operational implications, such as adjustments to positions, contracts, and other factors. Ms. Altman reinforced Mr. Watkins' point that a 3.7 percent participation fee is unlikely, as other changes would need to be made to adjust for such scenarios. The exercise serves to demonstrate the relationship between enrollment trends and fiscal considerations.

To ensure fiscal sustainability, Mr. Watkins stressed the importance of long-term planning, forecasting revenue and expenditure alignment, and maintaining 6-8 months of working capital. He explained that Covered California aims to gradually increase the participation fee to reach a break-even rate by FY 2026-2027, with projections suggesting rates of 2.5 percent for high enrollment scenarios and up to 3.65 percent under low forecasts. The organization plans to restrict \$20 million of its fund balance for federal uncertainties, ensuring flexibility while avoiding structural imbalances in future budgets. Additionally, capital investments, operating expenditures, and strategic studies on price elasticity and consumer affordability will support decision-making and program efficiencies. Mr. Watkins underscored the importance of achieving inter-period equity, balancing revenues and expenditures during the forecast period, and adapting to changes in enrollment and economic conditions to maintain financial stability.

Board Comments: Ms. Sousa asked for clarification regarding the elements of the participation fee, specifically whether the inputs are equally weighted. She requested an explanation of the three inputs and their respective percentages, noting that she did not recall the weighting details from the previous slide.

Mr. Watkins explained how the participation fee is calculated using the weighted average premium rate, the fee percentage, and total member months. He noted that key factors such as enrollment, premiums, and the participation fee often move in different directions. Mr. Watkins highlighted the importance of analyzing changes over time to understand the proportion driven by volume versus price. He added that in some cases, revenue could remain stable if premium increases compensate for enrollment declines while the participation fee stays fixed.

Ms. Sousa asked Ms. Altman for clarification regarding the statement that the participation fee rate would never reach 3.7 percent. She mentioned that the rate had been at that level before, so she wanted to understand the reasoning behind the statement. Ms. Sousa also inquired whether Covered California typically has a target rate in mind and asked for further explanation of what the comment implied.

Ms. Altman clarified that Covered California does not intend to let the participation fee reach 3.7 percent under the current framework, aiming to maintain it below 3.25 percent, which was the previous rate. She emphasized the organization's responsibility to balance revenue generation with market stability and affordability for consumers, avoiding rapid fee increases or shifts. While managing working capital is a priority, Ms. Altman acknowledged that future uncertainties could impact this approach.

Ms. Sousa asked for clarification on how the participation fee impacts consumers, noting that while the fee is imposed on insurers, it is ultimately passed through to consumers.

Covered California Board Minutes
May 15, 2025 Meeting

Mr. Cornett expressed appreciation for the principles outlined by Ms. Altman regarding long-term planning. He asked for clarification about the 11 new positions planned for 2026. Specifically, he inquired about their distribution across six divisions and requested a general description of those roles.

Mr. Watkins acknowledged that he did not have details about the 11 new positions with him but offered to send the information later. He noted that the roles are summarized in the budget book and categorized by the six divisions.

Chairwoman Johnson asked Mr. Watkins how the \$20 million restriction compares to prior years.

Mr. Watkins explained that Covered California has not previously restricted dollars in the manner currently being proposed. He emphasized that while the organization has substantial working capital and available funds, it is focused on managing these resources effectively.

Ms. Altman noted that although Covered California has never restricted funds in advance as currently proposed, the organization has previously used budget augmentations or budget redirections to address emerging needs.

Public Comment: Ms. Capell voiced strong support for the higher participation fee to balance the budget amidst uncertainty and endorsed the contingency fund to address federal uncertainties.

Ms. Wong expressed support for several of Covered California's proposed budget recommendations, acknowledging the challenges posed by federal uncertainties, including the potential expiration or late renewal of the Advanced Premium Tax Credits. Ms. Wong emphasized the importance of maintaining and potentially increasing funding for the Navigator Program.

Ms. Emanuel expressed gratitude to Mr. Watkins and the team for making sound fiscal decisions during uncertain times and voiced strong support for the contingency fund addressing federal uncertainty. She thanked Covered California for continuing its funding for their contracted consumer assistance program and highlighted the potential challenges consumers may face if provisions of the Marketplace and Integrity Rule are implemented.

Ms. Sanders aligned her comments with the previous speakers and commended Covered California for its past investment in marketing and navigation assistance, emphasizing the importance of these efforts in dispelling confusion and ensuring consumers remain enrolled during uncertain times.

Rob Spector, representing Blue Shield of California, clarified how the increase in administrative fees affects health plans, noting that these costs typically fall on the administrative side rather than directly increasing consumer rates. He explained that health plans are measured by the percentage of revenue spent on medical care versus administration, and an increase in administrative costs may require health plans to adjust and tighten their budgets to maintain those targets.

Discussion – 2026 Affordability Contingency Planning

Katie Ravel, Director of the Policy, Eligibility & Research Division, provided an overview of affordability efforts, highlighting Covered California's current focus on contingency planning for the potential expiration of the Inflation Reduction Act (IRA) enhance premium subsidies. She noted that the IRA has substantially enhanced premium tax credits, eliminated the subsidy cliff, and contributed to significant enrollment growth, with nearly 2 million enrollees and an estimated \$2 billion in IRA-related subsidies for 2025. Ms. Ravel reviewed California's history of affordability programs, including the 2019 individual mandate and penalty, the California Premium Subsidy Program for middle-income consumers above 400 percent of the federal poverty level, and the ongoing California Cost Sharing Reduction Program funded by the Healthcare Affordability Reserve Fund.

She explained that if the IRA subsidies expire, Covered California may pivot to using state funds for premium subsidies and presented an initial estimate of \$450 million for reinstating the 2020 premium subsidy program, largely benefiting individuals in the 400-600 percent income range. Ms. Ravel outlined next steps, including modeling subsidy options for 2024 based on the \$165 million appropriation in the Governor's May Revision, which will be brought to the Board for consideration at the next meeting. She noted that internal contingency planning for 2026 is ongoing to ensure readiness for potential changes.

Ms. Altman added that the final budget process will determine the funding allocated to Covered California, and trailer bills may define how the funds are spent. Historically, such funds have been designated for affordability programs, with the Board responsible for program design and implementation decisions. Ms. Altman emphasized that Covered California is preparing to respond to the outcomes of the budget process, ensuring alignment with the final decisions made in June.

Board Comments: Chairwoman Johnson requested clarification on the decision-making process for applying subsidies, particularly for older adults and individuals over 400 percent of the federal poverty level. She asked for a reminder of how the process was structured and the considerations involved.

Ms. Ravel explained that the 2020 subsidy program was designed with the goal of allocating approximately 80 percent of funding to the cliff population while also providing some subsidies for those earning between 200 to 400 percent, as the federal program does not offer cost-sharing for those individuals. These priorities guided the distribution of funds and program design.

Ms. Altman added that the Affordable Care Act, IRA, and Covered California's programs are intentionally designed around capping the percentage of income individuals pay for coverage, equalizing costs across ages. She noted that while simpler subsidy designs, such as flat dollar amounts, are easier to implement and more fiscally predictable, they fail to account for age-related premium differences, leading to inequities for consumers with the same income but different ages.

Covered California Board Minutes
May 15, 2025 Meeting

Mr. Cornett asked whether subsidy program options would be presented at the next Board meeting, noting that the state budget would not yet be adopted by that time.

Ms. Ravel confirmed that while the budget process is ongoing, Covered California plans to provide flexible options at the next Board meeting, showing what \$165 million or other potential funding amounts could achieve from a technical assistance perspective.

Public Comment: Ms. Capell emphasized the importance of providing affordability assistance for key populations who face significant premium costs relative to housing expenses in the state. Ms. Capell reaffirmed strong advocacy for maximizing affordability assistance and looks forward to continued collaboration with the Board, staff, plan partners, and the legislature.

Ms. Sanders aligned her comments with the previous comments and commended the team's work to ensure the most affordable health care for Californians and voiced support for the presentation and proposals.

The meeting adjourned at 2:41 p.m.