



COVERED CALIFORNIA

REPORT BY THE
California Health Benefit Exchange
TO THE
Governor and Legislature

SEPTEMBER 2015





September 29, 2015

To the Governor of the state of California and the members of the Legislature,

On behalf of the governing board of Covered California, we are pleased to present this annual report on our progress in implementing the federal Patient Protection and Affordable Care Act of 2010. It includes financial information about state fiscal years 2013-14 and 2014-15 as well as observations from the state's second open-enrollment period, which ended in February 2015. It also includes the projected budget for state fiscal year 2015-16.

Since the fall of 2013, Covered California has offered health insurance to consumers through a competitive marketplace and the expansion of Medi-Cal enabled by the Affordable Care Act. Many Californians now have health insurance for the first time. We are happy to share the stories of some of those who got covered with photographs and video links in the pages of this report.

Our efforts to reach diverse communities in the languages and methods that resonate with them are unmatched in the nation. Through our successes, California has shown that the dream of health reform can become a reality, even in the largest and most diverse of states. There have been bumps along the way, but we are getting better every day and we are dedicated to a process of continuous improvement.

We are grateful for the support and close working relationships with insurance agents, county eligibility workers, labor unions, large and small businesses, community leaders, health providers and health plans who have supported Covered California in our historic mission. In addition, we thank the many philanthropic organizations that continue to provide invaluable support in their communities and inspire so many to enroll.

In the years ahead, Covered California will continue to focus on enrolling those never insured or chronically uninsured as well as expand our efforts to assure that consumers get the right care at the right time to stay healthy.

We look forward to continued collaboration and thank you for your ongoing support as we build on the successes of our early years and expand and improve our work in the years ahead.

Diana Dooley
Chair of the Board

Peter V. Lee
Executive Director

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Executive Summary

In the early spring of 2015, Covered California concluded its second-ever open-enrollment period, with more than 1.4 million people enrolled in health coverage from communities throughout the state.

Given the state's progress, it is difficult to imagine that only five years ago, the idea of a state-based marketplace was nothing more than words on paper.

Today, Covered California operates at a new headquarters as well as at service centers in Rancho Cordova and Fresno with more than 1,200 employees.

In the past year, Covered California has worked hard to make improvements based on lessons learned in the first open-enrollment period. Meaningful changes have been put in place, from adjusting our marketing and outreach efforts to expanding Service Center hours and improving our information technology systems to better handle demands.

Last fall, Covered California began the process of renewing Covered California enrollees for the first time while also launching its second open-enrollment period on Nov. 15. Ongoing efforts to reach California's diverse communities were expanded and improved this year, and enrollment numbers show better success enrolling key target communities for 2015.

The exchange also sent tax forms to hundreds of thousands of enrollees for the first time and worked to explain the new nexus between health coverage and taxes both to existing consumers and to those without coverage.

Enrollment figures show Covered California succeeded again, enrolling close to 500,000 new consumers.

Nearly 3.4 million previously uninsured Californians now have health care coverage through Covered California or Medi-Cal — one of the most historic expansions of health coverage in the history of our state and nation. Through Covered California alone, 800,000 households received more than \$3 billion to help them afford health insurance premiums in 2014.

Those with coverage are now telling stories of the life-changing and sometimes life-saving care they are receiving because they have health coverage. Their stories are evidence that the promise of health care reform is becoming a reality in California.

Covered California looks to the future with optimism as it assumes a new role focusing on those who are uninsured during the year for occasional episodes versus those who have never had insurance before. Adjusting to this new role and assuring financial self-sufficiency will be part of our strategic planning in the months and years ahead.

1 Progress Implementing the Affordable Care Act in California

It has been five years since the passage of the landmark Patient Protection and Affordable Care Act and four years since California became the first state in the nation to enact legislation establishing a state-based health insurance marketplace. Since that time, Covered California has worked with partners throughout the state to set in motion the dramatic expansion of health coverage that is continuing to this day. In addition, California made a critical decision to offer Medi-Cal to low-income childless adults, leading to a historic expansion of Medi-Cal coverage in the state.

In 2014, Covered California administered more than \$3 billion in federal subsidies to make health care more affordable for Californians. Approximately 800,000 California households received federal subsidies to pay their monthly premiums, with the estimated average amount received being more than \$5,200 per household per year, or about \$436 per month.

Covered California took on the role of an active purchaser, selecting plans and offerings to give uninsured Californians the right mix of price and choice. The Exchange opened its doors for open enrollment the first time on Oct. 1, 2013, and continued

its initial enrollment for consumers for six months until March 31, 2014. Covered California enrolled more than 3 million Californians during that time: 1.4 million in private health insurance through Covered California and more than 1.9 million in Medi-Cal. In that first open-enrollment period alone, California became a national example of the tremendous potential of the Affordable Care Act to dramatically expand coverage nationwide.

During the second open-enrollment period, Covered California enrolled nearly 500,000 new people. While Covered California celebrates the success of this enrollment period, we note that there is still work to do to get everyone insured. This number changes daily, monthly and yearly.

AFFORDABLE HEALTH PLANS

In the first year's open enrollment (October 2013 to March 2014), Covered California's selection criteria and standardization drove good product development and resulted in a competitive mix of more than 10 health insurance companies offering different coverage types. This resulted in an independent finding that the Exchange's efforts increased competition in the individual insurance market. Covered California went to market with products that offered choice and competitive pricing. Most consumers in the state had more than four health insurance companies to choose from. And although most Covered California consumers selected one of four carriers offered, the addition of regional plans meant the choices available varied in local communities and resulted in substantial enrollment in an array of plans at the local level. Almost 90 percent of Covered California enrollees benefited from receiving federal subsidies to lower their premium costs, and the majority selected Silver coverage, with Bronze coverage being the second-most-prevalent plan choice.

RATES AND CARRIERS FOR 2016

In July, Covered California announced its 2016 negotiated rates, which continued a downward trend of rate increases in the state. The statewide weighted average increase will be 4 percent, lower than last year's 4.2 percent increase. This represents a dramatic change from the trends that individuals faced in the years prior to the Patient Protection and Affordable Care Act.

The modest rate increases negotiated for 2016 represent the second year of Covered California's success as an active purchaser. In contrast to other state exchanges that allow any insurer to offer products, Covered California actively chooses which plans to allow into the Exchange based on the rates and value they provide to consumers.

Covered California Rate Changes

	2014-2015 Change	2015-2016 Change
Weighted Average Increase	4.2%	4.0%
Lowest-Priced Bronze (unweighted)	4.4%	3.3%
Lowest-Priced Silver (unweighted)	4.8%	1.5%
If a consumer shops and switches to the lowest-cost plan in the same tier		-4.5%

The majority of Covered California consumers will either see a decrease in their health insurance premiums or an increase of less than 5 percent if they choose to keep their current plan. In addition, consumers can reduce their premiums by an average of 4.5 percent, and more than 10 percent in some regions, if they shop around and change to a lower-cost plan within the same metal tier.

Covered California also announced two new health insurance companies: Oscar Health Plan of California and UnitedHealthcare Benefits Plan of California will be joining selected regions of the California market-place in 2016, bringing the total number of companies offering health plans through the marketplace to 12.

In 2016, more than 90 percent of hospitals ("general acute centers" as designated by the California Office of Statewide Health Planning and Development) in California will be available through at least one health insurance company, and now about three-quarters (74 percent) will be available through three or more companies. Also, since Covered California requires health insurance carriers to offer the same products at the same prices both inside and outside Covered California's marketplace, all individuals seeking to buy health insurance benefit from these rates.

Covered California selected the following health insurance companies to offer coverage to consumers in 2016:

- Anthem Blue Cross of California 
- Blue Shield of California 
- Chinese Community Health Plan 
- Health Net 
- Kaiser Permanente 
- L.A. Care Health Plan 
- Molina Healthcare 
- Oscar Health Plan of California 
- Sharp Health Plan 
- UnitedHealthcare Benefits Plan of California 
- Valley Health Plan 
- Western Health Advantage 

Dental and Vision Coverage

All Covered California health insurance plans for the individual and family market offered embedded pediatric dental plans for 2015. This means that dental insurance for children will be included in the price of all health plans purchased in the exchange. In addition, Covered California will offer supplemental dental coverage for adults in the 2016 plan year through optional family dental plans. Dental plans must follow Covered California’s standard benefit designs.

Also new to Covered California for Small Business is the addition of embedded children’s dental coverage. In the Sacramento, San Francisco and San Diego regions, small-business owners offer employees coverage that includes embedded dental plans for children. For a complete list of those carriers, visit www.CoveredCA.com/small-business/plan-providers.

Covered California is currently developing vision plan options for consumers and small businesses that conform to federal limitations on the provision of adult vision benefits by state health insurance exchanges. Vision benefits for children are already included with all Covered California health plans.

Covered California for Small Business

Covered California for Small Business is the health insurance marketplace for businesses with 50 or fewer eligible employees. The distinctive value it brings for small employers is the choice the employer has to select the metal tier of the health plans, and each employee is free to select from the various insurers available in their market. This brings a benefit of consumer choice to the small-employer market with a competitive pricing structure. In its role as an active purchaser, Covered California kept increases low for a majority of small-business consumers in 2015. Small-business consumers saw a statewide weighted average increase of just 5.2 percent for the 2015 plan year.

In 2015, Covered California for Small Business introduced some new additions that are advantageous to the small-business employer and employee. New is the dual-tier option, which allows the employer to offer plans at two metal tiers as long as they are contiguous (e.g., the Bronze and Silver levels, the Silver and Gold levels, or the Gold and Platinum levels). Also, additional plan designs were offered by Health Net, Western Health Advantage and Kaiser Permanente, which provide consumers with the essential health benefits required under the Affordable Care Act but also a little more flexibility with their premiums.

Businesses are not mandated to enroll in Covered California for Small Business, and there is no penalty for not participating. California businesses with 50 or fewer employees can choose from quality health insurance plans similar to those available to larger businesses. There were 2,607 employer groups and 17,308 members enrolled in the program as of May 31, 2015.

AN OVERVIEW OF MARKETING, OUTREACH, EDUCATION AND ENROLLMENT

Before the launch of the first marketing campaign in 2013, Covered California engaged in early research on target audiences; examined the experiences of other public and private health coverage providers; and worked in collaboration with insurance agents, community stakeholders, private foundations, health plans and policy experts. As a result, Covered California launched a multichannel, multicultural marketing, outreach, education and enrollment assistance effort anchored in local communities across the state.

The two primary program elements were:

- **Marketing and media** — The marketing and advertising program consisted of paid digital and traditional advertising and direct marketing, supportive collateral materials, media relations, coordinated events and social media outreach.
- **Community-based outreach and enrollment** — The consumer outreach program consisted of insurance agents; an outreach and education grant program that supported more than 250 local groups to do community-based outreach; a Community Outreach Network of uncompensated partners to bolster outreach efforts; partnerships with elected officials, counties and cities; partnerships with state agencies; community and grassroots organizations such as faith-based, labor, retail and health care organizations; and other in-person assistance programs aimed at directly assisting consumers in accessing and enrolling in coverage.

During the first open-enrollment period, Covered California conducted ongoing research and continued to make course corrections, including adding to community-level support and local coordination and reallocating media resources among different channels. As enrollment data identified potential enrollment opportunities, Covered California refocused resources and approaches to reach ethnic and target populations in regions that appeared to have relatively lower enrollment — such as the Central Valley, the Inland Empire and parts of Los Angeles. A broad array of local community organizations, grantees, counties, assisters and Certified Insurance Agents were effective and vital partners in outreach and education activities.

Following the first open-enrollment period, Covered California spent the summer months analyzing the outcomes of its marketing, outreach and enrollment efforts. In addition to making recommendations for improvements for the second open-enrollment period, Covered California was able to quantify some of its successes.

Covered California's 12,000 Certified Insurance Agents enrolled 40 percent of individuals in the first year and 43 percent of people in the second year. Their tremendous efforts have helped make us a success.

LESSONS LEARNED

Covered California learned many lessons in the first year and made adjustments along the way to improve marketing, sales efforts on the ground, and customer service. During the summer, a more thorough analysis of the first year was conducted and it culminated in a comprehensive report in October 2014 (www.CoveredCA.com/news/PDFs/10-14-2014-Lessons-Learned-final.pdf). Covered California heeded those lessons and adopted many improvements in time for the state's second open-enrollment period, which began on Nov. 15, 2014, and continued through Feb. 15, 2015.

One feature of the Affordable Care Act now getting more attention is the tax penalty, known as the shared responsibility payment. Those who could afford health insurance but refused to buy it in 2014 will pay a penalty when they file their taxes this year and could face higher penalties for tax years 2015 and 2016 (see pages 28 or 29 for more details). Because so many consumers are just learning about the tax implications of going without coverage, Covered California offered a special qualifying circumstance for enrollment, allowing Californians to purchase coverage through April 30, 2015, if they were unaware of the tax penalty for being uninsured.

2 Changes Adopted for the Second Open-Enrollment Period

Covered California's first open-enrollment period resulted in a dramatic expansion of health coverage for millions of Californians and set the bar high for the health benefit exchange in coming years. At the same time, there was room for improvement and significant amounts of learning along the way. Following the first open-enrollment period, Covered California conducted focus group testing, surveyed assisters and grantees, and engaged with state and local leaders throughout the year to prevent and identify problems and to implement needed strategies and course corrections.

Through these efforts, Covered California learned the following key lessons:

1. Many consumers were new to insurance and needed extensive education about health insurance terminology, how to enroll in coverage and how to use insurance.
2. Affordability meant different things to different people. Many consumers, even with financial assistance through federal subsidies, found cost to be a barrier to obtaining coverage.
3. Target enrollment groups had unique interests, experiences and perspectives and required tailored messaging and customizable materials.
4. Different ethnic groups used different service channels to enroll in the manner they felt was most comfortable.
5. Most consumers relied on multiple ways, including in-person assistance, to successfully complete enrollment. They wanted to ask questions, get answers, identify their options and then consider, often in consultation with friends and family, the coverage most suitable for them.
6. The multichannel marketing and media mix struck an effective balance between brand (awareness) and direct response (enrollment) and continues to be tailored to specific target audiences.
7. The volume of consumer interest and interactions online, on the phone and in person exceeded expectations and challenged all systems and service channels.
8. Educators, assisters and all service channels needed effective training, ongoing support and streamlined communications to support their outreach, education and enrollment activities.
9. Partnerships mattered and were transformative. At every stage of planning and implementation for the first open-enrollment period, Covered California relied on and collaborated with a multicultural and varied set of state and local partners who made the unprecedented effort possible.

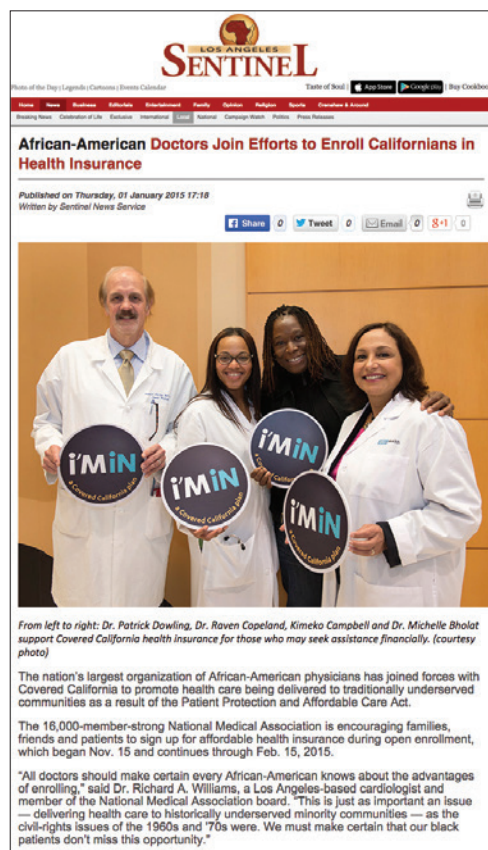
IMPROVEMENTS BASED ON LESSONS LEARNED

Before the start of the second open-enrollment period, Covered California made significant operations and marketing adjustments in response to these lessons learned: Covered California re-tooled the Navigator grant program, more than doubled Service Center capacity, extended Service Center hours and redesigned its consumer website to include a full Spanish-language site and more information in more languages than it had in the first year.



Covered California aired this Spanish-language ad to drive home to Latinos that it is safe to apply even if one of the members of their household is undocumented.

Covered California made special efforts in the second year of open enrollment to reach African-American consumers in publications tailored to their communities and interests.



Covered California worked with community partners to encourage storefronts in retail locations, such as malls, to help assist consumers on a drop-in basis that meets their scheduling needs. During the second open-enrollment period, consumers were able to get help to enroll at more than 500 storefronts statewide.

Among the changes Covered California adopted for its marketing were stepped-up Spanish-language and English-language marketing focused on Latino consumers, as well as robust messaging designed to allay concerns about applying if a member of the family is undocumented.

In addition, Covered California hired experts to enhance marketing and outreach efforts in the Latino, Asian and Pacific Islander, and African-American communities to ensure these key target groups were reached in comprehensive, culturally relevant ways.

“I’M IN” STORIES

As Covered California continued its second historic year, people came forward to share how their lives were changed by getting health insurance. A series of videos aired on social media telling of enrollees who got access to care that saved their lives, improved care for their children and caught cancer through preventive screenings.

Gabriela Parra of San Diego is among the newly insured Californians now benefiting from private coverage for herself and her family. She is one of the recently covered enrollees appearing in Covered California videos to promote open enrollment. Before Covered California, Parra traveled to Tijuana for routine care for her daughter, who has asthma.



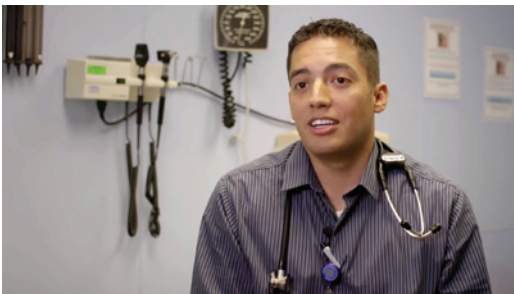
Gabriela Parra

“Since Covered California came into our lives, I don’t have to worry about going to Tijuana. Now I can stay here. I can go to a doctor a couple of times a week. I have a \$20 copay. I go to the pharmacy, and guess what? I pay \$5 for medicine,” Parra said. “Covered California is a blessing in our lives. That’s a life-changer.”



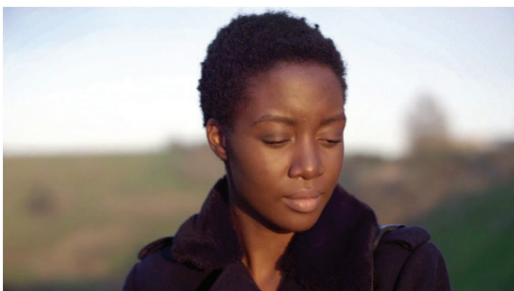
Diana Parret

Diana Parret says Covered California saved her life. Laid off from her job and unable to afford a doctor, Parret signed up through the health care marketplace in February 2014 for a health plan with a subsidy. Her first doctor’s appointment revealed an aggressive cancer. Her April surgery was a success. Recovering well, Parret calls Covered California “a godsend.”



Dr. Mario Martinez

Fresno-based family practice doctor Mario Martinez is seeing the benefits of Covered California firsthand on a daily basis. “If we get everyone covered, if we get everyone healthy, everyone who’s been able to get covered with Covered California, our communities are going to be healthy,” he said.



Sarah Kinsumba

One month after signing up for health coverage through Covered California, Sarah Kinsumba had a sudden health crisis. She ended up needing brain surgery, during which she had a stroke. After two months of rehabilitation, she was doing much better and was back home. The treatment cost \$2.5 million, but with her Covered California subsidized insurance, she is only paying \$7,000. “It’s amazing,” she said.

THE ENROLLMENT PROCESS

In communities across California, thousands of Certified Insurance Agents, Certified Enrollment Counselors and county eligibility workers continued their efforts to enroll the uninsured. To support them, Covered California created an online digital toolbox (at <http://digitaltoolbox.CoveredCA.com>) with dynamic and shareable digital content, including social links, campaign videos, English and Spanish tweets and Facebook posts, training and education videos, resources, reference guides and other communication materials.

Covered California upgraded its website that it oversees jointly with the Department of Health Care Services to make the consumer experience easier and more intuitive. CoveredCA.com and the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) application portal now have a unified look, with a common header and footer.

To meet high consumer demand, Covered California spent \$22.6 million to upgrade CalHEERS, the online enrollment portal, to handle more simultaneous users and faster page loads so that consumers do not get stuck in the middle of the application process.

The Covered California website is available in both English and Spanish. Landing pages were added in 11 languages, including Arabic, Armenian, Chinese, Farsi, Hmong, Khmer, Korean, Lao, Russian, Tagalog and Vietnamese. These pages include fact sheets about enrollment and information about financial assistance and immigration.

Covered California continues to make significant improvements so that the notices consumers receive are clearer, the information on the website is better — in both English and Spanish — and the consumer experience is more seamless.

Finally, many consumers can now make their first premium payment online, increasing the convenience for consumers and diminishing the number of enrollees who sign up without going on to make their first month's premium payment.

NAVIGATOR GRANTS IN YEARS TWO AND THREE

On June 19, 2014, the California Health Benefit Exchange Board of Directors approved \$16.9 million to distribute in grants to eligible entities through a competitive grant application process. The Navigator grant program agreements run from Oct. 1, 2014, through June 30, 2015. The purpose of the Navigator Program is to engage trusted organizations to conduct outreach, education, enrollment assistance and post-enrollment services on behalf of Covered California. A total of \$14.65 million was allocated to provide grants to community organizations to reach new Covered California subsidy-eligible consumers.

An additional \$2.25 million was allocated for a bonus pool that is estimated to reach an additional 30,000 Covered California subsidy-eligible consumers. Grantees who meet their enrollment goals would be eligible for a \$7,500 bonus payment for each additional 100 effectuated enrollments. Covered California selected 66 organizations for funding, which includes an additional 161 subcontractors. Navigator grants total \$17.1 million, which includes \$14.65 million in new Navigator funding and \$3 million in rollover funding from the Outreach and Education Program for the 18 outreach and education grantees that are receiving Navigator grants. The selected grantees will reach consumers in 13 languages: Arabic, Armenian, Chinese, English, Farsi, Hmong, Khmer, Korean, Lao, Russian, Spanish, Tagalog and Vietnamese. Seven grantees are targeting the LGBT community. Many of the selected grantees have proposed providing services to multiple populations.

For the upcoming third open-enrollment period, Covered California announced that it intends to award more than \$10 million in grants to Navigators.

Approximately 68 organizations under the 2015-2016 Navigator Program will receive grants of between \$50,000 and \$500,000. Additionally, nearly 12,000 Certified Insurance Agents will be available across the state, there will be 400 storefronts where consumers can walk in and enroll, and thousands more Certified Enrollment Counselors will assist with applications through nonprofit organizations committed to improving the health of Californians.

A list of Navigator organizations and the amounts Covered California intends to award is available online at <http://hbex.coveredca.com/navigator-program/PDFs/2015-16-Intent-to-Award-List.pdf>.

During the last open-enrollment period, approximately 70 percent of eligible consumers enrolled or renewed with assistance from Certified Insurance Agents, Certified Enrollment Counselors or Navigators or with the help of Service Center representatives who delivered assistance over the phone.

3 Early Observations About the Second Year



RENEWAL

The fall of 2014 marked Covered California's first effort to renew consumers who enrolled in coverage in late 2013 and early 2014.

The first wave of renewal notices was sent to 1.12 million consumers in October 2014. Consumers were notified that they could take steps to change coverage or they could do nothing and be automatically renewed in their existing plan.

During December, Covered California forwarded to health plans the names of those consumers needing auto-renewal, and plans began sending billing statements that month.

Among those who did not renew, not everyone lost coverage. An estimated 85,000 consumers were determined eligible for Medi-Cal during the renewal process due to fluctuations in income or other life changes. Others gained job-based coverage and no longer needed health coverage through Covered California.

Consumers who completed the renewal process began hearing from their insurance plans in December 2014 and January 2015. Consumers who took no action were automatically renewed into their existing plan. Covered California will continue to analyze renewal patterns among existing enrollees in the months ahead, but a preliminary measure indicates that approximately 92 percent of those who were up for renewal went on to renew their coverage.



NEW ENROLLMENT EFFORTS FOR 2015

During the second open-enrollment period for 2015 coverage, Covered California recognized that the effort to enroll the uninsured would be harder, as many of those eager to sign up had already enrolled in the first year.

One month after the renewal process began, Covered California representatives hit the road on an 11-day bus tour to spread the word that the state's second-ever open-enrollment period would soon begin.

In November, the Covered California bus traveled throughout the state from Redding to San Diego, stopping at more than 30 locations in 23 cities to visit events and enrollment partners to encourage new enrollment. Nearly 100 media outlets — including print, online, radio and television journalists — attended press events during the bus tour, generating 34 million impressions of Covered California's name and brand. The bus, which was "wrapped" to reflect Covered California's "I'm In" campaign, became a magnet for social media selfies, with enrollers and consumers posing for photographs and passing along Covered California messaging via social media.



Crenshaw Health, Asian Americans Advancing Justice, 2-1-1 San Diego, local NAACP chapters, Sacramento Covered, California LGBT Health and Human Services Network, and the Fresno and Riverside Black Chambers of Commerce all stood with us on the tour. We also met with supporters at:

- Bakersfield Health Center/Clinica Sierra Vista
- Yerba Buena High School Library
- Natividad Medical Center in Salinas
- Altamed in Los Angeles
- Rogers Park & Recreation Center in Inglewood
- City of Refuge Church in Gardena

ENROLLMENT RESULTS FROM YEAR TWO

Before open enrollment began for 2015 coverage, Covered California projected a total enrollment of 1.7 million Californians, excluding Medi-Cal enrollees, by the end of the second open-enrollment period: 1.5 million in subsidized coverage and 230,000 in unsubsidized coverage. The forecast anticipated an increase of approximately 500,000 in total enrollment.

Numbers indicate that Covered California nearly met its target for new enrollees, by signing up 495,073 individuals for private coverage between Nov. 15, 2014 and Feb. 15, 2015. However, effectuation of those who had previously signed up turned out to be somewhat lower than expected — about 80 percent instead of 85 percent — leaving Covered California with about 1.34 million enrollees in March 2015. This is short of the 1.7 million projection, but the number of enrollees is expected to grow as individuals receiving Medi-Cal begin transitioning to private coverage offered through Covered California.

MEDI-CAL ENROLLMENT THROUGH COVEREDCA.COM

Increasingly clear is that the population of Covered California enrollees is not a single, static group, but rather an ever-changing population of enrollees. Some who sign up for coverage leave the exchange when they get a job with benefits. Others may age out of the marketplace and enroll in Medicare. Increasingly, Covered California will serve those who have episodes of being uninsured rather than mostly those who never had insurance before.

In total, more than 1.2 million Californians gained coverage through both private health insurance and Medi-Cal during Covered California's second open-enrollment period.

Official enrollment numbers — including Medi-Cal for the full duration of open

enrollment, as well as those who signed up during the special-enrollment period ending April 30 — will be released by Covered California when they become available.

In addition to those who enrolled in private insurance during the second open-enrollment period, many consumers who came through the Covered California portal learned that their income level made them eligible for Medi-Cal. Between Nov. 15, 2014, and Jan. 31, 2015 (the latest date for which figures are available), an estimated 779,000 enrolled in Medi-Cal.

4 Connecting with California's Diverse Communities



COMMUNITY OUTREACH CAMPAIGN

As Covered California prepared for its second year, resources were allocated for successful retention, renewal and enrollment in 2015.

The more than 12,000 Covered California Certified Insurance Agents are a strong enrollment and renewal force. In the first two enrollment periods, they signed up at least 40 percent of the total number of those enrolled. Covered California's partners opened more than 400 storefronts in retail locations, such as malls, to help serve consumers on a drop-in basis that met their scheduling needs. Consumers got help at these sites to enroll, renew and learn more about health coverage options.

Covered California's new outreach and enrollment funding supported more than 227 organizations statewide to educate individuals about the Affordable Care Act and worked with them one on one to help them enroll consumers. The community outreach campaign began in October 2014 as Covered California reached out to those who enrolled last year to help them renew their coverage, and continued through the second open-enrollment period ending Feb. 15, 2015.

For the open-enrollment period for 2015 coverage, more than \$14.6 million in new Navigator Program grants complemented \$33.4 million in existing community resources and performance-based funds, bringing the total community investment for renewal and open enrollment for 2015 to \$48 million.

In addition, Covered California supports efforts on the ground with a comprehensive \$46 million advertising campaign, for a total community outreach campaign investment of \$94 million. More than 1,402 organizations statewide use new and existing resources to reach the state's various

ethnic groups in both urban and rural areas, including schools, nonprofit community organizations, faith-based organizations, medical providers, unions and elected officials. Covered California had 6,365 Certified Enrollment Counselors, nearly 15,000 Certified Insurance Agents and thousands of county eligibility workers engaged in outreach and enrollment to help reach targeted communities in California.

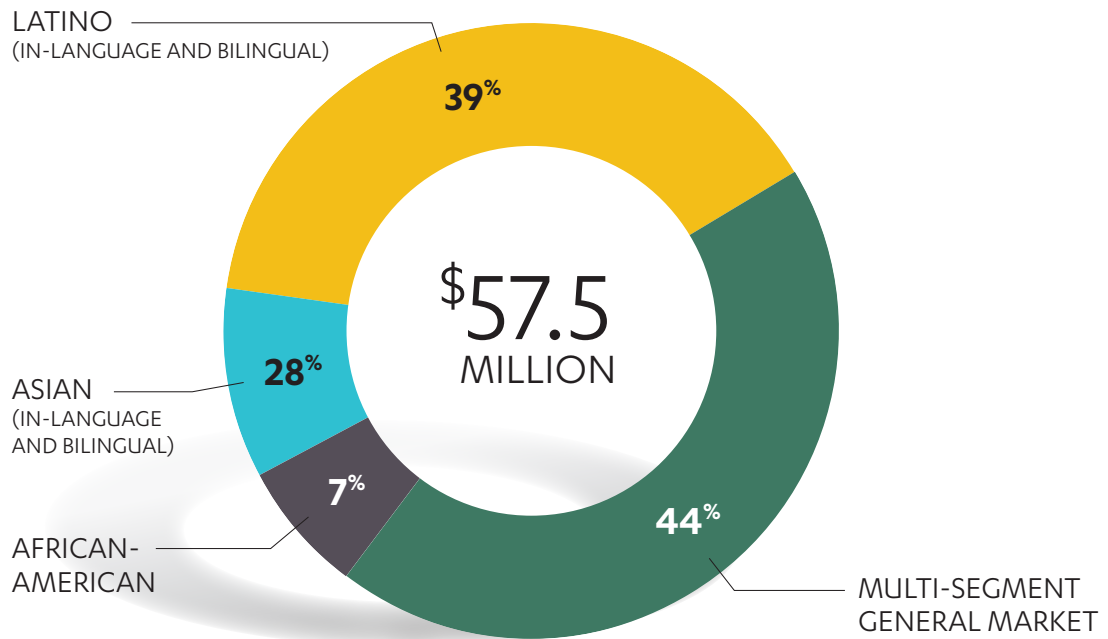
To support the ground effort, Covered California conducted a multifaceted television, radio, print, outdoor, digital, social media and paid search marketing campaign to reach the general market and ethnic groups in multiple languages.

In addition to analyzing the state's ethnic and cultural diversity and its media markets, the marketing planning process for 2015 benefited from 2013 research conducted for Covered California by NORC at the University of Chicago. NORC grouped potential enrollees into market segments based on other characteristics and behaviors that might affect their willingness and ability to seek health insurance coverage.

Covered California considered NORC market segments in the development of content, messaging, advertising targeting and training for community outreach and enrollment efforts.

Covered California continuously works to ensure its marketing campaign reaches the diverse cultures, languages and regional market segments in all 12 designated media markets of the state. For example, during the first open-enrollment period, the media strategy called for significant upfront and sustained investments of paid and earned media across virtually all available media channels, helping Covered California reinforce and amplify the community-based outreach efforts. As future lessons are learned and research is conducted about the state's second open-enrollment period, marketing efforts will be further refined and adjusted.

MEDIA SPENDING: CULTURAL SEGMENTS



MULTICULTURAL CAMPAIGNS

Covered California's media and marketing campaign was organized around four distinct cultural segments that specifically complemented the extensive community outreach campaigns happening in all parts of the state. The campaign segments are: general market (multi-segment), Latino, Asian and African American.

GENERAL MARKET (MULTI-SEGMENT) CAMPAIGN

The general market campaign was designed to cast the widest net, reaching English-speaking, subsidy-eligible Californians of multiple ethnic and cultural backgrounds from rural areas to urban areas. In addition to the multi-segment focus, the campaign was designed to reach the millennial population (ages 18-34) and emphasize digital media, including social media, digital and mobile advertising and paid search.

LATINO CAMPAIGN

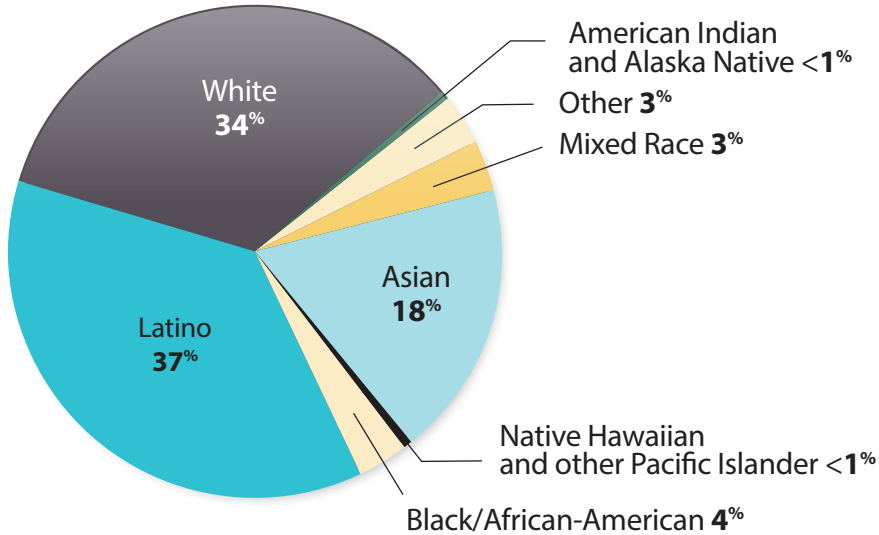
Covered California is committed to a robust enrollment effort aimed at the Latino community. Some 42 percent of Latinos who enrolled through Covered California in the first year did so by self-enrolling in a health plan. Overall, 28 percent enrolled through Certified Insurance Agents, 20 percent enrolled through Certified Enrollment Counselors, 8 percent called the Service Center to enroll, and 2 percent enrolled through county human services offices or plan-based enrollers. The targeted enrollment effort helped Covered California exceed its enrollment goal for the Latino population.

For its second open-enrollment, Covered California continued its robust effort to reach both Spanish-speaking and English-speaking Latinos statewide. The Latino campaign launched via television; radio; digital, paid search; print; social media; and direct response tactics such as direct mail and direct email. Covered California representatives were interviewed hundreds of times by the Spanish media in the last year. The increased effort paid off: new enrollments of subsidy-eligible Latinos surged six percentage points — from 31 percent in 2014 to 37 percent of the overall subsidy-eligible enrollment in 2015.



Covered California staff conducting Spanish-language media interviews.

Second Open Enrollment Nov. 1, 2014 - Feb. 15, 2015



Estimated subsidy-eligible population of the state developed by the University of California’s statistical model¹:



¹ CalSIM version 1.91 Statewide Data Book 2015-2019 — <http://bit.ly/1Que1NV>

Covered California continues to provide bilingual materials highlighting in-person assistance in specific Latino communities. Covered California is doing outreach in targeted Latino communities through the use of community-based resources by actively coordinating and supporting local communities and partners. Covered California partners have a presence in storefronts, one-on-one meetings, community- and faith-based events, workshops, door-to-door canvassing, clinic-based outreach, mobile enrollment and home visits.



ASIAN/PACIFIC ISLANDER CAMPAIGN

Covered California is committed to ensuring Asians/Pacific Islanders have the tools they need to successfully sign up for health coverage through Covered California. Covered California’s research shows that 54 percent of Asians/Pacific Islanders signed up for coverage through a Certified Insurance Agent and that 33 percent enrolled through self-service. Asians/Pacific Islanders preferred signing up through an agent compared with signing up through self-service.

In the first and second open-enrollment periods, Covered California continued its Asian/Pacific Islander campaign efforts in multiple media vehicles in major Asian languages, with additional emphasis on community-based and culturally focused media outlets. Covered California’s outreach efforts target Asian/Pacific Islander communities through the use of community-based resources by actively coordinating and supporting local communities and partners. Covered California partners have a presence in storefronts, one-on-one meetings, community- and faith-based events, workshops, door-to-door canvassing, clinic-based outreach, mobile enrollment and home visits.

Community partners continue to work with Asian/Pacific Islander media, including radio, television, print and Internet media, and will leverage relationships with community and faith-based leaders in the Asian/Pacific Islander community to spread the word about the value of health insurance.

MARKETING EFFORTS

More than \$4 million in targeted advertising to the African-American community will be implemented statewide. Examples of planned advertising*:

Television OWN, ABC, BET, The CW, USA

Radio KJLH 102.3, KBLX 102.9,
KSFM 102.5

Print/Newspaper LA Sentinel, Oakland Post,
Sacramento Observer

Web Ads AOL.com, BlackDoctor.org,
Essence, YouTube

Social Media Facebook, Twitter

Paid Search (SEM) Google, Bing



"I'm In" television advertisement of a mother of two young boys who tells how having a Covered California health insurance plan allows her to save money while keeping her and her family healthy.

AFRICAN-AMERICAN CAMPAIGN

Covered California's marketing plan was enhanced in the second year of open enrollment to better reach African-American communities through specific media outlets and to deliver messages that better resonate with California's African-American audiences.

For its second open-enrollment, Covered California continued its African-American campaign efforts in multiple media vehicles with additional emphasis on community-based and culturally focused media outlets. Through existing and developing partnerships, Covered California has a presence in storefronts, one-on-one meetings, community- and faith-based events, workshops, door-to-door canvassing, clinic-based outreach, mobile enrollment and home visits. The percentage of African-American new enrollees who are subsidy-eligible increased from 3 percent in 2014 to 4 percent in 2015.

In addition, community partners continue to work with African-American media, including radio, television, print and digital platforms to spread the word about the value of health insurance.

COORDINATION WITH HEALTH PLAN MEDIA AND MARKETING

Covered California shares its marketing strategies, approaches, channels and creative messaging with its health plans. The ongoing communication allows Covered California to keep health plans informed about marketing plans and share information about early experiences, challenges and necessary program adjustments. In addition to Covered California's marketing investment, health plans invested approximately \$46 million in marketing statewide.

5 Partnerships and New Messaging for 2015

In all phases of marketing planning and operations, Covered California built and relied on partnerships at the state and local levels to generate awareness, relay and reinforce key messages and convert consumer interest into action.

Covered California collaborated with state and federal agencies such as the California Department of Health Care Services and the California Employment Development Department to deliver educational and collateral materials to potential customers. For example, between November 2013 and March 2014, Covered California sent more than 6 million direct-mail pieces to unemployment benefit recipients and 300,000 pieces to Healthy Families Program households (California's Children's Health Insurance Program, now part of Medi-Cal) and child support program recipients.

Covered California also partnered with The California Endowment and Univision to drive awareness in local communities.

ELECTED OFFICIALS AND LOCAL GOVERNMENT

Covered California worked closely with elected officials at the federal, state and local levels to raise awareness of affordable, quality health insurance plans available through Covered California and opportunities for consumers to receive financial assistance to help them purchase a plan. Elected officials and their staff have become trusted sources for information about the Affordable Care Act and opportunities to enroll in coverage. Members of Congress and state legislators held more than 70 local events throughout the state to help educate their constituents and provide enrollment opportunities. More than two million informational pieces of mail were sent to inform constituents about the important changes that had been made in state and federal law. Hundreds of congressional and legislative staff members participated in regular briefings, trainings and webinars to stay up to date on the new laws and the enrollment process in order to provide effective assistance to constituents who had questions and needed help.

Local elected officials — mayors, city council members, county supervisors, community college district trustees and school board members — were also active in the outreach effort. Many cities, including Long Beach, Sacramento, Irvine, Seaside and West Hollywood, launched “Cover Your City” efforts to reinforce awareness about local opportunities to sign up for coverage. City and county libraries provided safe, trusted venues for enrollment counselors and agents to meet individuals who wanted to enroll.

ADDRESSING IMMIGRATION CONCERNS

Any U.S. citizen or person who is lawfully present in California is eligible for health insurance through Covered California, even if they have family members in their household who are undocumented. Non-citizens or undocumented family members who are listed on an application for insurance for other legal resident members of the household are not at risk. If a household includes both legal residents and non-legal residents, the legal residents can apply for coverage without fear.

Amid concern in local communities and market research suggesting that fear about immigration consequences were barriers to enrollment, Covered California joined with leaders of immigrant-rights groups to address the issue head on during the state's second open-enrollment period.

In December 2014, Covered California announced a joint campaign in partnership with the leaders of these major national immigrant-rights organizations to spread the word that immigration status should not discourage other family members eligible under the Affordable Care Act from applying for coverage.

The partnership included MALDEF (the Mexican American Legal Defense and Educational Fund), the National Immigration Law Center, Asian Americans Advancing Justice - Los Angeles, the National Association of Latino Elected and Appointed Officials (NALEO) Educational Fund, the Coalition for Humane Immigrant Rights of Los Angeles and the California Immigrant Policy Center.

In January 2015, Asian Americans Advancing Justice - Los Angeles and the state treasurer joined Covered California to encourage members of the Asian-American, native Hawaiian and Pacific Islander (AANHPI) communities to enroll for health coverage before the second open-enrollment deadline of Feb. 15. Leaders of Covered California reminded consumers that all information submitted is used strictly to determine eligibility for health insurance programs available under the Affordable Care Act and that the immigration status of family members is strictly confidential.

More information for immigrants can be found on our website here — <http://www.coveredca.com/individuals-and-families/special-circumstances/immigrants/>



PHYSICIANS AND OTHER HEALTH CARE PROVIDERS

In December 2014, Covered California, the California Medical Association and leaders of 13 physician, pharmacist, hospital and health care provider groups joined forces to highlight the delivery of health care as a result of the Affordable Care Act and to announce a new partnership promoting health coverage offered during open enrollment.

The California Medical Association is one of 14 statewide health provider organizations that began sending letters (see www.CoveredCA.com/news/PDFs/Joint-Letter.pdf) to their members, along with resource materials encouraging them to promote open enrollment and to display an “i’m In” placard so that patients, prospective patients and family members would know that the providers accept insurance plans offered through Covered California.



Kimeko (left) is thankful that she got enrolled in Covered California. She is getting the care she needs by the caring doctors and nurses at UCLA Medical Center at a cost she can afford.

MARKETING, OUTREACH AND ENROLLMENT ASSISTANCE ADVISORY COMMITTEE

At every step of the way, Covered California has worked with its Marketing, Outreach and Enrollment Assistance Advisory Committee. Guidance offered by the committee led Covered California into its partnerships with Latino and Asian immigrant-rights organizations to help spread the word that information on health care applications is secure and confidential. In addition, feedback from the committee helped shape and inform Covered California's effort to step up messaging around tax penalties for those who can afford to buy insurance but choose not to despite the new requirement in federal law.

HEALTH CARE AND TAXES

In 2015, Covered California began implementing features of the Affordable Care Act related to taxes for the very first time. A significant new operational and communication challenge for Covered California in 2015 was the issuance of new Health Insurance Marketplace Statements, or Internal Revenue Service (IRS) Form 1095-A documents, to an estimated 900,000 households.

1095-A FORMS

Covered California spent many months working with federal health officials, the IRS and our service channels to plan for and issue Health Insurance Marketplace Statements for all Covered California consumers. The forms detail for consumers the amount of subsidy, or Advanced Premium Tax Credit, consumers received in 2014. Similar to a W-2 or 1099, a 1095-A is used by consumers when they prepare their tax return for 2014. Covered California prepared a fact sheet and an extensive list of frequently asked questions to assist consumers. Not all forms were correct, and some consumers have been frustrated while seeking corrected forms. However, the vast majority of Covered California consumers received an appropriate form and filed the information with their taxes so that appropriate adjustments can be made to ensure the subsidy they received is just right. Basic information about Form 1095-A, as well as the latest updates for consumers, can be found at www.CoveredCA.com/youre-in/form-1095-a/.

In the years ahead, Covered California will make improvements based on lessons learned regarding the issuance of Form 1095-A, and consumers will have more familiarity with the importance of estimating and updating their income regularly, as well as the reconciliation process that occurs when they file taxes.

TAX PENALTIES FOR REMAINING UNINSURED

In addition to the new tax form for individuals who received a subsidy to help them purchase health insurance through Covered California, many Americans without health coverage are learning this year about the tax consequences of being uninsured.

Under the Affordable Care Act, all Americans who can afford health insurance are required to have it or pay a tax penalty known as a “shared responsibility payment.” The payment was calculated as Americans prepared their taxes for 2014.



In January 2015, Covered California began emphasizing in news conferences, advertising and collateral materials that the new penalty for being uninsured in tax year 2015 will be even higher than it was in 2014. Uninsured consumers are advised to enroll for 2015 to avoid steeper penalties when they prepare their taxes next spring.

The following is a sample of Covered California’s tax penalty messaging:

It’s never smart to avoid having health insurance — one accident can lead to an emergency room visit and tens of thousands of dollars in bills, or learning you have cancer when it’s too late to treat it. Now there’s another reason to get insured: taxes.

The “shared responsibility payment” is a new tax penalty that Americans have to pay this year if they can afford health insurance but choose not to buy it. It’s called a shared responsibility payment because everyone in the United States is now required to be part of our health insurance system — buying health coverage for themselves and their families rather than relying on others to pay for their care. Those who don’t buy health insurance in 2015 may be subject to the penalty, which is \$325 per person in a household or two percent of their income, whichever is greater.

It’s Getting More Expensive to Go Without Insurance

PENALTIES* BY TAX YEAR	2014	2015	2016
 Jim earns \$40K/yr	\$299	\$594	\$736
 Eduardo & Julia earn \$70K/yr	\$497	\$988	\$2,085

* **2014 amounts** based on IRS estimations, www.irs.gov/Affordable-Care-Act/Individuals-and-Families/ACA-Individual-Shared-Responsibility-Provision-Calculating-the-Payment. **2015 and 2016 amounts** estimated using ACA calculator – <http://taxpolicycenter.org/taxfacts/acacalculator.cfm>.

6 Leadership and Funding

LEADERSHIP

Covered California is led by a five-member board appointed by the governor and the state Legislature. Two board members are appointed by the governor, one is appointed by the Senate Rules Committee, and one is appointed by the speaker of the Assembly. The secretary of the Health and Human Services Agency or another designee serves as an ex officio voting member of the board. Appointed members serve four-year terms. The board is responsible for making major policy decisions and for hiring senior staff. Peter V. Lee continues to serve as Covered California's first executive director since he was hired in October 2011, and Yolanda Richardson continues as Covered California's chief deputy director since she began her tenure in April 2012.

The Covered California Board met for the first time on April 20, 2011, and has held more than 49 meetings at locations in Sacramento and throughout the state. The Covered California Board now meets regularly in the boardroom of its new Sacramento headquarters.

Board members make important strategic decisions related to eligibility and enrollment, affordability, benefit design, education and outreach, and marketing, as well as how best to operate the Service Center and how to hire, train and support individuals who will help people enroll in coverage.

Covered California's first board included board chair Diana Dooley, Dr. Bob Ross, Susan Kennedy, Kimberly Belshé and Paul Fearer. We thank them for being such a dedicated, engaged and hard-

Covered California Board Members



Diana S. Dooley, Chair



Paul Fearer



Genoveva Islas



Marty Morgenstern



Art Torres

working board. Their thoughtful decision-making helped shape Covered California into the organization it is now.

In March, Gov. Edmund G. Brown Jr. appointed Genoveva Islas and Marty Morgenstern to the Covered California board to replace Susan Kennedy and Kimberly Belshé.

Covered California Board Members	Appointing Authority	Term
<p>DIANA S. DOOLEY Secretary, Health and Human Services Agency; Chair of the Board (elected by the board), Covered California</p> <p>Secretary Dooley began her professional career in public service as an analyst with the State Personnel Board. In 1975, she was appointed to the staff of then Gov. Edmund G. Brown Jr., where she served as legislative secretary and special advisor until the end of his term in 1982. Prior to returning to public service in 2011, Ms. Dooley was president and chief executive officer of the California Children’s Hospital Association. She was appointed by Gov. Brown to serve as secretary of the Health and Human Services Agency in 2011.</p>	Ex Officio Voting Member as Secretary of the Health and Human Services Agency	Ex Officio
<p>PAUL E. FEARER Board Member</p> <p>Mr. Fearer recently retired as a senior executive vice president and director of human resources of UnionBanCal Corp. and its primary subsidiary, Union Bank N.A. He served as the chair of the Pacific Business Group on Health and has provided strategic leadership on both small-group and large-employer purchasing for many years.</p>	Assembly	January 2017
<p>GENOVEVA ISLAS Board Member</p> <p>Ms. Islas has been the program director at the Public Health Institute’s Cultiva La Salud, formerly the Central California Regional Obesity Prevention Program, since 2006. She was an area field representative at the California Department of Public Health, California Diabetes Program from 2004 to 2005. Islas was an adjunct faculty member at Bakersfield College from 1997 to 2005 and health education-cultural linguistics supervisor at Kern Health Systems from 1993 to 1999.</p>	Governor	January 2019
<p>MARTY MORGENSTERN Board Member</p> <p>Mr. Morgenstern has served as a senior adviser in the Office of the Governor since 2013. He served as secretary of the California Labor and Workforce Development Agency from 2011 to 2013 and was a consultant for the University of California labor relations matters from 2004 to 2006 and from 2009 to 2011. Morgenstern was director of the California Department of Personnel Administration from 1999 to 2003 and from 1981 to 1982 and was a consultant in private practice from 1994 to 1999.</p>	Governor	January 2019
<p>ART TORRES Board Member</p> <p>Art Torres is vice chair of the governing board of the California Institute for Regenerative Medicine. As vice chair, he helps oversee the allocation of \$3 billion in stem cell research to California universities and research institutions. He served in the California State Senate from 1982 to 1994 and in the California State Assembly from 1974 to 1982. Prior to being elected to the California Legislature, Torres served as the national legislative director for the United Farm Workers Union, working closely with Cesar Chavez and Dolores Huerta.</p>	Senate	January 2016

Covered California informs its policy development through four stakeholder advisory groups that provide feedback on the development of programs: Plan Management; Marketing, Outreach and Enrollment Assistance; Covered California for Small Business; and Tribal Consultation. At meetings held each quarter, Covered California receives comment and feedback from these groups on a

variety of topics. In addition, Covered California regularly holds webinars and other public forums to gather input from stakeholders on a wide range of issues.

The board, senior and specialized staff and contractors are subject to appropriate provisions of the California Political Reform Act and Conflict of Interest Code provisions adopted by the California Fair Political Practices Commission. In addition, Covered California adopted an administrative policy in February 2013 related to Public Records Act requests. Requests for documents are submitted to the Covered California Office of Legal Affairs. These policies were codified under Senate Bill 332, which was signed by the governor earlier this fall. It amended Government Code Section 100508 and took effect immediately upon signature.

In 2011, the board established a vision, mission and set of values that have served to guide staff on an ongoing basis.

The vision of Covered California is to improve the health of all Californians by ensuring their access to affordable, high-quality care.

The mission is to increase the number of insured Californians, improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

Covered California is guided by six primary values:

Consumer-focused: At the center of the Covered California's efforts are the people it serves, including patients and their families, and small business owners and their employees. The Exchange will offer a consumer-friendly experience that is accessible to all Californians, recognizing the diverse cultural, language, economic, educational and health status needs of those we serve.

Affordability: Covered California will provide affordable health insurance while assuring quality and access.

Catalyst: Covered California will be a catalyst for change in California's health care system, using its market role to stimulate new strategies for providing high-quality, affordable health care, promoting prevention and wellness, and reducing health disparities.

Integrity: Covered California will earn the public's trust through its commitment to accountability, responsiveness, transparency, speed, agility, reliability and cooperation.

Partnership: Covered California welcomes partnerships, and its efforts will be guided by working with consumers, providers, health plans, employers and other purchasers, government partners and other stakeholders.

Results: The impact of Covered California will be measured by its contributions to expanding coverage and access, improving health care quality, promoting better health and health equity and lowering costs for all Californians.

FUNDING

The Exchange continues to implement the historic provisions of the Affordable Care Act and make sure that consumers are aware of the health insurance options available to them under the law. Since 2011, when the state Legislature and governor enacted a state law creating the exchange, Covered California transformed itself from a fledgling organization to a well-recognized brand.

To support this undertaking, Covered California has received more than \$1 billion in federal grant funding in the last three years to launch the Exchange; build the information technology infrastructure; hire staff; undertake multicultural marketing, outreach and education efforts statewide; and work with community partners to educate target communities. Covered California has received federal permission to use federal grant resources for the purposes of establishing the Exchange through Dec. 31, 2015.

Fiscal Year 2013-14

In fiscal year (FY) 2013-2014, Covered California's expenditures totaled \$361.4 million. This included developing and enhancing information technology and infrastructure; promoting Covered California through marketing, public relations and communications activities; establishing and staffing three Service Centers; and providing grants to community-based organizations to educate and enroll consumers. Resources were also used to support staff recruitment and training, to gather stakeholder input and creating Covered California for Small Business.

Actual expenditures for FY 2013-2014 were 19 percent less than the budget authority due to a slower pace of contractual spending, hiring at a slower pace and the timing of Service Center development and other activities.

Fiscal Year 2014-15 — Projected

Covered California ended FY 2014-15 under budget, with expenditures estimated at \$374.3 million, approximately 9 percent less than the budget of \$411.7 million, adopted in June 2014. Expenditures in FY 2014-15 have been focused on promoting new enrollment through community outreach and paid marketing, expanding Service Center and system capacity, administering the first renewal effort for existing Covered California members and issuing Health Insurance Marketplace Statements (IRS Form 1095-A) to consumers.

Fiscal Year 2014-15: Projected Expenditures Versus Budget

	2014-2015		DIFFERENCE	CHANGE
	BOARD APPROVED	ACTUAL		
Service Center	\$ 97,022,224	\$ 96,836,382	\$ (185,842)	0%
CalHEERS	\$ 88,177,616	\$ 93,607,718	\$ 5,430,102	6%
Outreach and Sales, Marketing	\$ 189,831,459	\$ 153,558,948	\$ (36,272,511)	-19%
Plan Management & Evaluation	\$ 17,334,578	\$ 11,286,694	\$ (6,047,884)	-35%
Administration	\$ 37,796,386	\$ 36,460,965	\$ (1,355,421)	-4%
Enterprise Shared Costs	\$ 12,589,363	\$ 1,543,057	\$ (11,046,306)	-88%
TOTAL EXPENSES	\$ 442,751,626	\$ 393,293,764	\$ (49,457,862)	-11%
CalHEERS Cost Sharing	\$ (3,058,183)	\$ (8,849,420)	\$ (5,791,237)	189%
Reimbursements	\$ (28,000,000)	\$ (10,165,633)	\$ 17,834,367	-64%
TOTAL OPERATING COSTS	\$ 411,693,443	\$ 374,278,711	\$ (37,414,732)	-9%

The current multiyear plan is designed to fund FY 2015-16 with federal establishment funds and plan assessments and to balance revenues and expenditures by FY 2017-18. The plan will provide a six-month operating reserve throughout FY 2015-16 with a fiscal year-end position of approximately \$197 million. It reflects that a series of strategic reductions to operating expenses are made for FY 2015-16 and in the next two fiscal years while still allowing programs to meet necessary service levels to maintain and expand membership.

Fiscal Year 2015-16 and Beyond

On June 18, the Covered California Board adopted the budget for FY 2015-16. This budget provides \$335 million and 1,399 positions to ensure that the organization has the right tools, processes, and resources to deliver on its mission. The FY 2015-16 budget is balanced with the last year for federal establishment funds and the use of plan assessment fees. Covered California will end the fiscal year with approximately \$194 million in reserve funding to address any unforeseen economic uncertainties and to facilitate the transition to supporting our operations solely on plan assessments. This budget meets the guidance provided by the board and the legislative intent behind the establishment of Covered California. The budget reflects the organization's multiyear financial strategy of providing continuous fiscal integrity, transparency and accountability.

The following table shows five-year budget scenarios based on medium enrollment in Covered California health plans.

Multiyear Financial Outlook — Based Upon Medium Scenario

(dollar amounts are in millions)

	FISCAL YEAR				
	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Effectuated Enrollment <i>(at fiscal year end)</i>	1,299,521	1,476,342	1,666,617	1,809,095	1,977,792
Plan Assessments — Cash Basis	\$ 197.4	\$ 234.4	\$ 269.2	\$ 303.6	\$ 329.2
Expenditures	\$ 384.7	\$ 335.0	\$ 310.0	\$ 300.0	\$ 300.0
Funds Available at Year-End	\$ 297.9	\$ 197.2	\$ 156.4	\$ 160.0	\$ 189.2
Minimum time that expenditures are covered by reserve	9.3 months	7.1 months	5.6 months	5.4 months	6.1 months

The multiyear outlook reflects the approved budget of \$335 million in FY 2015-16, projected budgets of \$310 million in FY 2016-17, and \$300 million in FY 2017-18 and beyond. This outlook is based on the medium-enrollment scenario and would change if actual enrollment figures differ from the medium projection. Starting Jan. 1, 2016, the sole source of Covered California's funding for ongoing operations will be per-member-per-month fees assessed on qualified health plans. Covered California will enter fiscal year 2016-17 with approximately \$197 million in reserve to support ongoing operations. Fiscal year 2016-17 is the first year that Exchange operations will rely entirely on fees rather than federal grant funding.

Link to budget: <http://board.coveredca.com/meetings/2015/6-18/2015-16-CoveredCA-June-Budget-Revision.pdf>

7 Looking to the Future — Delivering on the Promise

Following the second open-enrollment period, Covered California did a thorough analysis of what worked well and where the organization can improve, sharing our latest lessons learned with elected officials, stakeholders and the public at large.

These first two open-enrollment periods in many ways mark “the end of the beginning.” Strategies and tactics were refined based on the first renewal experience and the second year of open enrollment. These lessons learned are informing efforts for 2016, when Covered California will spend more on retention but significantly less on community outreach, marketing and new enrollment.

Covered California will continue to focus its planning on how to transition from an entity focused primarily on open enrollment “seasons” to one that establishes a year-round presence.

A Kaiser Family Foundation survey released in July 2015 titled “California’s Previously Uninsured After The ACA’s Second Open Enrollment Period” provides further proof that the Patient Protection and Affordable Care Act is working in California. The survey found that more than two-thirds of California’s uninsured population (68 percent) gained health coverage since the Affordable Care Act went into effect in 2014. That share is up from 58 percent of Californians who became insured after Covered California’s first open-enrollment period in 2014.

The survey also found that 86 percent of recently insured consumers say their health needs are being met, which is up from 51 percent in the first survey conducted in 2013 before Covered California’s first open-enrollment period. Additionally, 70 percent of recently insured Covered California consumers say the cost of the health insurance coverage was about what they expected or even less than they expected.

Covered California estimates based on data from the California Department of Public Health, the federal Department of Health and Human Services and the U.S. Centers for Disease Control and Prevention (www.CoveredCA.com/news/PDFs/impact-of-health-coverage-fact-sheet.pdf) indicate that insurance coverage is helping improve care for a number of prominent health conditions, including asthma and diabetes.

Specifically, an estimated 8,700 more Californians will have access to care to better control their asthma, 45,064 Californians will be diagnosed with diabetes and could begin treatment, 63,922 Californians with diabetes will be able to increase their medication to control the disease and an estimated 36,527 Californians will avoid catastrophic medical expenses.

These estimates show promise but data from actual health care usage by Covered California enrollees will offer a more precise picture in the years ahead.

New rates were negotiated for plan offerings for 2016, and Covered California will continue to work to ensure that health care providers are available to consumers as needed in underserved parts of the state by encouraging new offerings in some regions in the year ahead.

Through statewide partnerships and strong political support, a very strong foundation has been laid. As Covered California moves into the future, it will increasingly rely on a budget funded entirely from the assessment on health plans that is built into consumers' premiums. Covered California will be challenged by the need to "right-size" the organization and achieve the proper balance of operational, outreach and marketing spending in the years ahead, given more limited resources.

Today, Covered California is helping people get the health coverage they need to get access to the care that can improve their lives. The stories they are sharing about their access to care are historic and powerful. In the years ahead, these anecdotes will be complemented by data Covered California will soon collect, telling how consumers are using their coverage to get the care they need.

As Covered California moves into the future, the promise of health reform will move beyond just expanding coverage, to achieve the broader "triple aim" of health reform: improving the experience of care, improving the health of populations and reducing per-capita costs. Covered California is ready to meet the challenge and continue making history.



**COVERED
CALIFORNIA**

1601 Exposition Boulevard
Sacramento, CA 95815

CoveredCA.com