

**COVERED CALIFORNIA**

# FISCAL YEAR 2017-2018 BUDGET

August 17, 2017





August 17, 2017

To Covered California Constituents:

I am pleased to present Covered California's "Fiscal Year 2017–2018 Budget," adopted by the board at its June 15, 2017 meeting, and amended at the August 17, 2017 meeting to reflect the additional funding for Marketing and Outreach. This budget was developed in accordance with statutory requirements and in consultation with Covered California's executive and programmatic staff.

While there is much uncertainty surrounding the future of health care in America, Covered California is fiscally sound, working toward another successful year and looking to build on the successes that have helped us drop California's uninsured rate to historically low levels.

Given the uncertainty, the budget was approved by the board with the understanding that in the event that there are major changes in the health care landscape that could affect Covered California's finances, we would return to the board with proposed budget modifications.

This budget includes a multi-year financial summary of all revenues, expenditures and staffing used by each of Covered California's programs in the delivery of essential services to improve the health of all Californians by ensuring their access to affordable, high-quality care.

For fiscal year (FY) 2017–18, the Covered California budget provides \$319.6 million and 1,373 positions to ensure that our organization has the right tools, processes and resources to deliver on its mission. In particular, the budget provides:

- An operating budget of \$319.6 million for FY 2017–18, which will allow Covered California to maintain a stable market and work on behalf of an estimated 1.4 million actively enrolled consumers and an additional 1.1 million Californians "off exchange" who benefit from our negotiating.
- Continued significant investments in marketing, outreach and sales with more than \$111 million for marketing and outreach as well as \$86.8 million for our Service Center. \$5.3 million additional marketing funding was added in August to address Federal uncertainty and a reduction in Anthem's coverage area in 2018.
- Covered California is funded entirely on an assessment on health plan premiums and this budget sets those assessment rates at 4 percent of premium for those enrolled in plans through the exchange. That equals 2.6 percent of premium when you consider those enrolled in Covered California and those enrolled in mirrored products off the exchange.

- Covered California plans to continue addressing underlying health care costs, and this budget provides \$3.3 million to continue the Health Care Evidence Initiative, which provides data analytics and modeling to better understand the dynamics surrounding the population served and utilization of services.

The FY 2017–18 budget is balanced and relies solely on the funds collected from our qualified health plans, and does not include any federal or state funds.

Covered California projects to end FY 2017–18 with \$287 million in reserve funding to address any unforeseen economic uncertainties. This budget meets the guidance provided by the board and the legislative intent behind the establishment of Covered California and reflects the agency’s multi-year financial strategy of providing continuous fiscal integrity, transparency and accountability.

Like so much of what Covered California does, this budget is the product of teamwork across and beyond our organization. I extend my sincere appreciation to senior executive management and their staff for their outstanding work during the budget-development process.

Sincerely,

A handwritten signature in blue ink, appearing to read "Peter V. Lee".

Peter V. Lee  
Executive Director

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# I. Covered California Board and Senior Executive Management

## COVERED CALIFORNIA BOARD

**Diana S. Dooley, Chair; Paul Fearer; Genoveva Islas;  
Marty Morgenstern; Art Torres**

## SENIOR EXECUTIVE MANAGEMENT

**Peter V. Lee**  
Executive Director

|  |   |   |
|--|---|---|
| <p><b>Karen Johnson</b><br/>Chief Deputy Executive Director, Operations</p>                                  | <p><b>Kathleen Keeshen</b><br/>Chief Deputy Executive Director, General Counsel</p> | <p><b>Doug McKeever</b><br/>Chief Deputy Executive Director, Program</p>                    |
| <p><b>LaVonne Coen</b><br/>Administrative Services Division Director and Deputy Chief Operations Officer</p> | <p><b>Kelly Green</b><br/>External Affairs Division Director</p>                    | <p><b>James DeBenedetti</b><br/>Plan Management Division Director</p>                       |
| <p><b>Jim Lombard</b><br/>Financial Management Division Director and Chief Financial Officer</p>             | <p><b>Thien Lam</b><br/>Program Integrity Division Director</p>                     | <p><b>Mavilla Safi</b><br/>Service Center Division Director</p>                             |
| <p><b>Amy Palmer</b><br/>Communications and Public Relations Division Director</p>                           | <p><b>Darryl Lewis</b><br/>Office of the Ombudsman Division Director</p>            | <p><b>Colleen Stevens</b><br/>Marketing Division Director</p>                               |
| <p><b>Karen Ruiz</b><br/>Information Technology Division Director and Chief Technology Officer</p>           | <p><b>Brandon Ross</b><br/>Office of Legal Affairs Division Director</p>            | <p><b>Vacant</b><br/>Individual and Small Business Outreach and Sales Division Director</p> |
| <p><b>Katie Ravel</b><br/>Program Policy, Evaluation and Research Division Director</p>                      |   | <p><b>Adrian Recio</b><br/>Equal Employment Opportunity Officer</p>                         |

## II. Executive Summary

Covered California has become a vital part of the fabric of California's health care system, one that ensures virtually all Californians have access to some of the best-quality care in the world at a more affordable price.

As Covered California prepares to enter FY 2017–18, it has successfully transitioned to relying solely on the fees it collects from health plans. Covered California is moving into a future with some uncertainty having created a stable and competitive marketplace. As an organization, Covered California is wholly self-sufficient and in strong financial shape. The exchange stands on its own without any federal or state funding.

Covered California's enrollment remains robust, with approximately 1.4 million actively enrolled consumers as of June 2017, representing a modest net growth over last year. Covered California had a strong fourth open-enrollment period when 412,000 new consumers chose a health plan. Taken together with California's Medi-Cal program, we have helped reduce the state's uninsured rate to a historic low of 7.1 percent.<sup>1</sup>

The FY 2017–18 budget shows how Covered California will continue to reach into every community in the state to make sure California's diverse population understands and makes use of the insurance options in this new era of health care.

Covered California expects to end FY 2017–18 with \$287 million in unrestricted reserves, the equivalent of about 11 months of operating reserves. These reserves give Covered California significant capacity to adapt to new program requirements should the federal government enact significant program or policy changes.

Highlights of the FY 2017–18 Budget include:

- Covered California will operate in FY 2017–18 with a budget of \$319.6 million. With this budget, we expect to maintain a stable market with a good risk mix — which we estimate will be maintained at about 1.4 million actively enrolled consumers in Covered California and an additional 1.1 million in the individual market that are part of the common risk pool. Maintaining this market, which means lower costs to those who do not receive subsidies and lower costs to the federal government by reducing the cost of subsidies, requires ongoing investments in marketing, outreach and customer service.
- Promoting enrollment and retention of consumers is a critical ingredient to assuring the good risk mix, which helps keep premiums low for all consumers. Each year there is substantial turnover in Covered California and the individual market generally, with most of those leaving Covered California moving on to other coverage, including through employment. This means that to maintain

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<sup>1</sup> <http://news.coveredca.com/2017/02/happy-valentines-day-news-for.html>



1.4 million covered lives, Covered California needs to newly enroll about 700,000 Californians and renew the vast majority of those eligible. This requires major investments, which are reflected in our budget, including more than \$111 million for marketing and outreach and more than \$86 million for our Service Center.

- The development of Covered California’s budget was informed by updated enrollment projections and in-depth scenario assessments conducted by PricewaterhouseCoopers in partnership with the University of California. While there is substantial uncertainty, the budget considers the possibility of there being policy changes. We enter the fiscal year with \$292 million in reserves and a plan to maintain adequate reserves under any scenario — giving Covered California the ability to react to any changes in health care laws or policies.
- Covered California continues to operate on a business model that is anchored in delivering value by lowering the costs to consumers and the federal government. In FY 2017–18, Covered California will continue to be funded entirely by an assessment on health plans premiums. For FY 2017–18, we will continue to assess 4 percent of premium for those enrolled in plans through Covered California, or about 2.6 percent when you consider those enrolled in Covered California and also those enrolled in mirrored products off the exchange. This premium cost reflects far lower costs to health plans than they previously spent to enroll individuals, and promotes a lower premium by contributing to a healthier risk mix.
- Covered California plans to continue efforts on many fronts to address underlying health care costs and ensure consumers are getting the right care at the right time. Initiatives in this area include:
  - Building on the lessons learned from all California consumers’ receiving patient-centered benefits that mean most never have a deductible between them and the care they need.
  - Having requirements for our contracted health plans to change their payments to providers to promote value and make primary care more readily available.
  - Funding a major Health Care Evidence Initiative that provides data analytics to better understand the dynamics surrounding the population served and utilization of services, which can be used to inform public and private policy makers about issues related to disparities of care, value-based benefit design and care delivery.

### III. Covered California: An Overview

***uncertainty:** Situation where the current state of knowledge is such that (1) the order or nature of things is unknown, (2) the consequences, extent, or magnitude of circumstances, conditions, or events is unpredictable, and (3) credible probabilities to possible outcomes cannot be assigned. (www.businessdictionary.com)*

With the change in the federal administration, there have been discussions about repealing, replacing or repairing the Patient Protection and Affordable Care Act. These discussions have also been marked by federal policies that could change, creating a great deal of uncertainty. Although the U.S. House of Representatives has passed legislation that could change many elements of the Affordable Care Act, the Senate has yet to take action and it is uncertain whether the current changes will be supported in the Senate. Regardless of potential Senate action, even the proposed legislation that passed the House of Representatives proposed that 2018 and 2019 operate largely with the existing Affordable Care Act tax-subsidy structures.

With this budget, Covered California plans to operate under current law and policies until changes are actually enacted. Covered California will closely monitor proposed program changes, remain nimble and be ready to respond to changes as they occur.

The fourth open enrollment, for plan year 2017, remained strong despite discussions regarding program changes. Covered California ended its fourth open-enrollment period with approximately 1.4 million members, which is comparable to plan year 2016. This enrollment was very consistent with the base enrollment estimate presented to the Covered California board in May 2016. Revenue projections remain strong and allow Covered California to continue substantial spending to retain and foster the good risk mix that is crucial to keeping premiums as low as possible. At the same time, the California Health Trust Fund reserves allow Covered California to transition to new program requirements should the federal government enact significant program or policy changes.

Consistent with Covered California's guiding principles and multi-year financial planning, the FY 2017–18 plan maintains a prudent reserve. Despite expenditures being lower than the board-approved \$320.9 million budget of FY 2016–17, the FY 2017–18 budget of \$319.6 million provides resources to meet or exceed FY 2016–17 service levels and is about \$44 million more than the FY 2016–17 actual expenditures. Covered California continues to invest in a robust marketing, outreach and sales program with a budget of more than \$111 million. This includes \$46.3 million for paid media, consistent with spending for FY 2016–17. Covered California continues to invest in new technology that will improve customer service, automate manual processes and continue building basic

technology infrastructure. The budget includes funding for general salary increases for all Covered California employees to reflect recently negotiated union agreements.

The FY 2017–18 budget provides \$319.6 million for program operations while maintaining prudent reserves. Covered California is prepared to make necessary adjustments. It will report back to the board should laws or policies change and significantly modify program requirements or membership and warrant budget or revenue adjustments.

## IV. Guiding Principles and Strategic Pillars

The annual Covered California planning and budget process is a comprehensive, analytic process used to determine the most cost-effective and efficient level of resources that the organization needs to meet its goals and carry out its mission. The planning and budget processes of the organization are based on established budget principles and procedures, providing the highest levels of fiscal integrity, accountability, transparency and accuracy.

The FY 2017–18 budget aligns with Covered California’s overall mission and vision, as well as with its guiding financial principles, detailed below.

**Continuing Conformity With Financial Mandates:** Covered California remains in full and strict compliance with all legal financial mandates set forth in section 100503 of the California Government Code, including assurance that the organization’s operations are not funded or reliant upon State General Fund resources. Furthermore, in accordance with the Affordable Care Act and state law, effective Jan. 1, 2015, Covered California has operated fully self-sufficiently based on the combination of revenue raised by levying a premium assessment on health insurance companies, reserves and federal grant funds used to establish the exchange.

**Covered California’s Vision and Mission:** The FY 2017–18 budget is guided by Covered California’s vision and mission to improve the health of Californians by ensuring their access to affordable, high-quality health care. The budget specifically seeks to fulfill Covered California’s mission 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. To achieve its vision and mission, Covered California has established strategic pillars.

**Strategic Pillars:** The pillars were designed by Covered California’s management and reviewed by the board to guide the organization while making decisions, setting priorities, determining initiatives and preparing an annual plan. Each of the pillars was created as a pathway to achieving the mission and vision of Covered California. Annual goals and department objectives were mapped in accordance with the strategic pillars, to ensure that activities and resources are aligned with the organization’s mission. The five pillars are:

- **Affordable Plans:** Consumers purchase and keep Covered California products based on their understanding of how their coverage is a good value for them.
- **Getting Needed Care:** Care is about more than coverage. Consumers receive the right care at the right time.

- **Outreach and Education:** Consumers understand what Covered California offers and have a positive attitude about Covered California.
- **Positive Consumer Experience:** Consumers have a positive experience from initial enrollment to keeping their coverage.
- **Organizational Excellence:** Covered California has the right tools, processes and resources to support its team to deliver on our mission.

**Covered California’s Guiding Financial Principles:** Covered California’s budget process is guided by the following principles:

- Develop a budget that directly supports growth and retention of membership.
- Ensure the assessment fee places the smallest possible burden on consumers’ premiums, has a path for decreasing over time and reflects savings to health plans compared to prior acquisition costs.
- Continue to build infrastructure that can support talent, succession plans, business continuity and legal compliance, and reduce future costs.
- Continue to review programs to identify opportunities for efficiencies.
- The budget should enable Covered California to serve as an effective example of how marketplaces can improve the cost and quality of health care.
- Maintain a reserve that is sufficient to cover financial obligations and allows time to adjust revenue and expenditures in the event of an unanticipated fiscal event.
- Remain financially nimble to assure the ability to transition should significant changes occur.

## V. FY 2016–17 Budget Goals, Highlights and Projected Expenditures

The FY 2016–17 Covered California board-approved budget totaled \$320.9 million and 1,323 positions to enroll Californians in coverage, provide a better consumer experience to applicants and enrollees, retain current enrollees and provide the tools to deliver on our mission. FY 2016–17 is the first fiscal year that Covered California operated with no federal establishment funds.

The budget featured the following activities:

- Substantial investments in outreach, marketing and enrollment, including large investments in supporting more than 10,000 independent insurance agents and a Navigator program to inform hard-to-reach Californians about Covered California’s programs and encourage retention of those who are enrolled.
- Service Center funding to provide resources comparable to FY 2015–16 and accommodate the transfer of workload associated with increased handling of consumer inquiries and appeals.
- Funding for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) — the information technology platform shared with the Department of Health Care Services — to support the FY 2016–17 program requirements of the CalHEERS 24-month road map.

Covered California completed its third renewal and fourth open enrollment with approximately 1.4 million actively enrolled consumers, representing a modest net growth over last year. This trend towards modest enrollment growth is reflected in the new forecast developed to support FY 2017–18 expenditures.

The actual expenditures for FY 2016–17, as of June 30, 2017, are \$276.3 million, \$44.6 million lower than the board-approved budget. This is primarily the result of lower-than-budgeted expenditures for salaries and contracts, in particular in Technology, Administration, Service Center, and Enterprise Shared Costs. (Table 1 shows the Projected FY 2016–17 Expenditures compared to actual.)

**TABLE 1**  
**FY 2016–17 Projected Expenditures Versus FY 2016–17 Budget**

|                              | FY 2016-17            |                       |                        |
|------------------------------|-----------------------|-----------------------|------------------------|
|                              | Budget                | Year End Actuals      | Difference             |
| Outreach & Sales, Marketing  | \$ 104,109,966        | \$ 92,917,322         | \$ (11,192,645)        |
| Service Center               | \$ 92,188,796         | \$ 82,966,756         | \$ (9,222,040)         |
| Technology                   | \$ 66,882,843         | \$ 57,181,683         | \$ (9,701,160)         |
| Plan Management & Evaluation | \$ 15,893,290         | \$ 11,462,409         | \$ (4,430,880)         |
| Administration               | \$ 41,850,098         | \$ 31,750,482         | \$ (10,099,616)        |
| <b>Total</b>                 | <u>\$ 320,924,993</u> | <u>\$ 276,278,652</u> | <u>\$ (44,646,341)</u> |

**SUMMARY OF MAJOR AREAS:**

**Service Center:** Expenditures of \$83.0 million for FY 2016–17 were \$9.2 million lower than budgeted, primarily due to \$6.4 million in salary savings from vacant positions, in conjunction with general expense and contract expenditures that were \$2.8 million lower than expected.

**Technology:** FY 2016–17 expenditures of \$57.2 million were \$9.7 million lower than budgeted. Expenditures for CalHEERS, including the Statewide Automated Welfare System (SAWS) interface and expenditures for the Information Technology (IT) Division were \$9.7 million lower due to salary savings and the timing of IT and CalHEERS initiatives.

**Outreach and Sales, Marketing:** Expenditures of \$92.9 million for these programs in FY 2016–17 were \$11.2 million lower than budgeted, largely due to salary savings and lower-than-expected contract expenditures.

**Plan Management and Evaluation:** FY 2016–17 expenditures of \$11.5 million were \$4.4 million lower than budgeted, due to salary savings and lower-than-anticipated contract expenditures.

**Administration:** Expenditures of \$31.8 million were \$10.1 million lower than the FY 2016–17 budget largely due to salary savings and lower-than-expected contract expenditures across all Administration divisions.

## VI. Covered California Enrollment and Revenue Forecast

The enrollment and revenue forecast used for the FY 2017–18 budget was informed by modeling done by PricewaterhouseCoopers in partnership with the University of California. The forecast relies on the experience gained from 37 months of active enrollment through the fourth open-enrollment period that ended on Jan. 31, 2017. The enrollment activity achieved during this open enrollment was consistent with the FY 2016–17 forecast, which projected that Covered California had entered a phase of stable enrollment. Open enrollment for the 2017 benefit year resulted in enrollment in line with the Base Estimate of approximately 1.4 million enrollees. The Base Estimate used in the FY 2017–18 forecast continues to project a stable enrollment outlook going forward, but Covered California has modeled alternate enrollment to reflect the uncertainty of the political environment.

The Base Estimate takes into consideration two factors that affect the overall enrollment trend. Covered California has adopted a policy of pre-verification of qualifying life events that allows individuals to enroll during special enrollment. Based on survey evidence, this policy could notably dampen the pace of enrollment outside of open enrollment. Conversely, based on a market analysis completed by PricewaterhouseCoopers (PwC) in 2016, the scheduled increase in California’s minimum wage anticipates additional enrollment by boosting income for those near the subsidy-eligibility range that could shift people from Medi-Cal to Covered California.

Effective January 2017, Covered California’s assessment fee switched from a flat per-member, per-month fee to a percentage assessment on total premiums paid. Currently at 4 percent, this fee is being assessed on Covered California’s 1.4 million enrollees. In addition, there are approximately 800,000 people in the individual market who benefit from the rates negotiated by Covered California, even though they are not directly enrolled through the exchange. The Affordable Care Act requires the rates for these on- and off-exchange plans be the same. Since the specific health plan products offered by Covered California represent approximately 62 percent of the total enrollment in individual coverage, the Affordable Care Act assessment essentially requires the health plans to spread the assessment fee across the entire individual market. To the extent that carriers have members who do not purchase through Covered California, but who pay the same rate, the actual assessment is spread across the entire individual market for those health plans offered by Covered California. With this budget, Covered California will maintain the 4 percent on-exchange assessment, which converts to an estimate that the actual average effective assessment rate is approximately 2.5 percent across the entire individual market.



## Forecasting Potential Enrollment

The 2016 enrollment forecast, used for the FY 2016–17 budget, was based on the experience and lessons learned in 2015 as well as insights from the market analysis completed by PwC and the University of California. Adding to these insights, the 2017 forecast reflected the experience of an additional year of enrollment history. Based on the 2016 benefit year and the 2017 open-enrollment experience, Covered California’s Base Estimate is that it will see stable enrollment going forward with the exception of the impact of more stringent pre-verification of qualifying life events beginning with 2018 special enrollment. This “stable enrollment” is based on Covered California’s maintaining its significant marketing, outreach and customer service investments — all of which contribute to both our retention of existing insured and the ability to enroll about 700,000 new enrollees needed to maintain the same overall enrollment figure.

Table 2 summarizes the Base Estimate’s revenue projections derived from the individual market and Covered California for Small Business forecasts. Due to the assumed impact of pre-verification beginning with 2018 special enrollment, projected enrollment during FY 2017–18 is approximately 60,000 lives, or 4 percent, below the 2016 forecast for this period.

**TABLE 2**  
**Covered California Revenue and Outlook Enrollment Summary**  
(Base Estimate)

| Market                            | PMPM Revenue (\$millions), Cash Basis |                |                |                |                |
|-----------------------------------|---------------------------------------|----------------|----------------|----------------|----------------|
|                                   | 2016-17                               | 2017-18        | 2018-19        | 2019-20        | 2020-21        |
| Individual Market - Medical       | \$234.6                               | \$302.5        | \$311.6        | \$313.4        | \$311.2        |
| Individual Market - Dental        | \$1.1                                 | \$1.1          | \$1.1          | \$1.1          | \$1.2          |
| CCSB                              | \$6.4                                 | \$10.8         | \$13.0         | \$16.6         | \$19.5         |
| <b>Total Revenue</b>              | <b>\$242.1</b>                        | <b>\$314.4</b> | <b>\$325.8</b> | <b>\$331.0</b> | <b>\$331.9</b> |
| Effectuated Enrollment (year-end) | 1.37                                  | 1.32           | 1.31           | 1.31           | 1.33           |

### Key Assumptions of the Individual Market Base Estimate

This projection begins after the fourth open enrollment period and takes into account the following factors, each of which is then described in more detail:

- The number of new consumers who chose health plans during open enrollment.
- The pace that new enrollees acquired coverage through Covered California during 2016 special enrollment and the likely impact of pre-verification.
- The rate at which enrolled individuals leave Covered California through termination or by failing to renew coverage.
- The likelihood that an individual who selects a plan will pay his or her premium.

- The impact of rising minimum wage on the subsidy-eligible population.
- Potential medical cost trends reflected in premiums.

#### *Health Plan Selections During Open Enrollment*

During the 2017 open enrollment, approximately 412,000 new consumers signed up for coverage. The forecast projects that a comparable level of new consumers will select plans during future open-enrollment periods.

#### *Monthly Enrollment Rate During Special Enrollment*

During the entire 2016 special-enrollment period (April through December), plan selections averaged 33,700 per month. This pace is expected to slow noticeably beginning in 2018. Covered California plans to implement pre-enrollment verification of consumers' eligibility for special enrollment in 2018. Based on a random sampling of special-enrollment enrollees to verify their qualifying life event that they had self-certified prior to enrollment, 28 percent of the sampled enrollees either (a) responded and were determined ineligible, (b) did not respond and were then unenrolled, or (c) had already unenrolled. A special enrollment verification on the federal exchange indicated a non-verification rate of 20 percent. While non-verification of eligibility does not mean consumers are not in fact eligible, for this forecast, the special enrollment assumption was reduced 25 percent from historic trends. Combining this adjustment with the increase in the minimum wage resulted in a net reduction in the assumed average special-enrollment pace to 24,800 as the base monthly enrollment assumption for 2018 and beyond.

#### *Effectuation Rate*

Based on the experience of 2016 and the fourth open enrollment, 80 percent of new enrollees during open enrollment will pay at least their first month's premium. Likewise, during special enrollment, 69 percent of enrollees on average will make their first payment. These rates are comparable to those used in previous forecasts.

#### *Disenrollment Rate*

Based on the experience of 2016, the forecast projects that, on average, 3 percent of enrollees will leave Covered California each month and 17.2 percent of those enrolled at the end of the year will not renew coverage.

#### *Subsidized and Unsubsidized Enrollments*

In line with the previous forecast, this outlook projects that 90 percent of enrollees qualify for financial assistance on average.

#### *Impact of Rising Minimum Wage*

The base forecast projects that the scheduled escalation of California's minimum wage will result in additional enrollment of individuals as they become eligible for subsidies and transition from Medi-Cal. The assumed enrollment impacts were derived from estimates produced by PwC as part of its 2016 market analysis. Given the stability of enrollment through the latest open enrollment, the projected impact going forward is

approximately one-fourth of the potentially newly eligible. The previous forecast assumed one-third of the newly eligible would enroll.

### *Revenue and Change in Health Insurance Premiums*

The revenue forecast reflects the shift to a percent of premium assessment in 2017, with a rate of 4 percent of gross health insurance premiums through 2018, which equates to 2.6 percent across the entire individual market for plans controlled by Covered California. The base forecast currently projects its assessment rate to gradually decrease to 3.25 percent by 2021, which equates to 2.1 percent across the entire individual market for the plans contracted by Covered California.

The projected premium growth for the Base Estimate assumes an underlying 7 percent-per-year medical trend driven by annual cost increases in hospital services, professional medical services and pharmaceuticals. In 2018, the renewal of the health insurance provider fee will boost that growth rate to 9 percent for that year only. The assumed cost, and thus premium, growth trend in the forecast is 7 percent per year thereafter.

According to the base enrollment outlook, annual individual plan assessments are projected to decrease as a percentage of premiums, as total premiums increase, in upcoming years. On a cash basis, Covered California received \$235.7 million in individual market revenues in FY 2016–17, and projects to have \$302.5 million in 2017–18, \$311.6 million in 2018–19, \$313.4 million in 2019–20 and \$311.2 million in 2020–21.

### **Forecast Uncertainties**

The greatest uncertainties facing Covered California’s enrollment and revenue outlook stem from the potential for major federal legislative or regulatory actions to change key provisions of the Affordable Care Act. The new administration has been working with Congress to pass legislation that could substantially alter the nature of the tax credit subsidies, abolish the individual mandate, change the regulatory basis for premium setting, and/or change a variety of other provisions of the Affordable Care Act. It is possible that some changes could be made by executive order without legislation. At this point, none of the changes being considered has been enacted, but legislation — the American Health Care Act (AHCA) — was passed by the U.S. House of Representatives and will now be considered by the Senate.

To prepare for a range of outcomes that could result from these efforts, Covered California engaged PwC to supplement their work on the 2016 Market Analysis, which evaluated some of the potential policy changes now being considered. The supplemental analysis focused on several key changes that were included in the AHCA.

Of the policy changes analyzed, the elimination of the individual mandate would have the most negative short-term impact on enrollment with Covered California. Based on the PwC analysis, if the enforcement of the individual mandate ended, open enrollment and special enrollment plan selections would drop significantly, leading to a decline in enrollment potentially in excess of 400,000 by the end of 2018. Additionally, the losses

would be weighted to individuals with better health status, which would lead to a deterioration in the risk mix and an increase in premiums.

This enrollment decline would be dramatic, representing nearly one-third of Covered California's enrollees. While this would have huge negative impacts on the hundreds of thousands of Californians who would either choose to or would be forced to go without coverage, from Covered California's financial perspective, this loss could be manageable. Covered California plans to maintain reserves adequate to cover between nine and 12 months of operating costs. The FY 2017–18 multi-year spending plan projects ending the year with 11 months of reserves.

### **Supplemental Adult Dental Forecast**

In 2016, Covered California added dental coverage for adults as a supplemental benefit. Pediatric dental coverage is defined by law as an “essential health benefit” and has always been part of our offerings. As a supplemental benefit, purchase by consumers is voluntary and there are no federal subsidies to reduce the cost of those premiums. The forecast of dental coverage in the individual market extends to 2021. For the first three months of 2016, about 12 percent of those who enrolled or renewed signed up for dental coverage. The dental forecast projects the same 12 percent rate of enrollment through 2021. In 2017, the revenue assessment shifts to a percentage of premium similar to that of the individual market program for health plans. Premium growth for dental insurance assumes the same rate of growth as the medical program (see the “Revenue and Change in Health Insurance Premiums” section). The revenue projected in the dental forecast reflects premium growth and an assessment rate, 4 percent of gross premiums, equal to the individual medical forecast. The base dental forecast projects that \$1.1 million in dental assessment revenues will be generated annually from FY 2017–18 through FY 2020–21.

### **Covered California for Small Business Forecast**

The enrollment outlook of Covered California for Small Business (CCSB) builds on the operational improvements (e.g., group onboarding at, or better than, industry standard; timely commission payments; quickly resolving account maintenance issues), and better support from our agents and brokers. The CCSB program anticipates that enrollment will continue to grow in 2018. The sales and operations teams are continuing to improve and maintain better relationships with brokers. The focus continues to be on expanding activities such as implementation of agency-level agreements and strategic technology implementations. They continue to focus on group retention by improving communication outreach.

### **Key Assumptions of the Covered California for Small Business Market Forecast**

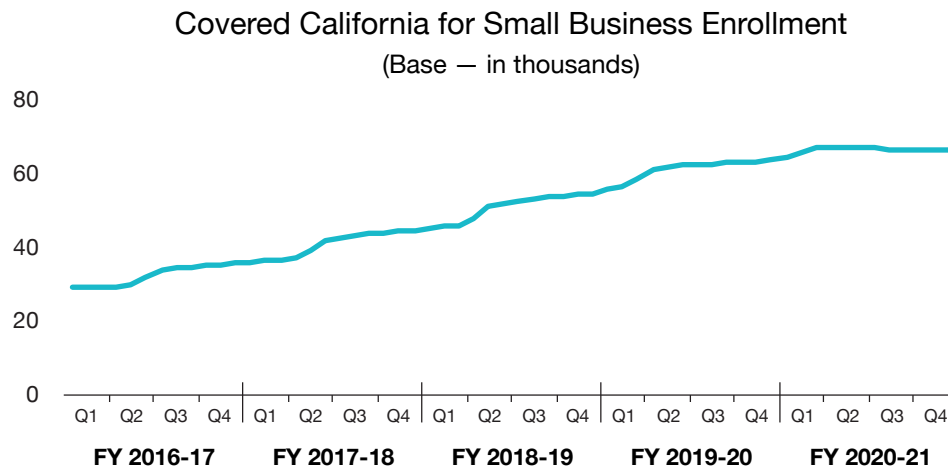
Because of these anticipated improvements and the trends seen over the past year, overall CCSB enrollment is expected to rise modestly through FY 2020–21. Similar to the individual market enrollment projections, a Base Estimate enrollment forecast has been developed. (See Figure 1.) The updated forecast is built on the experience of the

past three years and takes into account the overall size and expected growth of the small business exchange market in California. CCSB currently represents about 8 percent of the exchange market. The base forecast assumes that expected program improvements will grow CCSB market share to 9 percent in 2019. Thereafter, CCSB enrollment growth will keep pace with the anticipated growth of the small business exchange market.

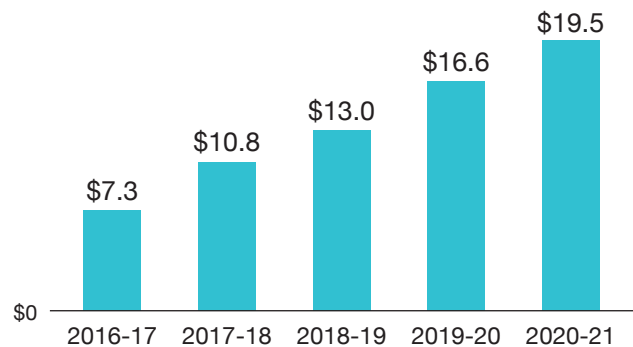
Beginning in 2017, the Covered California assessment rate was based on a percentage of gross health plan premium at 5.2 percent. For plan year 2018, this rate will be continued at 5.2 percent.

FIGURE 1

**Covered California for Small Business  
Base Estimate Enrollment and Revenue Scenarios**



Covered California for Small Business Revenue  
(Base forecast — in \$millions)



**Covered California for Small Business Sensitivity Analysis**

The base enrollment forecast assumes a moderately improved market share for CCSB. The low alternative assumes that CCSB does not keep pace with the overall small-business exchange market and its share drops from its current 8 percent to

approximately 6 percent. The high alternative assumes that the share increases to 20 percent by 2020 and then keeps pace with overall market growth. (See Table 3.)

TABLE 3

Covered California for Small Business

| Fiscal Year | Fiscal Year End Enrollment |         |         |         |         | Revenue (\$millions) |         |         |         |         |
|-------------|----------------------------|---------|---------|---------|---------|----------------------|---------|---------|---------|---------|
|             | 2016-17                    | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2016-17              | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| <b>High</b> | 36,682                     | 54,210  | 88,261  | 129,400 | 170,480 | \$7.3                | \$11.1  | \$18.5  | \$31.1  | \$44.8  |
| <b>Base</b> | 35,251                     | 44,314  | 54,288  | 63,459  | 67,176  | \$7.3                | \$10.8  | \$13.1  | \$16.7  | \$19.6  |
| <b>Low</b>  | 34,861                     | 40,022  | 44,564  | 49,303  | 53,670  | \$7.3                | \$9.3   | \$11.2  | \$13.2  | \$15.3  |

## VII. Multi-Year Forecast and Reserves

Since its inception, Covered California has recognized that the budget planning process involves consideration of multiple variables over a multi-year period, including revenue, expenditures and reserves. As such, the FY 2017–18 budget is one component of a multi-year plan that will ensure that Covered California has a strong fiscal foundation for the foreseeable future.

Covered California expects that it will begin FY 2017–18 with an operating reserve of approximately \$292 million. Consistent with its guiding financial principles, the reserve amount is based on maintaining a level that is sufficient to assure an adequate balance to address uncertainties and to allow for timing lags needed to adjust revenue and expenditures. Adjustments in the plan assessment, for example, take nine to 18 months to have an impact on plan-assessment revenue. For these reasons, it is necessary to develop the budget within the framework of a multi-year plan.

The current multi-year forecast, which utilizes the Base Estimate enrollment, is displayed in Table 4. Revenues, which include both the individual and CCSB markets, are calculated on a cash basis that reflects the actual timing of the collection of revenue.

TABLE 4: BASE ESTIMATE

|  | <i>Dollars in Millions</i> |                   |                   |                   |                   |
|--|----------------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>FY 2016-17</b>          | <b>FY 2017-18</b> | <b>FY 2018-19</b> | <b>FY 2019-20</b> | <b>FY 2020-21</b> |
| Effectuated Enrollment (fiscal year end) | 1,371,949                  | 1,321,919         | 1,305,646         | 1,311,360         | 1,333,280         |
| Opening Balance                          | \$325.1                    | \$292.0           | \$286.8           | \$295.6           | \$306.6           |
| Plan Assessments-Cash Basis              | \$242.1                    | \$314.4           | \$325.8           | \$331.0           | \$331.9           |
| Expenditures Projected <sup>1</sup>      | (\$275.2)                  | (\$319.6)         | (\$317.0)         | (\$320.0)         | (\$323.0)         |
| Year-End Operating Reserve               | \$292.0                    | \$286.8           | \$295.6           | \$306.6           | \$315.5           |
| <i>Number of months of reserve</i>       | <b>11.0</b>                | <b>10.9</b>       | <b>11.1</b>       | <b>11.4</b>       | <b>11.6</b>       |

| <b>Plan Year</b>                     | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|
| Plan Assessment Rate                 | 4.00%       | 3.75%       | 3.50%       | 3.25%       |
| Plan Assessment Rate On/Off Exchange | 2.49%       | 2.33%       | 2.17%       | 2.03%       |
| Premium Growth Assumptions           | 9.00%       | 7.00%       | 7.00%       | 7.00%       |

1. FY 2016-17 is an actual expenditure. All future years are projected

The multi-year forecast reflects a \$319.6 million budget in FY 2017–18, and assumes budgets of between \$317.0 million and \$323.0 million for FY 2018–19 through FY 2020–21. While revenues from plan assessments will fall slightly short of expenditures in FY 2017-18 if Covered California spends all of its budgeted amounts, in past years it has generated savings from planned budgets. Consistent with Covered California’s long standing multi-year strategy, revenues are expected to exceed expenditures in FY 2018-19 and beyond. The plan provides an operating reserve of approximately 11 months through FY 2020–21. It reflects modest increases in operating expenses over

the next few fiscal years to allow programs to maintain necessary service levels and to solicit and retain membership.

The plan assessment is at a level of 4 percent of premium for 2018, at 3.75 percent in 2019, 3.5 percent in 2020 and 3.25 percent in 2021. CCSB plan assessments are at a level of 5.2 percent of premium for the duration of the forecast. The forecast does include revenue from family dental coverage, which is assessed at the same rates as the medical coverage offered on the individual and CCSB markets. To the extent enrollment varies from the Base Estimate forecast, Covered California would be able to adjust its revenue by increasing or decreasing the plan assessment, or by adjusting its budgeted expenditures.

It is important to note that each year a new multi-year forecast will be completed based on the most current information, so the estimates presented here could change.

### **Targeted Reserve Position**

Numerous analyses have been conducted to identify the appropriate level of reserves necessary to provide sufficient time to make fiscal adjustments in the event of a decline in enrollment. Specifically, an analysis performed at the end of 2016 indicated that given the ability to reduce both contractual and personnel expenditures (the latter primarily through attrition), Covered California's existing reserve position at the time of nine to 10 months was adequate to cover a significant reduction in enrollment.

The analysis also indicated that should Covered California's reserve position fall below the nine-to-10-month level, there is some risk that reserves, in conjunction with reductions to expenditures, may not be adequate to maintain solvency in the event of possible enrollment reductions. Because of this, the analysis concluded that Covered California should implement a reserve strategy that maintains reserves at a slightly higher level of nine to 12 months in the near term.

Given the uncertainties facing Covered California's enrollment outlook stemming from the potential for federal legislative action to change key provisions of the Affordable Care Act, it is prudent to maintain reserves at the high end of this range.

### **Alternative Enrollment Forecasts**

In addition to the Base Estimate scenario, Covered California has utilized analyses performed by PwC to also consider the impact of alternative low and high enrollment scenarios on its multi-year outlook.

### **Low Enrollment Alternative**

Given recent actions taken by the new administration and concerns expressed by health plans, we modeled the input of the federal government's stopping levying the personal responsibility fee to enforce the individual mandate.<sup>2</sup> In the event of this occurring, PwC

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<sup>2</sup> Covered California has also modeled the input of the federal government's ceasing to provide direct funding of cost-sharing reductions. While this policy change would lead to higher premiums and higher federal expansion, it would not have a negative impact on Covered California.



estimates that open enrollment and special enrollment plan selections would drop off precipitously, leading to a decline in enrollment of up to 430,000. The low alternative assumes these reductions occur in 2018. Additionally, the losses would be weighted to individuals with better health status, which would lead to a deterioration in the risk mix and a significant increase in premiums. The low alternative assumes that on average premiums would increase 18 percent in 2018 followed by a return to the 7 percent historic trend. In response to a decrease in enrollment in this scenario, expenditures could be reduced on a measured basis in future years, but staff does not project proposing to lower the plan assessment from its 4 percent level. The impact of the low alternative on the multi-year forecast is illustrated in Table 5.

TABLE 5: LOW ESTIMATE

|   | <i>Dollars in Millions</i> |             |             |             |             |
|---|----------------------------|-------------|-------------|-------------|-------------|
|   | FY 2016-17                 | FY 2017-18  | FY 2018-19  | FY 2019-20  | FY 2020-21  |
| Effectuated Enrollment (fiscal year end)                        | 1,322,145                  | 862,401     | 692,555     | 617,457     | 595,338     |
| Opening Balance   | \$325.1                    | \$292.0     | \$251.9     | \$229.7     | \$199.9     |
| Plan Assessments-Cash Basis                                     | \$242.1                    | \$279.5     | \$223.5     | \$207.0     | \$206.6     |
| Expenditures Projected <sup>1</sup>                             | (\$275.2)                  | (\$319.6)   | (\$245.7)   | (\$236.9)   | (\$239.9)   |
| Year-End Operating Reserve                                      | \$292.0                    | \$251.9     | \$229.7     | \$199.9     | \$166.5     |
| <i>Minimum number of months expenditures covered by reserve</i> | <b>11.0</b>                | <b>12.3</b> | <b>11.6</b> | <b>10.0</b> | <b>8.2</b>  |
| <b>Plan Year</b>  |                            | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021</b> |
| Plan Assessment Rate  |                            | 4.00%       | 4.00%       | 4.00%       | 4.00%       |
| Plan Assessment Rate On/Off Exchange                            |                            | 2.08%       | 1.86%       | 1.74%       | 1.71%       |
| Premium Growth Assumptions                                      |                            | 18.00%      | 7.00%       | 7.00%       | 7.00%       |

1. FY 2016-17 is an actual expenditure. All future years are projected

## High Enrollment Alternative

Covered California also explained reasons enrollment would be substantially higher than under the Base Estimate. In particular, there is a possibility that some policy changes by health plans could result in the elimination of, or reduce the impact of the “family glitch.” This refers to the Affordable Care Act policy of using the cost of the self-only premium to determine affordability of employer-sponsored insurance. The significantly higher family premium may put insurance out of reach for family members, but if self-only coverage is deemed affordable, family members are not eligible for subsidies.

According to the estimates provided as part of its 2016 Market Analysis, PwC estimated that fixing the glitch could lead to an 18–23 percent increase in the subsidy-eligible population, leading to a 290,000 net increase in enrollment at a 69 percent take-up rate. The impact of the high alternative on the multi-year forecast is illustrated in Table 6.

TABLE 6: HIGH ESTIMATE

*Dollars in Millions*

|   | <b>FY 2016-17</b> | <b>FY 2017-18</b> | <b>FY 2018-19</b> | <b>FY 2019-20</b> | <b>FY 2020-21</b> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Effectuated Enrollment (fiscal year end)                        | 1,371,949         | 1,332,407         | 1,472,568         | 1,594,449         | 1,685,158         |
| Opening Balance   | \$325.1           | \$292.0           | \$287.4           | \$302.7           | \$323.5           |
| Plan Assessments-Cash Basis                                     | \$242.1           | \$315.0           | \$332.3           | \$340.8           | \$325.9           |
| Expenditures Projected <sup>1</sup>                             | (\$275.2)         | (\$319.6)         | (\$317.0)         | (\$320.0)         | (\$323.0)         |
| Year-End Operating Reserve                                      | \$292.0           | \$287.4           | \$302.7           | \$323.5           | \$326.4           |
| <i>Minimum number of months expenditures covered by reserve</i> | <b>11.0</b>       | <b>10.9</b>       | <b>11.4</b>       | <b>12.0</b>       | <b>12.1</b>       |
| <b>Plan Year</b>  |                   | <b>2018</b>       | <b>2019</b>       | <b>2020</b>       | <b>2021</b>       |
| Plan Assessment Rate  |                   | 4.00%             | 3.50%             | 2.75%             | 2.50%             |
| Plan Assessment Rate On/Off Exchange                            |                   | 2.50%             | 2.27%             | 1.83%             | 1.70%             |
| Premium Growth Assumptions                                      |                   | 9.00%             | 7.00%             | 7.00%             | 7.00%             |

1. FY 2016-17 is an actual expenditure. All future years are projected

# VIII. FY 2016–17 Budget Comparison to FY 2017–18

As illustrated in Table 7, the FY 2017–18 Covered California budget provides \$319.6 million to fund program operations. This funding is less than half a percent lower than the FY 2016–17 board-adopted budget of \$320.9 million. The most significant changes are a result of an addition to the Outreach & Sales, Marketing budgets offset by reductions to the Service Center and the Technology/CalHEERS budgets

TABLE 7  
FY 2016–17 Compared to FY 2017–18

|                              | 2016-17<br>Budget     | 2016-17<br>Actuals    | 2017-18<br>Budget     | Difference            |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Outreach & Sales, Marketing  | \$ 104,109,966        | \$ 92,917,322         | \$ 111,495,329        | \$ 7,385,362          |
| Service Center               | \$ 92,188,796         | \$ 82,966,756         | \$ 86,843,965         | \$ (5,344,830)        |
| Technology                   | \$ 66,882,843         | \$ 57,181,683         | \$ 60,654,039         | \$ (6,228,804)        |
| Plan Management & Evaluation | \$ 15,893,290         | \$ 11,462,409         | \$ 17,486,338         | \$ 1,593,048          |
| Administration               | \$ 41,850,098         | \$ 31,750,482         | \$ 43,077,956         | \$ 1,227,858          |
| <b>Total Expenses</b>        | <b>\$ 320,924,993</b> | <b>\$ 276,278,652</b> | <b>\$ 319,557,627</b> | <b>\$ (1,367,365)</b> |

A brief overview of the funding changes for each organizational unit, between the FY 2016–17 actual \$276.3 million and the FY 2017–18 budgets, follows:

**Outreach and Sales, Marketing:** The FY 2017–18 budget includes \$111.5 million for outreach and marketing efforts to inform Californians about Covered California’s products and retain those who are already enrolled. The budget supports a \$6.5 million Navigator program and \$46.3 million for paid media.

**Service Center:** The FY 2017–18 budget is consistent with projected expenditures for FY 2016–17 of \$83.0 million and will allow the Service Center to provide service levels comparable to FY 2016–17. The FY 2017–18 budget reflects a decrease of \$5.3 million from the FY 2016–17 budget. The FY 2017–18 budget includes \$50.1 million for personal services, \$27.4 million for contracts and \$9.3 million for other expenses.

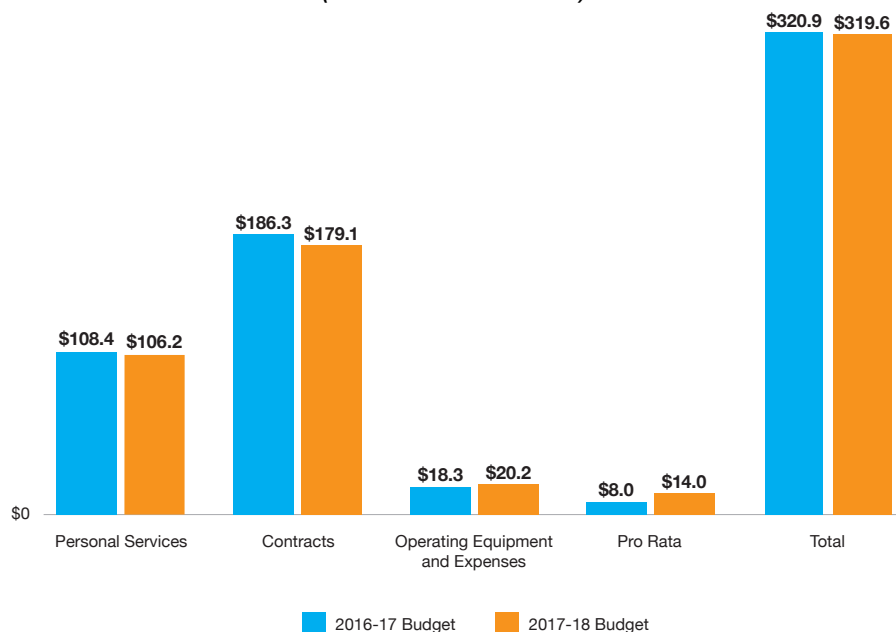
**Technology:** The FY 2017–18 budget is approximately \$6.2 million lower than the FY 2016–17 budget. The increase of \$1.5 million for IT infrastructure investments is offset by a \$7.7 million decrease for CalHEERS. Not only is Covered California’s portion of the CalHEERS cost decreasing due to a more favorable cost allocation, but additional savings are also expected as we transition work from the third-party administrator to Covered California IT staff.

**Plan Management and Evaluation:** The FY 2017–18 budget remains largely unchanged and continues to achieve Covered California’s goals through the effective management and coordination of activities between Covered California and its health plans. The budget includes \$6.7 million for personal services and \$10.8 million for contracts and other expenses.

**Administration:** The FY 2017–18 budget is consistent with FY 2016-17 funding while also allowing additional funding of \$1.2 million to accommodate the implementation of the FI\$CAL transition.

Figure 2 compares the FY 2016–17 and FY 2017–18 budgets by expense category.

**FIGURE 2**  
**Expense Category: FY 2016–17 Compared to FY 2017–18**  
*(Dollars in Millions)*



**Personal Services:** FY 2017–18 costs for personal services are approximately \$2.2 million lower than FY 2016–17 largely due to an increase in budgeted salary savings, rising to 12 percent from 5 percent in FY 2016-17

**Contracts:** The FY 2017–18 contracts budget is approximately \$7.2 million lower than FY 2016–17 primarily due to a decrease in the cost of the CalHEERS project, combined with a reduction in contractual costs in the Service Center.

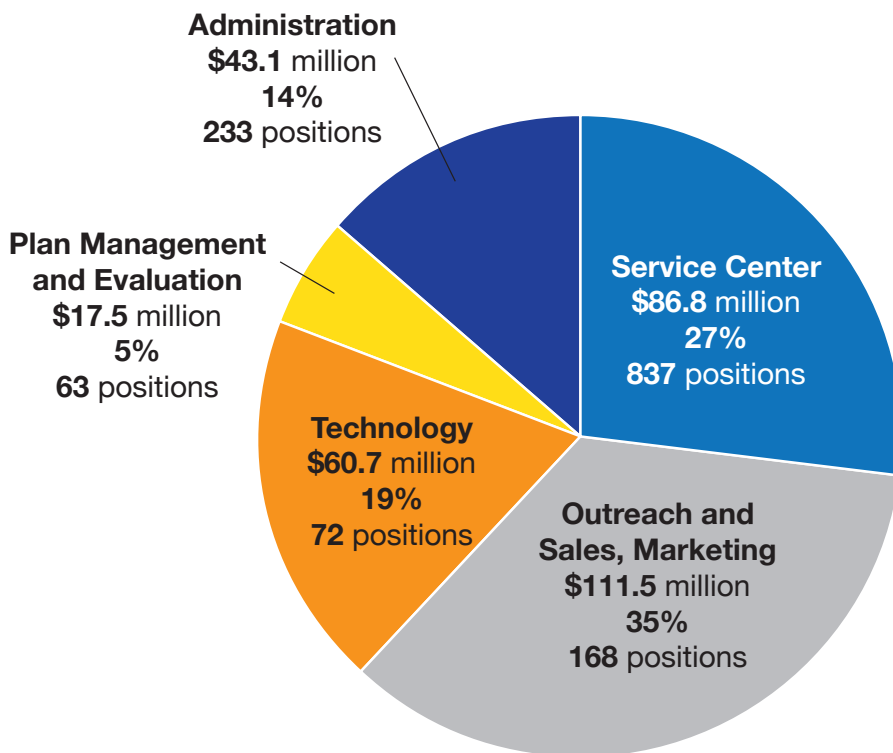
**Operating Expenses and Equipment (OEE):** Building improvement costs account for the nearly \$1.9 million increase in the OEE budget.

**Pro Rata:** The FY 2017–18 budget includes \$14.0 million for Pro Rata, a \$6.0 million increase over the FY 2016–17 budgeted amount due to Covered California achieving its normalized assessment rate.

# IX. FY 2017–18 Budget

The FY 2017–18 Covered California budget, presented in Figure 3, incorporates the resources to support the acquisition, retention, support and management of its 1.4 million enrollees. The budget framework is informed by Covered California’s financial guiding principles and strategic pillars, the FY 2016–17 projected expenditures, the 2017 enrollment and revenue forecast and the multi-year forecast. The budget provides 1,373 positions and \$319.6 million to fund program operations, which is slightly less than the FY 2016–17 approved budget, but about 13.5 percent higher than the FY 2016-17 actual expenditures.

**FIGURE 3**  
**FY 2017–18 Budget: \$319.6 million**



From a program-operations perspective, the budget includes resources to fund the following goals:

- \$111.5 million for Outreach and Sales, Marketing efforts, including \$46.3 million for paid media and a \$6.4 million Navigator program to inform Californians about our programs and encourage retention of those who have enrolled. \$5.3 million in additional Marketing funding was added in August 2017 in order to address Federal uncertainty and the reduction of Anthem coverage in 2018.
- \$86.8 million for Service Center resources to support enrollment and retention of consumers and to provide a level of service comparable to FY 2016–17.
- \$36.0 million for the FY 2017–18 program requirements of the enrollment and retention IT System as detailed in the CalHEERS road map, and funding for Covered California’s portion of additional CalHEERS costs.
- \$9.0 million to fund IT infrastructure projects to improve the consumer experience and create operational efficiencies.
- \$3.3 million to support Covered California’s Healthcare Evidence Initiative, the goal of which is to use utilization and claims data to improve the quality and value of care.

This budget seeks to fund the delivery of critical programs while keeping expenditures at a level necessary to continue to execute a multi-year plan under which revenues equal expenditures in FY 2017–18 and reserves are maintained at a level sufficient to accommodate enrollment that varies from forecasts.

## HIGHLIGHTS AND INITIATIVES

### **Fiscal Strategy**

In strict accordance with the financial mandates set forth under Government Code section 100503, Covered California maintains its fund reserves at a level that is sufficient to assure an adequate balance in the movement to financial alignment and to allow for timing lags needed to adjust revenue and expenditures, including adjustments in plan assessments.

In 2017, Covered California changed from a per-member, per-month (PMPM) fee to an assessment based upon a percentage of premiums. This change made for a more equitable distribution of assessments across the health plans, while allowing Covered California to continue to cover the costs associated with attracting, retaining and managing its enrollees.

### **Initiatives to Promote Long-Term Affordability and Quality**

The Covered California Board of Directors has adopted significant requirements for the plans we contract with to improve health care delivery and quality. These reforms, which

cover the years 2017 to 2019, will advance ongoing efforts by health insurance companies, hospitals and care providers to ensure that patients receive quality health care.

The new contract provisions sought to address the challenges in our current health care system and provide guidance for the future that address both quality and costs, such as strengthening value-based, patient-centered benefit designs to improve access to primary care. In addition, Covered California uses core levers to promote better quality and lower costs, such as:

- Requiring providers to meet quality standards without exception and to provide safe care for all, including various racial and ethnic groups.
- Adopting payment strategies that support quality performance.
- Adopting proven models of primary care and integrated delivery models.
- Providing tools to help consumers make informed choices while selecting providers.
- Providing actionable information and evidence to improve quality, access and value throughout the health care delivery system.

These changes are supporting system-wide efforts to lower costs and improve quality for all Californians.

## **Technology**

### *CalHEERS*

At the start of FY 2016–17, the program sponsors of CalHEERS — Covered California and Department of Health Care Services (DHCS) — turned over the oversight and project management of CalHEERS to the Office of Systems Integration (OSI). The transition has resulted in increased efficiencies and streamlining of both maintenance and operations efforts, as well as enhancements to the solution through the application of OSI's best practices in project management.

Some of the most significant enhancements coming in FY 2017–18 include:

- Continuing to implement operational improvements from the CalHEERS roadmap to ensure the organization's technical infrastructure is properly maintained and secured, supports capacity demands and achieves business goals.
- Appropriately equipping authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensuring that business partners are able to receive, exchange and reconcile appropriate consumer information in a timely fashion.

- Striving to continuously simplify and streamline the consumer experience, including during enrollment and while transitioning between various programs available through the Affordable Care Act.

#### *Information Technology Infrastructure Investment<sup>3</sup>*

The budget includes a \$9.0 million investment in IT infrastructure to drive efficiencies throughout the organization and provide better customer service.

These efforts will focus on the following:

- Continued work on enhancing the data management strategy for the customer relationship management (CRM) software.
- Implementing additional consumer self-service capabilities.
- Piloting an automated solution for the processing of consumer verification documents.
- Extending marketing capabilities beyond paper and email to text messaging.
- Continued work to enhance Covered California's Salesforce tools.

#### **Service Center and Consumer Support**

The budget provides \$86.8 million to fund Service Center operations, a level consistent with FY 2016–17 expenditures, with expectations that the consumer experience continues to improve through a variety of innovative initiatives that are focused on the following activities:

- Adding new technology and service center tools to effectuate operational efficiencies to better serve consumers.
- Investing in staff training and development to maximize workforce performance.
- Streamlining business processes to seek operational efficiencies and increase the quality of work.
- Controlling operational costs in order to deliver products and services that offer high value to our consumers.

#### **Outreach and Sales, Marketing**

In order to generate new enrollment and maximize retention, the budget includes \$111.5 million for outreach, sales and marketing efforts. The budget contains \$65.9 million for marketing activities, including \$46.3 million for paid-media marketing. The Marketing Division's goal is to achieve membership acquisition, retention and renewal through the strategic, cost-effective use of marketing in collaboration with the

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<sup>3</sup> \$9.0M in IT expenses are allocated to programs as appropriate.



Operations, Outreach and Sales, and Communications and Public Relations divisions. The Marketing Division's strategies focus on the following key activities:

- Optimize customer conversion, retention and renewal by using a personalized customer relationship marketing approach.
- Continue to focus advertising campaigns on motivating Californians to enroll during open enrollment and special enrollment, with continued focus on assuring enrollment across California's diverse population.
- Continue the efficient and effective use of social media to expand customer outreach, improve brand engagement and improve customer service.
- Continue to enhance the lead-nurturing program to capture, nurture and convert consumers who express initial interest in the brand acquired through marketing, outreach and education efforts.
- Continue to promote dental, vision and other new services.
- Maximize marketing return on investment by leveraging insights from consumer research, adjusting campaign functionalities based on marketing analytics and optimizing media-spend effectiveness.

In addition to marketing, the budget also includes \$33.5 million specifically for Outreach and Sales, including \$6.5 million for the Navigator program, to educate, support and empower more than 20,000 Covered California sales partners. In FY 2017–18, Outreach and Sales strategies will focus on the following:

- Continued development of the Outreach and Sales Division's technical capabilities to manage and support channel partners.
- Regional ground campaign with increased field support.
- Support for Covered California for Small Business.

### **Navigator Grant Program**

The Navigator grant program, mandated by the Affordable Care Act and administered by Covered California, awards funding through a request for application process. Grant funds are awarded to for-profit and nonprofit community-based organizations and community health centers to enroll and re-enroll eligible consumers into a health insurance plan through Covered California. These grantees have successfully reached underserved populations (including Latinos, Asian/Pacific Islanders, African Americans and the LGBTQ community) and have demonstrated their ability to meet U.S. Department of Health and Human Services (HHS) requirements by providing focused "targeted assistance." The contracts will be rebid in FY 2017–18.

## **Covered California for Small Business**

Covered California for Small Business is California's Small Business Health Options Program, which is available to small businesses with one to 100 employees. The program makes it easy for small businesses to offer their employees a wide choice of affordable and popular health insurance plans. Small businesses that buy health insurance through Covered California may qualify for federal tax credits to offset part of their costs.

During FY 2017–18, the program will continue its focus on new business growth, continuing to improve operational efficiencies and relationships with agents.

# X. Covered California FY 2017–18 Program Details

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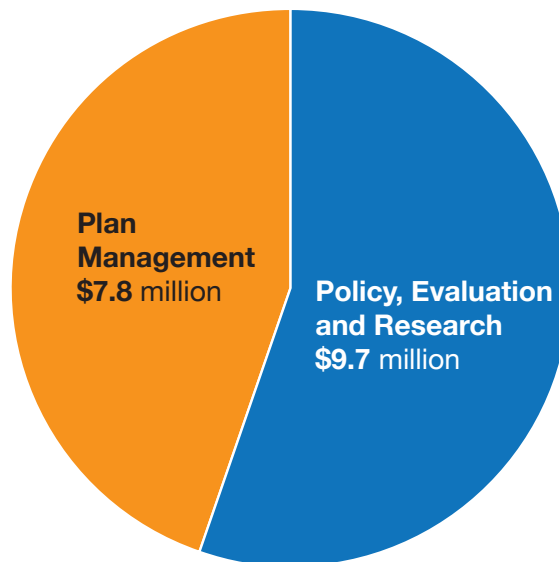
# Plan Management and Evaluation

Plan Management and Evaluation includes the Policy, Evaluation and Research Division and the Plan Management Division. The total budget for FY 2017–18 is \$17.5 million.

## Plan Management and Evaluation Budget

|                       | FY 2015-16                 | FY 2016-17             | FY 2017-18             |
|-----------------------|----------------------------|------------------------|------------------------|
|                       | <b>Actual Expenditures</b> | <b>Approved Budget</b> | <b>Approved Budget</b> |
| Positions             | 54                         | 60                     | 63                     |
| Personal Services     | \$ 3,036,300               | \$ 4,426,706           | \$ 4,379,228           |
| Benefits              | \$ 1,316,190               | \$ 2,239,696           | \$ 2,325,973           |
| Contracts             | \$ 7,996,263               | \$ 8,472,962           | \$ 9,851,960           |
| OEE                   | \$ 154,146                 | \$ 354,000             | \$ 234,000             |
| Pro Rata              | \$ -                       | \$ 399,926             | \$ 695,177             |
| <b>Total Expenses</b> | <b>\$ 12,502,899</b>       | <b>\$ 15,893,290</b>   | <b>\$ 17,486,338</b>   |

## Plan Management and Evaluation FY 2017-2018 Budget



## **Plan Management Division**

The Plan Management Division's purpose is to improve the cost, quality and accessibility of health care delivered to consumers through its contracted health plans, and to enable Covered California's goals through the effective management and coordination of activities between Covered California and its health plans.

### **Key Activities**

- Participate in the certification and recertification of annual health and dental plans.
- Assist with the development and updating of its patient-centered benefit designs.
- Work closely with plans to assure contract compliance and effective partnerships with regulators.
- Assist with quality improvement and delivery-system reform.

### **Key Accomplishments for FY 2016–17**

- Negotiated premiums and service area expansions, and certified 11 health plans for 2017. In 2017, more than 92 percent of consumers could choose from three or more health plans, and nearly 80 percent of consumers were able to pay less by shopping and selecting another plan.
- Negotiated rates and certified seven dental plans. Launched two new dental plan issuers offering high-quality dental care and competitive premiums, giving consumers in all ZIP codes at least two dental plan choices.
- Engaged stakeholders, regulators and plans in a comprehensive review of Covered California's patient-centered benefit designs, which resulted in implementing changes to reduce financial barriers to needed care in 2017.
- Executed a new three-year contract with our health and dental plan issuers that specifies the roles and responsibilities of the parties for plan years 2017–19.
- Implemented a multi-year quality and delivery system reform agenda as part of the 2017–19 Qualified Health Plan Issuer Contract. Staff met one-on-one with contracted carriers to discuss and track their progress in achieving project milestones and delivery system improvements.
- To ensure enrollees receive quality care, the Plan Management Division required health plan issuers to ensure all enrollees either selected or were assigned a primary care clinician within 60 days of plan effectuation.

## Plan Management Division Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 26                  | 29                  | 30                  |
| Personal Services     | \$ 1,806,112        | \$ 2,294,803        | \$ 2,207,867        |
| Benefits              | \$ 761,455          | \$ 1,161,058        | \$ 1,204,289        |
| Contracts             | \$ 2,864,158        | \$ 1,777,960        | \$ 3,982,960        |
| OEE                   | \$ 99,059           | \$ 168,000          | \$ 135,000          |
| Pro Rata              | \$ -                | \$ 139,436          | \$ 259,913          |
| <b>Total Expenses</b> | <b>\$ 5,530,784</b> | <b>\$ 5,541,256</b> | <b>\$ 7,790,028</b> |

### Budget Highlights and Key Changes

- One new staff services manager II to act as the health equity officer, transferred from the Marketing Division to better align with the duties of this position.
- The contract budget includes:
  - \$570,000 for actuarial services.
  - \$750,000 for consulting services.
  - \$160,000 for medical advisory and clinical support.
  - \$395,000 for project management.
  - \$107,960 for quality assurance and various other services.
  - \$2,000,000 for infrastructure projects.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Certification and recertification efforts that promote rate moderation and meaningful plan options.
- Working with health plan issuers to refine and execute quality-improvement strategies.
- Ensuring enrollee access to primary care and providing support to navigate the health care system through patient-centered benefit designs, and by requiring all health plan issuers to match a primary care clinician to every enrollee.
- Reviewing program performance, sharing information and ideas and ultimately improving the products and services provided to enrollees through regular engagement with qualified health plan issuers.

## Policy, Evaluation and Research Division

The Policy, Evaluation and Research Division provides accurate, complete and timely policy and data analysis to support evidence-based decision-making. Through its Eligibility Operations Unit, the Policy, Evaluation and Research Division also ensures implementation of program eligibility rules.

### Key Activities

- Advisor and resource to management regarding policy development, recommendations and implementation, including the coordination of the provision of input on federal and state exchange policy, rules and regulations.
- Designs and provides advisory support on manual and automated eligibility processes, procedures and verifications.
- Creates and maintains Covered California individual market applications and member communications regarding eligibility and enrollment.
- Lead Covered California's effort to drive increased quality, accuracy and usability of the application/enrollment data warehouse.
- Directs Covered California Healthcare Evidence Initiative and organization-wide governance of high-priority, high-visibility research efforts.
- Publicly reports data and develops reports on critical issues to inform policy development and strategies.

### Key Accomplishments for FY 2016–17

- Hosted public engagement process on section 1332 State Innovation Waiver and released analysis of stakeholder recommendations. (Available at <http://hbex.coveredca.com/stakeholders/Covered%20California%201332%20Waiver/index.shtml>.)
- Published the Covered California Active Membership Profile and member survey data. (Available at <http://hbex.coveredca.com/data-research/>.)
- Refined eligibility processes to ensure that consumer communications are clear and effective and the consumer experience is positive.
- Promoted and launched Covered California's Healthcare Evidence Initiative.
- Coordinated with internal and external partners to make improvements to the Insurance Affordability Program transition consumer experience.
- Published key initiatives and data-supported analyses for various federal, state and private commentary. (Available at <http://hbex.coveredca.com/data-research/>.)

## Policy, Evaluation and Research Division Budget

|                       | FY 2015-16          | FY 2016-17           | FY 2017-18          |
|-----------------------|---------------------|----------------------|---------------------|
|                       | Actual Expenditures | Approved Budget      | Approved Budget     |
| Positions             | 28                  | 31                   | 33                  |
| Personal Services     | \$ 1,230,188        | \$ 2,131,903         | \$ 2,171,361        |
| Benefits              | \$ 554,735          | \$ 1,078,638         | \$ 1,121,684        |
| Contracts             | \$ 5,132,105        | \$ 6,695,002         | \$ 5,869,000        |
| OEE                   | \$ 55,087           | \$ 186,000           | \$ 99,000           |
| Pro Rata              | \$ -                | \$ 260,490           | \$ 435,265          |
| <b>Total Expenses</b> | <b>\$ 6,972,115</b> | <b>\$ 10,352,034</b> | <b>\$ 9,696,310</b> |

### Budget Highlights and Key Changes

- The budget includes one career executive assignment (CEA) position to allow the Policy Division to expand its leadership capability to improve the enrollment experience for our consumers and sales channels, maintain compliance with frequently changing federal and state eligibility rules, and deepen Covered California’s relationships with state and federal health care partners and consumer advocates.
- The contract funding reflects a decrease of \$826,002 primarily due to moving the contracted expense for the Health Consumer Alliance funding to the Office of Legal Affairs’ budget.
- The contract budget includes:
  - \$3,839,000 for analytics and modeling.
  - \$1,000,000 for consulting services.
  - \$30,000 for student assistants.
  - \$1,000,000 for readability and translation services.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Continue to refine eligibility processes to ensure compliance and provide a simple and positive consumer experience.
- Under the Healthcare Evidence Initiative, analyze consumer access to care through clinical, enrollment and qualitative survey data, and identify opportunities for improvements.
- In partnership with Plan Management and the chief actuary, provide data and models to describe the consumer response to the prior year’s products and price in support of rate negotiations.

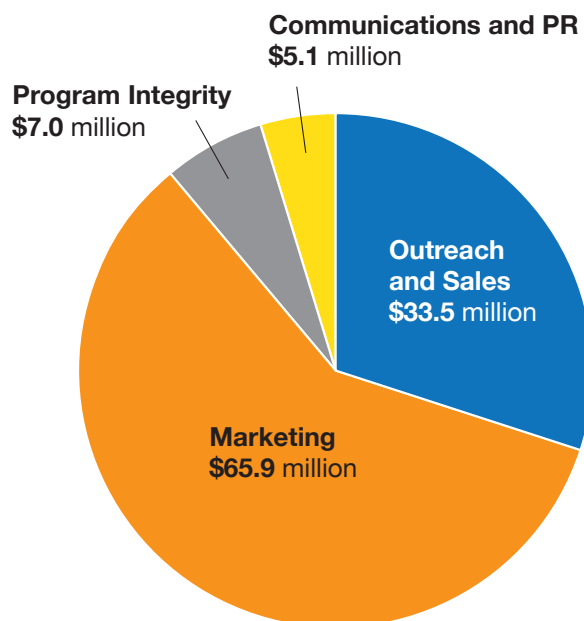


# Outreach and Sales, Marketing

Outreach and Sales, Marketing includes the following divisions: Outreach and Sales, Marketing, Program Integrity, and Communications and Public Relations. The total budget for FY 2017–18 is \$111.5 million.

|                       | FY 2015-16                 | FY 2016-17             | FY 2017-18             |
|-----------------------|----------------------------|------------------------|------------------------|
|                       | <b>Actual Expenditures</b> | <b>Approved Budget</b> | <b>Approved Budget</b> |
| Positions             | 152                        | 157                    | 168                    |
| Personal Services     | \$ 7,586,999               | \$ 11,033,858          | \$ 11,183,799          |
| Benefits              | \$ 3,469,051               | \$ 5,524,109           | \$ 5,576,753           |
| Contracts             | \$ 86,546,969              | \$ 84,065,752          | \$ 89,226,738          |
| OEE                   | \$ 621,642                 | \$ 942,000             | \$ 888,500             |
| Pro Rata              | \$ -                       | \$ 2,544,247           | \$ 4,619,539           |
| <b>Total Expenses</b> | <b>\$ 98,224,661</b>       | <b>\$ 104,109,966</b>  | <b>\$ 111,495,329</b>  |

**Outreach and Sales, Marketing**  
FY 2017-2018 Budget



## Marketing Division

Covered California's outreach, marketing and education efforts factor in key demographic, educational, economic, social and cultural attributes and lifestyle drivers to define target audiences. Marketing tailors relevant communications to motivate consumers to enroll in and keep health insurance through Covered California.

### Key Activities

- Performs market and consumer research to understand the consumer mindset.
- Creates the marketing strategy, grounded in qualitative and quantitative research, to attain the organization's objectives and achieve enrollment goals.
- Develops, executes and monitors marketing campaigns that align with an approved strategy, including media planning and buying, advertising creative development and production, and digital and social media.
- Develops, executes and monitors a lead-nurturing program to facilitate sales conversion among consumers who expressed initial interest in the brand.
- Develops, executes and monitors a Customer Relationship Marketing program that focuses on retention and renewal. This program deepens member relationships through personalized, timely and relevant communications that build consumer loyalty and advocacy.
- Analyzes results from a return-on-investment standpoint and recommends improvements.

### Key Accomplishments for FY 2016–17

- Conducted extensive consumer research effort to inform the open-enrollment marketing campaign, including quantitative and qualitative studies across five segments (multi-segment, African American, Asian/Pacific Islander, Hispanic and LGBTQ) and in multiple languages.
- Implemented a successful marketing campaign founded in research learnings that contributed to 412,000 new plan selections during open enrollment, with dedicated efforts tailored by segment (multi-segment, African American, Asian/Pacific Islander, Hispanic and LGBTQ) and media channel (television, radio, newspapers, out-of-home, digital, search and paid social).
- Implemented a lead-generation system to gather consumer email addresses for direct communication that contributed to new plan selections during open enrollment and to current enrollees renewing their membership for 2017.
- The Retention and Renewal program effectively targeted existing members, using email and direct mail, contributing to approximately 1.2 million enrollees renewing their membership for 2017.

- Conducted the social media campaign, which established a highly visible presence on Facebook, Twitter, Instagram and YouTube to engage directly with Californians and functioned as a successful customer service platform. Consumers who posted comments were provided a response from Covered California within two hours 84 percent of the time.
- Promoted dental plan offerings contributing to 281,000 dental plan selections during the open-enrollment and renewal period.

## Marketing Division Budget

|                       | FY 2015-16           | FY 2016-17           | FY 2017-18           |
|-----------------------|----------------------|----------------------|----------------------|
|                       | Actual Expenditures  | Approved Budget      | Approved Budget      |
| Positions             | 24                   | 24                   | 26                   |
| Personal Services     | \$ 1,389,532         | \$ 1,809,004         | \$ 2,077,435         |
| Benefits              | \$ 626,547           | \$ 915,267           | \$ 1,002,824         |
| Contracts             | \$ 53,168,720        | \$ 54,077,814        | \$ 60,108,000        |
| OEE                   | \$ 52,654            | \$ 144,000           | \$ 108,500           |
| Pro Rata              | \$ -                 | \$ 1,392,494         | \$ 2,625,399         |
| <b>Total Expenses</b> | <b>\$ 55,237,453</b> | <b>\$ 58,338,580</b> | <b>\$ 65,922,157</b> |

## Budget Highlights and Key Changes

- The budget maintains funding for voter registration at \$2.3 million, the same level as FY 2016–17.
- The budget includes two new marketing specialist positions, one to coordinate the Marketing Division’s participation in the upcoming Consumer Journey Initiative and the ongoing Enrollment Application Improvement Initiative, and the other to develop content and distribute targeted messages to members and consumers who have expressed interest in Covered California. In addition, the budget includes one senior marketing specialist to lead the Spanish-language marketing and advertising efforts.
- To support the statewide marketing effort, the budget includes \$46.3 million for paid media. In August 2017, the Board added an additional \$5.3 million to the Marketing budget to fund additional marketing efforts in open enrollment that will help mitigate the impact of market and product changes caused by increased levels of uncertainty surrounding how the federal government will fund the cost sharing reduction subsidy program, and enforcement of the penalty; and Anthem’s reduced coverage in 2018.
- The contract budget includes:
  - \$4,088,000 for market research.
  - \$2,292,631 for voter registration.
  - \$4,000,000 for CalHEERS postage.

- \$3,427,369 for collateral, fulfillment and printing.
- \$46,300,000 for paid media.

### **FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Optimize customer conversion, retention and renewal by using a personalized customer relationship marketing approach.
- Continue to focus advertising campaigns on motivating Californians to enroll during open enrollment and special enrollment.
- Continue the efficient and effective use of social media to expand customer outreach, improve brand engagement and improve customer service.
- Continue to enhance the lead-nurturing program to capture, nurture and convert consumers who express initial interest in the brand, acquired through marketing, outreach and education efforts.
- Continue to promote dental, vision and other new services.
- Maximize Marketing’s return on investment by leveraging insights from consumer research, adjusting campaign functionalities based on marketing analytics and optimizing media spend effectiveness.

## Outreach and Sales Division

The purpose of the Outreach and Sales Division is to educate, support and empower the more than 20,000 Covered California sales partners in order to increase the number of insured Californians and drive enrollment to create a sustainable exchange. The program follows contract, compliance, regulatory and policy responsibility for all sales-channel partner programs to ensure program integrity and consumer protection.

Covered California's sales partners enroll more than half of Covered California consumers. Sales partners include Certified Insurance Agents, Navigators, Certified Application Entities and Plan-Based Enrollers.

The Outreach and Sales Division consistently seeks to develop new and innovative ways to connect consumers to coverage. The division works closely with our sales partners to enroll diverse populations. A commitment to reach and enroll all populations in our diverse state and the crucial 18- to-34-year-old young-adult demographic is among our top priorities to help give California the best risk mix in the nation.

The Outreach and Sales Division includes the following program areas:

- Accounts Team:
  - Navigator grant program regulation, policy, contracts and compliance.
  - Plan-Based Enrollers.
  - Certified entities.
- Agent Program Management: Regulation, policy, contracts and compliance for more than 14,000 Certified Insurance Agents.
- Business Development: Field outreach team supporting all certified enrollers.
- Certification Services: Certification of all non-insurance agent enrollers, including 500 certified entities and more than 5,000 certified counselors.
- Distribution Services: Communication, training, storefronts, events program, portals, the "Help on Demand" consumer referral program, service center and CalHEERS in support of sales channel partners.
- Sales Division Analytics: Monthly sales reporting, support of sales system Salesforce.com and maintaining "hot spot" maps using Geographic Information Software.
- Covered California for Small Business (CCSB).

Strategies for the Outreach and Sales Division include supporting all sales partners by:

- Providing timely and effective training and communication.
- Developing and managing online sales-channel partner tool kits.

- Ongoing development of certified enroller and agent portals in CalHEERS.
- Maintaining a high-performing Sales Call Center to support all sales partners.
- Maintaining the storefront and events programs and webpages.
- Maintaining “hot spot” heat maps to identify pockets of uninsured consumers and inform outreach strategies.
- Providing access to enrollment marketing materials.
- Providing enrollment support to all sales channel partners in the field.
- Making it easier for consumers to get local help to enroll from certified enrollment partners by offering the following tools on Covered California’s “Find Local Help” webpage: the Help on Demand referral tool and tools to find certified storefront locations, local enrollment events and certified sales partners in their community.

### **Key Outreach and Sales Activities for FY 2017–18**

- Develop and implement the sales strategy for both the individual and small-business exchanges.
- Implement an agency agreement that will bring Covered California’s Agent Management program into alignment with the agency/agent business model used by the insurance industry in California.
- Build and manage productive relationships with all sales channel partners to promote community-level outreach and enrollment throughout California.
- Sales channel training, communication, support, contracting and compliance.
- Development and oversight of client-management tools and technology.
- Innovation to help consumers connect with local enrollment support. Includes the storefront program, the “Events Near You” webpage, and the Help on Demand tool.
- Manage the following programs: Agent Program Administration, Certified Application Counselor (CAC) program, Navigator grant program, Plan-Based Enroller (PBE) program, Medi-Cal Managed Care Plan (MMCP) program, Community Outreach Network and Covered California for Small Business.

### **Key Outreach and Sales Accomplishments FY 2016 - 17**

- Grew the Covered California certified enrollment storefront program from 500 storefronts to more than 800 in advance of open enrollment using the new heat maps developed last year to identify “hot spots” of subsidy-eligible uninsured consumers.

- Updated Covered California’s heat maps, which informed strategies to reach and enroll subsidy-eligible uninsured consumers across all communities, including those who are underserved. The maps are powered by Geographic Information Software and show the area’s race and ethnicity demographics. Heat maps are used to identify “hot spots” with large numbers of subsidy-eligible, uninsured consumers. They are used by health plans, insurance agents and the Outreach and Sales team to plan enrollment efforts.
- Managed the Navigator grant program, which is composed of 47 grantees. The program assisted more than 45,000 consumers with enrollment and renewal in a plan through Covered California.
- Developed and launched Help on Demand, an innovative new web-based consumer referral tool.
- Led the special-enrollment period and open-enrollment period kickoff events and meetings throughout the state to promote and train Covered California’s certified enrollers.

### **Covered California for Small Business (CCSB)**

CCSB’s mission is to provide a cost-efficient exchange that promotes fair competition and efficiencies through technology and administration in order to provide employers, their employees and their families with more plan choice and access to affordable coverage.

The Outreach and Sales Division is responsible for overseeing all aspects of Covered California for Small Business, including strategy, finance, sales and marketing, plan management, regulations, policy and operations.

### **Key Small-Business Activities for FY 2017–18**

- Launch an employer renewal portal that will enable CCSB customers to be able to renew online and employees to make new plan selections.
- Develop a comprehensive customer-retention strategy plan.
- Develop an online employer direct enrollment portal that provides employers the opportunity to purchase coverage directly from CCSB.
- Fill gaps in our current portfolio of plans to address customer and agent requests for more competitive plan offerings.
- Develop additional sales channels to broaden CCSB’s channel partner portfolio that will drive the growth needed to achieve financial sustainability.
- Continue to assess operations to ensure CCSB is easy to do business with and lower CCSB’s operating costs.

## Key Small-Business Accomplishments FY 2016–17

- Achieved new membership growth of 24 percent to 4,468 groups and 34,002 members from May 31, 2016, to May 31, 2017.
- Established an Account Management team to focus on customer retention.
- Renewed the four existing general agent contracts and added a new one, Rogers Benefits.
- Improved the agent-commission payment process to exceed the industry standard.
- Implemented an agent and general agent sales-incentive program.
- Revised and extended the contract with the program’s third-party administrator, Pinnacle Claims Management, for two years.
- Developed and launched Partner News, a monthly e-newsletter.
- Improved the product portfolio to include two full-network PPOs, Blue Shield of California and Health Net, which improved choice and access for California’s small businesses.

## Outreach and Sales Division Budget

|                       | FY 2015-16           | FY 2016-17           | FY 2017-18           |
|-----------------------|----------------------|----------------------|----------------------|
|                       | Actual Expenditures  | Approved Budget      | Approved Budget      |
| Positions             | 55                   | 57                   | 59                   |
| Personal Services     | \$ 2,938,069         | \$ 3,977,269         | \$ 4,031,049         |
| Benefits              | \$ 1,318,288         | \$ 1,977,709         | \$ 2,008,373         |
| Contracts             | \$ 30,406,681        | \$ 27,170,938        | \$ 25,611,671        |
| OEE                   | \$ 319,237           | \$ 342,000           | \$ 354,000           |
| Pro Rata              | \$ -                 | \$ 863,897           | \$ 1,484,249         |
| <b>Total Expenses</b> | <b>\$ 34,982,275</b> | <b>\$ 34,331,814</b> | <b>\$ 33,489,341</b> |

## Budget Highlights and Key Changes

- The budget includes two additional positions, a staff services manager (SSM) II to manage the Agent Program Management Team and the Sales Distribution Team, and an associate governmental program analyst (AGPA) to provide administration support for the Outreach and Sales Division’s management team.
- The budget sustains Navigator program funding at \$6.5 million, which maintains community expertise and consumer support across targeted populations and ethnicities.



- Funding for the Covered California for Small Business third-party administrator and agent support continues to represent a substantial portion of the Outreach and Sales budget.
- The contract budget includes:
  - \$20,000 for background and fingerprinting.
  - \$15,478,338 for Covered California for Small Business administration and agent support.
  - \$400,000 for consulting services.
  - \$688,333 for infrastructure projects.
  - \$6,475,000 for Navigator and in-person assisters.
  - \$1,300,000 for project management.
  - \$1,250,000 for other projects.

## **Program Integrity Division**

The Program Integrity Division collaborates with all program areas to improve system and operational efficiencies when consumers apply and enroll in a health plan through Covered California. In addition, the division helps improve program compliance with federal and state regulations and mandates.

### **Key Activities**

- Manages, monitors and oversees all data-integrity initiatives to improve data consistency and accuracy within the core systems of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and external entities.
- Manages and oversees the User Acceptance Testing (UAT) process with programs by testing CalHEERS' key functionalities prior to implementation to reduce the number of critical system issues.
- Performs prioritization on CalHEERS's issues and conducts Post-Implementation Review (PIR) on system functionalities with programs to improve operational efficiencies and compliance.
- Oversees and monitors an enterprise-wide risk management reporting process to assist program areas in their risk analysis and evaluation of organizational operations, internal management controls, policies and procedures.
- Monitors and oversees an integrated and enterprise-wide fraud management program within Covered California, which requires collaboration and partnership with various internal and external entities.
- Manages and performs independent external and internal audit functions and services to help improve program operational efficiencies and compliance with federal and state regulations and mandates.

### **Key Accomplishments for FY 2016–17**

- Developed a process of using key performance indicators (KPI) to monitor each health and dental plan's performance of reconciliation efforts. This resulted in significant increases to the frequency and quality of carrier participation throughout the year.
- Performed UAT on every CalHEERS release to validate the performance of key system functionalities and identify system issues. These activities helped improve the consumer experience and consumer journey.
- Implemented a special-enrollment verification process by using a statistically valid random sampling of consumers who enrolled with a qualifying life event. Created management reports and dashboards to inform future policy decisions related to the special-enrollment eligibility process.

- Established an enterprise-wide risk management process to identify, document, track, monitor and prioritize risks that may affect Covered California’s goals and objectives.
- Developed an integrated enterprise-wide fraud-management program strategy to improve processes to help detect, prevent and address issues pertaining to potential fraud.
- Implemented the Annual Audit Plan to provide useful recommendations to program areas for improved operations and to enhance compliance with regulations.
- Coordinated several external audits performed by external entities (e.g., the Government Accountability Office, Treasury Inspector General of Tax Administration, and the California State Auditors) throughout the year.

### Program Integrity Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 54                  | 57                  | 63                  |
| Personal Services     | \$ 1,915,346        | \$ 3,714,568        | \$ 3,665,532        |
| Benefits              | \$ 941,586          | \$ 1,879,389        | \$ 1,861,566        |
| Contracts             | \$ 956,188          | \$ 675,000          | \$ 815,067          |
| OEE                   | \$ 124,102          | \$ 342,000          | \$ 336,000          |
| Pro Rata              | \$ -                | \$ 170,647          | \$ 305,642          |
| <b>Total Expenses</b> | <b>\$ 3,937,222</b> | <b>\$ 6,781,604</b> | <b>\$ 6,983,807</b> |

### Budget Highlights and Key Changes

- The budget includes six new positions: one new senior management auditor to better align allocations to the yellow and blue book standards, one new staff services manager I to mitigate challenges and ensure proper supervision, two associate management auditors to perform quality assurance and quality control over internal audit activities, and two new associate governmental program analysts to complete business analytics for the expansion of data-integrity initiatives.
- The contract budget includes:
  - \$490,000 for audit services.
  - \$100,000 for consulting services.
  - \$50,000 for various other services.
  - \$175,067 for infrastructure projects.

## **FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Help improve CalHEERS when consumers apply and enroll into a health plan through Covered California to enhance the consumer experience.
- Help improve program compliance with federal and state regulations and mandates.
- Help improve data accuracy and consistency within CalHEERS to improve federal reporting and enhance the reliability of data-driven business analytics for Covered California’s policy decision-making process.
- Implement various reporting tools and processes to identify risks for mitigation efforts and areas that may require additional improvements to operational efficiencies and effectiveness.

## **Communications and Public Relations Division**

The Communications and Public Relations Division is responsible for the ongoing public information and public relations functions of Covered California.

### **Key Activities**

- Develops, coordinates and executes an extensive proactive program of media relations and public communications, including a large-scale open enrollment launch effort, press conferences, press releases, op-eds, speechwriting, Speakers' Bureau coordination, message development, video creation and production, as well as daily responses to complex and sensitive media inquiries.
- Provides spokesperson services in English, Spanish and other languages for non-English media outlets.
- Designs and executes communications plans to reach specific ethnic groups such as Latinos, African Americans and Asian/Pacific Islanders.
- Spearheads the design of and updates all content for CoveredCA.com. Maintains coherence of content through the English and Spanish mirrored websites.
- Provides high-quality graphic design services for divisions throughout the organization.

### **Key Accomplishments for FY 2016–17**

- Conducted a successful kickoff media tour during open enrollment, making 27 stops and visiting 10 California cities over nine days, resulting in more than 46 million earned-media impressions and an advertising value of nearly \$1.5 million.
- Conducted a “countdown” media tour during the last few days of open enrollment. During the entire open enrollment period for 2016–17, Covered California generated a total of 77.1 million media impressions.
- Planned and coordinated more than a dozen press conferences and teleconference calls with state and national media, issued more than 34 news releases (in English and Spanish) and answered hundreds of media calls.
- Redesigned and reorganized CoveredCA.com for the fourth open enrollment period based on broad-ranging quantitative and qualitative research from multiples sources, making it easier for consumers to find the information they need through a retooled navigation system that complemented the upgraded online shopping tool.
- Added more “Real Stories” of Californians sharing the experiences they have had with Covered California. The “Real Stories” page on CoveredCA.com now features 35 stories collected during the past few years.

## Communications and Public Relations Division Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 19                  | 19                  | 20                  |
| Personal Services     | \$ 1,344,052        | \$ 1,533,016        | \$ 1,409,784        |
| Benefits              | \$ 582,630          | \$ 751,744          | \$ 703,991          |
| Contracts             | \$ 2,015,380        | \$ 2,142,000        | \$ 2,692,000        |
| OEE                   | \$ 125,649          | \$ 114,000          | \$ 90,000           |
| Pro Rata              | \$ -                | \$ 117,209          | \$ 204,249          |
| <b>Total Expenses</b> | <b>\$ 4,067,711</b> | <b>\$ 4,657,969</b> | <b>\$ 5,100,024</b> |

### Budget Highlights and Key Changes

- The budget includes a new public information officer to perform the more difficult professional and technical tasks associated with a comprehensive state and national television, radio and e-video media relations program to inform the public of the objective of Covered California and to restore an expired position.
- The contract budget includes:
  - \$2,000,000 for communication services.
  - \$42,000 for student assistant staffing.
  - \$100,000 for various other services.
  - \$550,000 for infrastructure projects.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Develop an overarching strategy for Covered California’s public-facing website content, which includes CoveredCA.com and HBEX.coveredca.com.
- Provide regularly updated information to the media. Create a strategic approach for general press, as well as targeted-segmented audience media tailored to their specific needs and formats.
- Provide communications expertise and support to other divisions to further their goals.
- Strengthen the Communications and Public Relations Division within Covered California, identifying functions, skills and training.

# Service Center

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans and promptly resolving challenges that prevent consumers from receiving health and dental benefits. Our efforts ensure consumers receive the right care at the right time at an affordable price, retain Covered California coverage and are satisfied with our products and services.

## Key Activities

- Processes consumer inquiries and assists in consumer enrollment.
- Provides warm transfers to counties via the “Quick Sort” process for individuals who are eligible for other programs.
- Provides support for enrolled assisters, agents, health plans, and incoming and outgoing mail operations, provides Help Desk backlog support, performs data entry for submitted paper applications, and processes manual verification (inconsistency) documents, Form 1095-A disputes and appeals, including special projects.
- Implements administrative law judge (ALJ) decisions.

## Key Accomplishments for FY 2016–17

- Processed more than 3.9 million consumer assistance calls from July 2016 through mid-February 2017, and enrolled 12.9 percent of new enrollees during the fourth open enrollment.
- Implemented several new technology and efficiency improvements: a Recorded Verbal Withdrawals process, a warm-transfer process between the Department of Managed Health Care and Covered California, a case management process, disclaimer call box scripts and training for appeals staff, courtesy callback options, enhancements to the interactive voice response (IVR) that allowed Service Center representatives to be dually skilled, enhanced messaging for consumers to hear their estimated wait time to reach a representative, recorded disclaimer boxes for all Service Center sites, and Skype for Business to support instant staff communication and coaching.
- Began offering live chat in Spanish and implemented messaging that lets consumers know (in their language) that they will be transferred to a representative who will assist them with the help of LanguageLine translation services if no representative is available in their language.

- Closed more than 18,000 escalations and formal complaints, processed 15,082 consumer appeals, and handled more than 5,000 administrative law judge decisions.
- Restructured the appeals process for improved efficiencies, and completed appeals and hearings training by the California Department of Social Services.
- Completed more than 482,000 manual work streams, reduced backlog of manual work by 195,000 individual tasks, and developed an ongoing workflow plan.
- Performed multiple successful outbound call campaigns.
- Processed and resolved more than 8,100 IRS Form 1095-A disputes, and researched and submitted 3,326 cases for data fixes to resolve Form 1095 generation issue.
- Re-engineered the quality-assurance process for standardization, staff feedback and coaching, in collaboration with Covered California University, to schedule refresher and ongoing training and provide supervisory and managerial training and development through the International Customer Management Institute.
- Established team leads to provide a first point of support for all Service Center units, centralized the Priority Support Unit, conducted several hiring processes at all levels, and reorganized the structure of the Service Center to address span of control, business-process improvements and accountability.

### Service Center Budget

|                       | FY 2015-16           | FY 2016-17           | FY 2017-18           |
|-----------------------|----------------------|----------------------|----------------------|
|                       | Actual Expenditures  | Approved Budget      | Approved Budget      |
| Positions             | 908                  | 843                  | 837                  |
| Personal Services     | \$ 32,148,932        | \$ 36,071,341        | \$ 33,436,126        |
| Benefits              | \$ 16,230,330        | \$ 17,843,067        | \$ 16,701,745        |
| Contracts             | \$ 31,867,751        | \$ 29,411,306        | \$ 27,432,948        |
| OEE                   | \$ 4,643,985         | \$ 6,543,320         | \$ 5,415,147         |
| Pro Rata              | \$ -                 | \$ 2,319,762         | \$ 3,857,999         |
| <b>Total Expenses</b> | <b>\$ 84,890,998</b> | <b>\$ 92,188,796</b> | <b>\$ 86,843,965</b> |

### Budget Highlights and Key Changes

- The Service Center budget includes a decrease of six vacant positions and corresponding funding that will be redirected to Information Technology for continued support of Service Center activities.
- Fourteen vacant positions are being repurposed for special-enrollment period verification.



- The budget includes a \$1.5 million increase for the surge vendor to supplement the expired contract for Contra Costa County call center services. The contract expired on Dec. 30, 2016, and at this time, there are no plans to renew this contract.
- The contract budget includes:
  - \$6,294,948 for appeals.
  - \$18,825,000 for call center support.
  - \$250,000 for consulting services.
  - \$1,163,000 for various other services.
  - \$900,000 for infrastructure projects.

**FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Controlling operational costs in order to deliver products and services that offer a high value to our consumers.
- Adding new technology and service center tools to effectuate operational efficiencies to better serve consumers.
- Investing in staff training and development to maximize workforce performance.
- Streamlining business processes to seek operational efficiencies and increase quality of work.

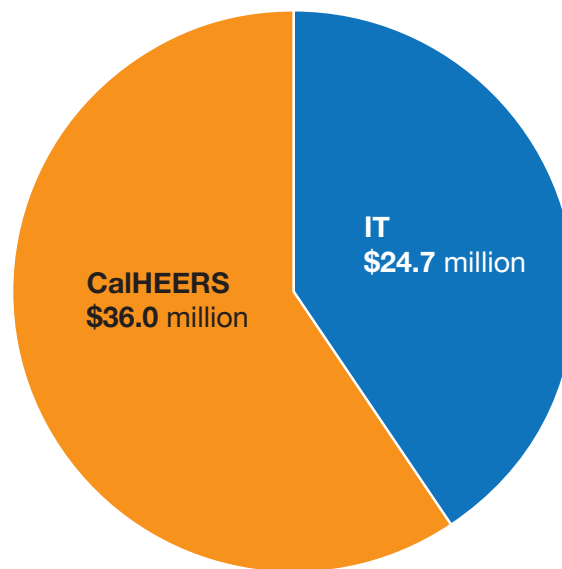
# Technology

Technology includes the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and the Information Technology (IT) Division. The total budget for FY 2017–18 is \$60.7 million.

## Technology Budget

|                              | FY 2015-16                 | FY 2016-17             | FY 2017-18             |
|------------------------------|----------------------------|------------------------|------------------------|
|                              | <b>Actual Expenditures</b> | <b>Approved Budget</b> | <b>Approved Budget</b> |
| Positions                    | 100                        | 55                     | 72                     |
| Personal Services            | 5,402,723                  | \$ 4,148,305           | 5,069,764              |
| Benefits                     | 2,323,218                  | \$ 2,098,838           | 2,502,744              |
| Contracts                    | 39,346,221                 | \$ 54,427,816          | 44,001,801             |
| OEE                          | 4,684,196                  | \$ 4,524,900           | 6,226,805              |
| Pro Rata                     | 0                          | \$ 1,682,984           | 2,852,925              |
| <b>Total Expenses</b>        | <b>\$ 51,756,358</b>       | <b>\$ 66,882,843</b>   | <b>\$ 60,654,039</b>   |
| Reimbursements               | \$ (4,190,647)             | \$ -                   | \$ -                   |
| <b>Total Operating Costs</b> | <b>\$ 47,565,711</b>       | <b>\$ 66,882,843</b>   | <b>\$ 60,654,039</b>   |

**Technology**  
FY 2017-2018 Budget



## **California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)**

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) project is the system jointly sponsored by Covered California and the Department of Health Care Services, with the assistance of the Office of Systems Integration for project management services. The project is governed by an executive steering committee that represents each of the participating agencies and has guided the project since its inception.

### **Key Activities**

- Enhancement, maintenance and operations of the CalHEERS solution to support eligibility determination and enrollment in Covered California and Medi-Cal, including the technical infrastructure for Covered California service centers.
- Liaison between sponsors and partner agencies at the federal and state level, and the systems integrator for operational coordination and efficiency.
- Integrates with health insurance companies for enrollment.
- Federal and state reporting, management and interface responsibilities.
- Project management services.

### **Key Accomplishments for FY 2016–17**

- Processed more than 1.3 million renewals for the 2017 plan year.
- Processed more than 400,000 new enrollments during the 2017 open enrollment period.
- Upgraded the consumer-decision support tools for plan selection for the 2017 open-enrollment period.
- Implemented eligibility notices in all threshold languages.
- As part of an effort to add mobile readiness and other consumer-centric enhancements to CalHEERS throughout 2017, implemented enhancements to the income section of the online application.
- Implemented automated workflows to streamline and expedite consumer inquiries and verifications.
- Completed the Form 1095 processing for the 2016 plan year on time with a very small percentage of consumers requiring corrections.
- Delivered courtesy callback functionality, improving the Covered California caller experience.

## CalHEERS Budget

|                              | FY 2015-16           | FY 2016-17           | FY 2017-18           |
|------------------------------|----------------------|----------------------|----------------------|
|                              | Actual Expenditures  | Approved Budget      | Approved Budget      |
| Positions                    | 58                   | 0                    | 0                    |
| Personal Services            | \$ 2,896,186         | \$ -                 | \$ -                 |
| Benefits                     | \$ 1,288,062         | \$ -                 | \$ -                 |
| Contracts                    | \$ 36,408,112        | \$ 42,587,816        | \$ 34,384,730        |
| OEE                          | \$ 124,829           | \$ -                 | \$ -                 |
| Pro Rata                     | \$ -                 | \$ 1,099,306         | \$ 1,616,065         |
| <b>Total Expenses</b>        | <b>\$ 40,717,189</b> | <b>\$ 43,687,122</b> | <b>\$ 36,000,795</b> |
| Cost Sharing                 | \$ (4,190,647)       | \$ -                 | \$ -                 |
| <b>Total Operating Costs</b> | <b>\$ 36,526,542</b> | <b>\$ 43,687,122</b> | <b>\$ 36,000,795</b> |

### Budget Highlights and Key Changes

- Option-year negotiations with Accenture to continue operations and maintenance services after the end of the base contract term.
- Carve out the Service Center functionality from the system integrator to transition to the state.
- The contract budget includes:
  - \$31,384,730 for program partners.
  - \$3,000,000 for SAWS.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Continue to implement operational improvements from the CalHEERS 24-month roadmap to ensure the organization’s technical infrastructure is properly maintained and secured, supports capacity demands and achieves business goals.
- Appropriately equip authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensure business partners are able to receive, exchange and reconcile appropriate consumer information in a timely fashion.
- Strive to continuously simplify and streamline the consumer experience, including enhancing consumer experience during enrollment and while transitioning between various programs available through the Affordable Care Act.

## **Information Technology Division**

The Information Technology (IT) Division provides technology and security services and solutions to all divisions, consumers and stakeholders to support effective, secure and efficient operations and enrollment services in a manner that is financially sustainable. This includes providing oversight of the ongoing development and operations of CalHEERS for Covered California. Central to IT is ensuring the best possible consumer experience before, during and after the enrollment process. We do this by monitoring the technology landscape for strategic opportunities, gathering requests for services, evaluating possible solutions, managing an effective IT governance process, providing project management and oversight, and implementing or overseeing and supporting solutions either internally or through appropriate outsourcing strategies.

### **Key Activities**

- Provides governance and management over the Covered California Enterprise IT architecture and IT projects.
- Analyzes, develops, implements, maintains and operates Covered California business applications and technical solutions.
- Protects, stores, monitors and manages access and security of Covered California data assets.
- Manages and oversees the technical infrastructure and network for Covered California.
- Staffs and operates a full-service Service Desk for Covered California.

### **Key Accomplishments for FY 2016–17**

- Completed an expansion of customized sites for Covered California's 10,000+ agents, carriers and consumers, adding new features and functions to enhance business-to-business operations and overall consumer experience for appeals, IRS Form 1095s and special enrollment.
- In partnership with the Marketing team, added a new lead capture program on CoveredCA.com that allows interested consumers to receive regular updates of news and reminders from Covered California.
- Enhanced CoveredCA.com to make information on nearly 200 new storefronts easily available to consumers.
- Implemented the first major upgrade to the customer relationship management (CRM) platform for Service Center representatives (SCRs), making customer information more readily available through faster searches, more comprehensive information screens and reduced duplicate entries.

- Implemented recorded consumer disclaimers to ensure consistency and completeness of information to consumers applying for Covered California programs.
- Designed, built and implemented a new data platform to allow enhanced data reporting throughout the organization, including implementation of improved geo-mapping capabilities for sales and data reporting.
- Launched a new internal services management system to streamline internal operations, including Service Desk ticketing for IT, the Business Services Branch, Covered California University, internal hiring and audits.
- Migrated the organization to a new email platform, Office365.
- Renewed Covered California’s authority to connect to federal services for an additional three years.

### Information Technology Division Budget

|                       | FY 2015-16           | FY 2016-17           | FY 2017-18           |
|-----------------------|----------------------|----------------------|----------------------|
|                       | Actual Expenditures  | Approved Budget      | Approved Budget      |
| Positions             | 42                   | 55                   | 72                   |
| Personal Services     | \$ 2,506,537         | \$ 4,148,305         | \$ 5,069,764         |
| Benefits              | \$ 1,035,156         | \$ 2,098,838         | \$ 2,502,744         |
| Contracts             | \$ 2,938,109         | \$ 11,840,000        | \$ 9,617,071         |
| OEE                   | \$ 4,559,367         | \$ 4,524,900         | \$ 6,226,805         |
| Pro Rata              | \$ -                 | \$ 583,678           | \$ 1,236,860         |
| <b>Total Expenses</b> | <b>\$ 11,039,169</b> | <b>\$ 23,195,721</b> | <b>\$ 24,653,244</b> |

### Budget Highlights and Key Changes

- The budget includes a \$4.3 million investment in IT infrastructure to drive efficiencies throughout the organization and provide better customer service.
- The budget includes a total of 17 new positions as follows:
  - Four systems software specialist III (SSS III) positions to provide support during the Service Center transition from Accenture support to a new vendor and state support.
  - Two SSS III positions to acquire resources, infrastructure equipment and professional services for the transition from Accenture.
  - Two associate information systems analyst (AISA) positions for the development and expansion of the Covered California IT Service Desk.

- Two SSS III positions and one senior program analyst to assist with the implementation and use of a variety of technical solutions across the enterprise.
- Two staff programmers, one SSS II and one SSS III, to replace professional services currently being provided by multiple outside vendors.
- One data processing manager IV and one data processing manager III to initiate the Enterprise Project Management Office (EPMO) to assist Covered California with managing a number of IT and programmatic projects, which in turn would reduce the need for private contractors.
- The contract budget includes:
  - \$850,000 for Service Center support.
  - \$4,265,000 for IT infrastructure projects.
  - \$1,315,071 for project management.
  - \$1,350,000 for security.
  - \$687,000 for other contracts.
  - \$1,150,000 for consulting services.

**FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Continue work on enhancing the data management strategy for CRM.
- Implement additional consumer self-service capabilities.
- Pilot an automated solution for the processing of consumer verification documents.
- Extend marketing capabilities beyond paper and email to text messaging.
- Continue work to enhance Covered California’s Salesforce tools.

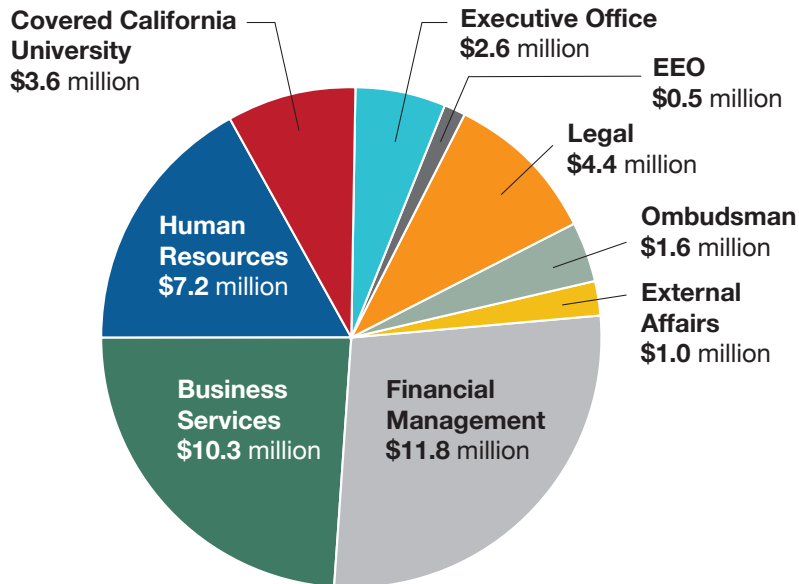
# Administration

Administration includes the following program areas: Financial Management, the Business Services Branch, the Human Resources Branch, Covered California University, the Office of Legal Affairs, the Office of the Ombudsman, the Executive Office, the Equal Employment Opportunity and External Affairs. The total budget for FY 2017–18 is about \$43.1 million.

## Administration Budget

|                       | FY 2015-16                 | FY 2016-17             | FY 2017-18             |
|-----------------------|----------------------------|------------------------|------------------------|
|                       | <b>Actual Expenditures</b> | <b>Approved Budget</b> | <b>Approved Budget</b> |
| Positions             | 191                        | 209                    | 233                    |
| Personal Services     | 12,390,500                 | 15,794,513             | 16,270,606             |
| Benefits              | 7,015,041                  | 9,220,712              | 8,798,654              |
| Contracts             | 5,941,984                  | 9,882,400              | 8,594,990              |
| OEE                   | 4,739,099                  | 5,899,392              | 7,439,347              |
| Pro Rata              | 0                          | 1,053,081              | 1,974,360              |
| <b>Total Expenses</b> | <b>\$ 30,086,624</b>       | <b>\$ 41,850,098</b>   | <b>\$ 43,077,956</b>   |

**Administration**  
FY 2017-2018 Budget





## **Financial Management Division**

The Financial Management Division (FMD) plans, implements and guides all financial-related activities of Covered California, including finance, accounting, forecasting, budgeting and governmental compliance. This includes coordinating and preparing Covered California's annual financial plan. The plan is developed to ensure divisions have sufficient resources to meet program operations to fulfill the mission. The financial plan is administered consistent with pertinent state laws, policies and guidelines to safeguard Covered California's assets.

### **Key Activities**

- Financial planning and analysis of revenues and expenditures, including economic analysis and forecasting.
- Provides support to promulgate Covered California's permanent regulations in accordance with the Administrative Procedures Act by developing regulatory economic and fiscal impact analyses.
- Processes general ledger and payable transactions, performs account receivables and reconciliations from enrollment with CCSB.
- Pays vendor invoices, employee travel expense claims, carriers, general agents, and agents for CCSB.
- Receives, prepares and distributes payroll warrants.

### **Key Accomplishments for FY 2016–17**

- Managed the financial reporting and closeout of Covered California's final year of its \$1 billion Affordable Care Act grant.
- Published Covered California's Fiscal Year 2016–17 Budget Book, which includes a multi-year financial summary of all revenues, expenditures and staffing used by each of Covered California's programs.
- Developed new Monthly and Quarterly Financial Reporting, which provides timely, accurate and meaningful information on key financial indicators such as year-to-date performance on enrollment, revenue and reserve position as well as expenditures to support financial decision-making on the organization's current fiscal situation.
- Implemented Reconciliation, Enrollment and Membership (REM) system modifications for the Accenture Billing Engine (ABE) within CalHEERS, which helped ensure a successful 2017 health plan renewal, minimized erroneous advanced premium tax credit (APTC) information reported on IRS 1095 forms and supplied accurate financial information for revenue forecasts.

- Continued efforts in loading and reconciling Covered California for Small Business’s carrier, general agent and agent payment information into Structured Query Language (SQL) database. This allows FMD to validate and analyze information and perform reconciliations with carriers, specifically for Covered California for Small Business employer groups and their members.
- With the introduction of the SQL database, Covered California improved validation of agent, carrier and general agent disbursements, resulting in a flat file to the State Controller’s Office with faster processing from 15 days to three days and paying twice per month.
- Enhanced banking services that include use of the Automated Clearing House (ACH) payment process for the small-business employer invoices, which improved the cash-cycle posting time from nine business days to 48 to 72 hours.

### Financial Management Budget

|                       | FY 2015-16          | FY 2016-17           | FY 2017-18           |
|-----------------------|---------------------|----------------------|----------------------|
|                       | Actual Expenditures | Approved Budget      | Approved Budget      |
| Positions             | 55                  | 55                   | 58                   |
| Personal Services     | \$ 3,548,458        | \$ 4,244,026         | \$ 4,295,318         |
| Benefits              | \$ 1,521,604        | \$ 1,937,160         | \$ 1,946,277         |
| Contracts             | \$ 3,056,880        | \$ 3,371,000         | \$ 4,603,250         |
| OEE                   | \$ 254,362          | \$ 455,000           | \$ 461,000           |
| Pro Rata              | \$ -                | \$ 258,312           | \$ 531,369           |
| <b>Total Expenses</b> | <b>\$ 8,381,304</b> | <b>\$ 10,265,498</b> | <b>\$ 11,837,215</b> |

### Budget Highlights and Key Changes

- In conjunction with the Business Services Branch, FMD’s budget includes three associate accounting analysts and six temporary help positions to support operational efficiencies for the FI\$Cal transition.
- The contract budget includes:
  - \$3,400,000 for accounting services.
  - \$850,000 for consulting services, including \$500,000 in new funding for the FI\$Cal transition.
  - \$353,250 for various other services.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Supporting a culture of continual improvement for budget, forecasting and accounting practices, policies, procedures and systems to better support program operations.

- Pursuing department-wide efforts to evaluate, streamline and prioritize program functions to identify efficiencies and improve customer service to maximize enrollment and retention.
- Continuing to support department-wide efforts to develop policies, procedures, strategies and systems to enhance these critical efforts.

## **Administrative Services Division**

The Administrative Services Division provides an array of central support services to provide Covered California's board, staff, members and customers with the most effective and efficient level of administrative services to achieve Covered California program and operational objectives. Services are provided through the following independent branches.

### **Business Services Branch**

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; health, safety and wellness services; and managing our physical resources through facilities operations.

#### **Key Activities**

- Provides consulting services to Covered California programs on navigating the contracting process.
- Facilitates goods and services purchasing for Covered California programs.
- Facilitates health, safety and wellness programs for Covered California employees.
- Manages enterprise-wide administrative services activities including, but not limited to, Covered California Administrative Manual (CCAM), Records Management and space planning.
- Ensures all Covered California facilities are well maintained and secure.

#### **Key Accomplishments for FY 2016–17**

- Established a separate unit of contract liaisons to provide a "hands-on" approach in providing divisions with the tools, resources and guidance required to navigate the complex processes of solicitation and contract initiation and manage program contracts post-contract execution.
- Updated the Covered California Procurement and Contract Manual for the agency, which was re-adopted by the board in March 2017.
- Provided contracting services for more than 17,000 Certified Insurance Agents; Certified Enrollment Entities; Navigators; health plans, dental plans and third-party administrators; personal services; operational services; and non-monetary agreements.
- Processed more than 800 procurement requests within a 10-business-day timeline.
- Designed wellness activities through the Healthier U program for the agency.

- Developed a digital signature administrative procedure to allow for enterprise-wide use.

### Business Services Branch Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18           |
|-----------------------|---------------------|---------------------|----------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget      |
| Positions             | 31                  | 33                  | 36                   |
| Personal Services     | \$ 1,557,256        | \$ 1,845,506        | \$ 2,145,412         |
| Benefits              | \$ 747,329          | \$ 933,735          | \$ 1,018,822         |
| Contracts             | \$ 204,673          | \$ 1,966,500        | \$ 383,750           |
| OEE                   | \$ 4,086,152        | \$ 4,656,592        | \$ 6,256,647         |
| Pro Rata              | \$ -                | \$ 242,700          | \$ 460,813           |
| <b>Total Expenses</b> | <b>\$ 6,595,410</b> | <b>\$ 9,645,033</b> | <b>\$ 10,265,443</b> |

### Budget Highlights and Key Changes

- The budget includes one new associate governmental program analyst (AGPA) in the Administration Unit to assist multiple units to perform at higher levels in terms of services provided.
- The budget includes one new AGPA for the new Contract Liaison Unit to provide personalized training and guidance to the program contract managers.
- In conjunction with FMD, the budget includes four temporary help positions for the FI\$CAL transition.
- The budget realigns funding between contracts and Operating Expenses and Equipment to accurately reflect where services are charged.
- The budget includes \$1,973,000 to fund additional Department of General Services charges within Operating Expenses and Equipment.
- The contract budget includes:
  - \$150,000 for student assistants.
  - \$34,750 for maintenance (operational).
  - \$199,000 for various other services.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Continue to improve processing times and quality of services for all business services requests.
- Automate and streamline business services-related functions to improve operational efficiency and effectiveness.
- Continue to successfully achieve all business services activities and implement all legislatively mandated policies and procedures.

## **Covered California University**

Covered California University (CCU) is the enterprise-training and knowledge-management branch. CCU develops and delivers training to all internal staff and external service-channel partners. Working with various programs, CCU manages and distributes information to assist Covered California and its external service-channel partners who help consumers with their health care needs. CCU administers the technology that supports information and training, including the Customer Relationship Management (CRM) Knowledgebase and the Absorb Learning Management System (LMS).

### **Key Activities**

- Provide comprehensive new employee and refresher courses to Service Center representatives and vendors to support open enrollment for Covered California call center and overflow support for the Agent Call Center.
- Provide training and support for key strategic activities, including Medi-Cal to Covered California transition, Consumer Experience initiative, special-enrollment enhancements and all CalHEERS upgrades that affect Covered California.
- Support multiple programs within Covered California to develop training courses that are both mandatory and program-specific to ensure all Covered California employees are fully trained to support Covered California and its activities.
- Provide internal and consumer-facing knowledge bases for open enrollment to provide enhanced ad hoc consumer information to lower call volume, enhance the consumer journey and provide a great level of education during the enrollment process.
- Ensure compliance of all Covered California mandatory training and provide regularly scheduled management reports of compliance.

### **Key Accomplishments**

- Transitioned Covered California's mandatory training and content development activities from consultants and internal programs to CCU.
- Instituted a proactive, collaborative project plan for CalHEERS releases. The training and knowledge teams' work in tandem ensured that we are far in front of the release, and that training and knowledge are closely aligned.
- Implemented a redesigned knowledge base for use by Service Center staff and a CCU article-management process to the enterprise to develop and track information throughout the development and publication lifecycle.

- Transitioned the Escalated Questions Forum (formerly known as Knowledge Nook) from the Policy Division to CCU. The Escalated Questions Forum will be staffed year round for the Service Center.
- Supported certification and recertification training efforts for all sales channels, including course creation, distribution and Learning Management Support (LMS) for more than 20,000 enrollers.
- Implemented CCU's Service Portal ticketing system, creating a single entry point for all employees to submit internal and external training requests. As a result, internal customer service and turnaround times have been improved. Additionally, Covered California now has a vehicle to track and report on external training records.
- In collaboration with the Marketing Division, expanded educational training to consumers through email campaigns containing eLearning tutorial videos on various topics to assist consumers in self-serving their accounts.

### Covered California University Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 27                  | 30                  | 31                  |
| Personal Services     | \$ 1,230,695        | \$ 1,852,999        | \$ 1,937,298        |
| Benefits              | \$ 592,543          | \$ 937,526          | \$ 971,259          |
| Contracts             | \$ 649,308          | \$ 705,000          | \$ 450,000          |
| OEE                   | \$ 108,993          | \$ 180,000          | \$ 118,000          |
| Pro Rata              | \$ -                | \$ 94,875           | \$ 163,396          |
| <b>Total Expenses</b> | <b>\$ 2,581,539</b> | <b>\$ 3,770,400</b> | <b>\$ 3,639,953</b> |

### Budget Highlights and Key Changes

- The budget includes one new associate governmental program analyst to support technical writing projects for Covered California, including the enhancement of the consumer knowledge base.
- The contract budget includes:
  - \$50,000 for consulting services.
  - \$50,000 for licenses.
  - \$350,000 for various other services.

## **FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Develop and apply content standardization and best practices to all courses and knowledge materials across the organization.
- Leverage existing and new technologies, and blended training-delivery systems, to enhance all Covered California programs and partners by providing opportunities for professional learning and growth.



## Human Resources Branch

The Human Resources Branch is responsible for all personnel functions. The branch provides overall policy direction on human resource management and administrative support functions related to the management of employees.

### Key Activities

- Consults with hiring managers and personnel liaisons, reviews applications, processes requests for personnel actions, verifies minimum qualifications and approves hires in accordance with delegated authority.
- Develops personnel procedures, coordinates pre-employment services, issues personnel bulletins, generates and distributes personnel reports.
- Oversees timekeeping and reporting, advising attendance coordinators and managers accordingly and processes all personnel, payroll and benefits.
- Advises and serves as a resource for all labor relations activities with employee organizations, employee representatives, job stewards and third-party reviewers and control agencies.
- Administers workers' compensation, Return-to-Work Supplement Program, Family and Medical Leave Act (FMLA) and California Family Rights Act (CFRA) claims and requests in accordance with applicable laws and internal policies.

### Key Accomplishments for FY 2016–17

- Developed interactive training for labor contract changes, performance management and the Covered California hiring process to increase communications and relations with supervisors and managers.
- Significantly reduced the number of account receivables by streamlining the notification process, resulting in the collection of monies owed to the state.
- Successfully implemented a new recruitment and selection process, and provided training and manuals to all supervisors and personnel liaisons to ensure compliance with state hiring laws, rules and guidelines.
- Implemented recruitment strategies, represented Covered California at recruitment events and focused efforts to hire and retain bilingual employees.
- Conducted and responded to internal and external federal and control agency personnel audits related to employee compensation, hiring, recruitment, training and performance, and developed corrective action plans. Developed and implemented a performance-feedback process that includes notifications, tracking and compliance reporting.

- In partnership with Covered California University, reconciled employee-training records and developed requirements for completing state-mandated training.

### Human Resources Branch Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 46                  | 47                  | 52                  |
| Personal Services     | \$ 2,826,504        | \$ 3,213,611        | \$ 3,416,998        |
| Benefits              | \$ 2,983,414        | \$ 3,215,140        | \$ 2,604,950        |
| Contracts             | \$ 430,256          | \$ 487,000          | \$ 608,000          |
| OEE                   | \$ 136,930          | \$ 330,800          | \$ 259,700          |
| Pro Rata              | \$ -                | \$ 187,053          | \$ 323,810          |
| <b>Total Expenses</b> | <b>\$ 6,377,104</b> | <b>\$ 7,433,604</b> | <b>\$ 7,213,457</b> |

### Budget Highlights and Key Changes

- The budget includes a decrease in funding for the State Compensation Insurance Fund premium.
- This budget includes a total of five new positions:
  - One new staff services manager I, specialist (SSM I) to focus on recruitment strategies.
  - Two associate governmental program analysts and one office technician (OT) to focus on ensuring Covered California is in compliance with the State Personnel Board’s new regulatory requirement, affording all disqualified applicants.
  - One SSM I, supervisory, to identify and implement an automated human resources management solution.
- The contract budget includes:
  - \$190,000 for examination lists and hiring.
  - \$418,000 for various other services.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Automate and streamline human resources services provided to internal and external customers.
- Provide support to the functions and responsibilities of various Covered California divisions.
- Continue to pursue technological advances that improve operating efficiencies.

- Partner with each program area to implement continuous improvement of organizational culture and maintain a workplace that fosters a healthy, positive and respectful work environment.

## **Office of Legal Affairs**

The Office of Legal Affairs (OLA) provides legal services to all Covered California staff by providing preventive legal advice and consultation to ensure compliance with the laws, and to mitigate legal liability. OLA provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts and operations, and interfaces with the regulatory agencies. OLA ensures that all legal agreements are fulfilled and Covered California operates within its legal authority and provides guidance on any statutes or regulations pertaining to Covered California.

### **Key Activities**

- Promulgate regulations with the Office of Administrative Law incorporating Covered California's policies and procedures.
- Maintain the Covered California Privacy Office, which oversees the protection of consumers' personal information.
- Coordinate with the attorney general on all litigation matters concerning Covered California.
- Respond to Public Records Act requests.
- Provide eligibility and enrollment appeals support, including representing Covered California at second-level eligibility and enrollment appeals in front of the federal Health and Human Services Agency.

### **Key Accomplishments for FY 2016–17**

- Transitioned the background check program for the Assister program to the Office of Legal Affairs to ensure the efficient and consistent processing of background checks for all Covered California contractors.
- Developed and implemented an in-person privacy-training program for Service Center supervisors and managers to complement the annual online privacy-training program for all Covered California employees and contractors.
- In coordination with the Plan Management Division, drafted and negotiated a three-year contract with qualified health plan issuers to offer health plans through Covered California.
- Established an appeals unit within the Office of Legal Affairs to ensure eligibility and enrollment appeal decisions are issued timely and in compliance with state and federal law.

## Office of Legal Affairs Budget

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 17                  | 27                  | 25                  |
| Personal Services     | \$ 1,358,674        | \$ 2,556,773        | \$ 1,872,464        |
| Benefits              | \$ 570,741          | \$ 1,210,121        | \$ 916,901          |
| Contracts             | \$ 91,653           | \$ 1,353,400        | \$ 1,300,000        |
| OEE                   | \$ 43,385           | \$ 175,000          | \$ 112,500          |
| Pro Rata              | \$ -                | \$ 136,686          | \$ 197,697          |
| <b>Total Expenses</b> | <b>\$ 2,064,453</b> | <b>\$ 5,431,979</b> | <b>\$ 4,399,562</b> |

### Budget Highlights and Key Changes

- Moved the Office of the Ombudsman staffing and contracts to separate program budget. Increased OLA staffing to add an additional nine positions to support legal appeals functions. These nine positions include one attorney III, three attorneys, one staff services manager I, and three associate governmental program analysts.
- The contract budget includes:
  - \$100,000 in background and fingerprinting services.
  - \$750,000 for independent consumer assistance.
  - \$450,000 for various other services.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Conduct preventive legal workshops designed to minimize litigation and legal liability by educating Covered California staff about the law (and changes in the law) and the legal implications of activities.
- Promulgate regulations to ensure Covered California’s policies are legally enforceable and the public is aware of the rules and requirements to participate in Covered California.
- Develop systems to monitor the volume and timeliness of legal services in the following areas: human resources, privacy, Public Records Act requests and background checks.
- Distribute results of the client satisfaction survey to all executive staff and management.

## Office of the Ombudsman

The Office of the Ombudsman’s primary function is to independently examine complaints from consumers who feel their Covered California coverage has been unfairly handled. Resolutions of complaints are conducted in a neutral and impartial manner without regard to race, ethnicity, gender, disability, sexual orientation, age, religion or health status.

### Key Activities

- Conducts independent investigation and resolution of complaints.
- Reviews and resolves escalated complaints from the Legislature and advocacy groups.
- Provides information, answers questions and identifies staff and resources to address consumer issues.
- Assists with urgent Covered California enrollment and disenrollment issues.
- Proposes policy and procedural changes based on documented consumer issues.
- Implements administrative law judge decisions on Covered California appeal cases.
- Advises executive leadership of complaint trends.

### Office of the Ombudsman Budget

|                       | FY 2015-16          | FY 2016-17      | FY 2017-18          |
|-----------------------|---------------------|-----------------|---------------------|
|                       | Actual Expenditures | Approved Budget | Approved Budget     |
| Positions             | 0                   | 0               | 13                  |
| Personal Services     | \$ -                | \$ -            | \$ 683,258          |
| Benefits              | \$ -                | \$ -            | \$ 352,212          |
| Contracts             | \$ -                | \$ -            | \$ 454,490          |
| OEE                   | \$ -                | \$ -            | \$ 58,500           |
| Pro Rata              | \$ -                | \$ -            | \$ 61,027           |
| <b>Total Expenses</b> | <b>\$ -</b>         | <b>\$ -</b>     | <b>\$ 1,609,487</b> |

### Budget Highlights and Key Changes

- Previously funded within the Office of Legal Affairs.
- The budget includes \$1.0 million for 13 positions, including one new staff services manager I, and three new associate governmental program analysts to assist with tracking and analyzing complaints and administrative law judge (ALJ) decision implementation work.

- The contract budget includes:
  - \$454,490 for consulting services.

**FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Creating a consumer-friendly referral webpage to assist consumers with receiving proper and timely customer service.
- Tracking and collecting consumer complaint metrics and trends to assist in the improvement of the Covered California consumer experience.

## **Executive Office**

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive staff are responsible for Covered California's day-to-day operations and are tasked with facilitating and supporting Covered California's staff and the broad community of individuals and groups we partner with to provide our customers (including staff, the board, stakeholders and the public) with the direction, information, tools and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning and adjusting our efforts to meet our goals and serve our consumers. The Executive Office includes two positions for talent management.

### **Key Activities**

- Develops and implements high-level strategies to ensure the availability of affordable health insurance as well as enhancing quality and access.
- Makes major management decisions surrounding the overall operations and resources of the exchange. Ensures that the exchange operates in a responsive, transparent and reliable manner.
- Acts as the main point of communication between the board and Covered California's operations. Facilitates communication and productive relationships between the Board and various stakeholders such as consumers, providers, health plans and employers.
- Promotes the recruitment and retention of high-quality professional staff.

### *Talent Management and Succession Planning*

Provides strategic talent leadership to ensure Covered California is considered an employer of choice and can attract, develop, retain and recognize the best talent. Talent management and succession planning supports the overall strategic plan and vision.

### *Talent Management Key Activities*

- Assists leadership in identifying common themes for improvement at both the department and division level, and creates an overall engagement strategy.
- Oversight responsibilities for ensuring effective employee recognition is incorporated into the organizational culture in support of Covered California's strategic pillars and primary values.
- Develops and implements a workforce plan that aligns staffing and competencies with the department's current and future strategic business needs.



- Builds a targeted, sustainable succession plan for key senior roles.
- Conceptualizes, builds and rolls out learning solutions that center on career development and career ladders, as well as increase the team’s ability to be net talent exporters.
- Conceptualizes, builds and rolls out a comprehensive career development program. Such a program shall invest in the professional development of employees, result in knowledge transfer throughout the department, increase employee engagement, increase employee retention and prepare employees for career advancement within Covered California.

*Talent Management Key Accomplishments*

- Enhanced ongoing comprehensive employee engagement surveys and related activities targeting statewide objectives and division-specific action plans.
- Implemented a comprehensive Employee Recognition program that offers acknowledgment through formal, informal and everyday recognition. Such a program is multifaceted and consistent with the interests of the public, the state and individuals employed by Covered California.
- Continued development of a workforce plan and succession plan for Covered California.
- Created a Career Development program concept that would successfully establish an environment at Covered California that promotes job mastery, professional development and career-planning activities.

**Executive Office Budget**

|                       | FY 2015-16          | FY 2016-17          | FY 2017-18          |
|-----------------------|---------------------|---------------------|---------------------|
|                       | Actual Expenditures | Approved Budget     | Approved Budget     |
| Positions             | 8                   | 10                  | 8                   |
| Personal Services     | \$ 1,326,030        | \$ 1,577,253        | \$ 1,258,307        |
| Benefits              | \$ 400,186          | \$ 731,855          | \$ 647,433          |
| Contracts             | \$ 1,490,174        | \$ 1,894,500        | \$ 400,000          |
| OEE                   | \$ 67,097           | \$ 60,000           | \$ 89,000           |
| Pro Rata              |                     | \$ 110,055          | \$ 166,601          |
| <b>Total Expenses</b> | <b>\$ 3,283,487</b> | <b>\$ 4,373,662</b> | <b>\$ 2,561,341</b> |

**Budget Highlights and Key Changes**

- The contract budget includes:
  - \$370,000 in consulting services.
  - \$30,000 for various other services.

## Equal Employment Opportunity Office

The Equal Employment Opportunity (EEO) Office is responsible for developing, implementing, coordinating and monitoring the EEO and Reasonable Accommodation programs, as well as reporting on appointments and bringing issues of concern regarding equal employment opportunity to the executive director and recommending appropriate action. The EEO Office provides department-wide leadership and advice to staff and management in the implementation and maintenance of non-discrimination policies, procedures and practices.

### Key Activities

- Advisor and resource to management regarding equal employment opportunity and work diversity laws and rules.
- Administers the department's Equal Employment Opportunity program in accordance with applicable laws and internal policies.
- Responds to complaints regarding employment practices, language access and denial of services related to discrimination or unlawful harassment.
- Administers Covered California's Reasonable Accommodation program, ensuring appropriate processing of reasonable-accommodation requests in accordance with applicable laws and internal policies.
- Evaluates and identifies underutilization of racial, ethnic and gender groups, and creates an action plan for eliminating non-job-related employment barriers.
- Administers Covered California's Upward Mobility program and evaluates upward mobility employment goals.
- Provides advisory support to Covered California's Disability Advisory Committee.

### Equal Employment Opportunity Office Budget

|                       | FY 2015-16          | FY 2016-17      | FY 2017-18        |
|-----------------------|---------------------|-----------------|-------------------|
|                       | Actual Expenditures | Approved Budget | Approved Budget   |
| Positions             | 0                   | 0               | 2                 |
| Personal Services     | \$ -                | \$ -            | \$ 133,900        |
| Benefits              | \$ -                | \$ -            | \$ 68,895         |
| Contracts             | \$ -                | \$ -            | \$ 290,500        |
| OEE                   | \$ -                | \$ -            | \$ 15,000         |
| Pro Rata              | \$ -                | \$ -            | \$ 23,890         |
| <b>Total Expenses</b> | <b>\$ -</b>         | <b>\$ -</b>     | <b>\$ 532,185</b> |

## **Budget Highlights and Key Changes**

- Previously funded within the Executive budget.
- The budget includes two positions for \$217,795 for personal services, benefits and operating expenses and equipment.
- The contract budget includes:
  - \$290,500 for the EEO program.

## **FY 2017–18 Activities Supporting Covered California’s Mission and Strategy**

- Coordinating and monitoring processes that ensure customers, including limited-English-speaking or non-English-speaking, are provided equal access to available services and information within the organization.
- Coordinating and monitoring processes that ensure customers’ language needs are met and available bilingual resources are utilized as needed.
- Responding to customer complaints of unfair treatment or discrimination because of race, color, national origin, age, disability or sex.
- Fostering a healthful work environment by providing non-discrimination/diversity training to employees and management within the organization.

## External Affairs

External Affairs serves as Covered California's government and stakeholder relations liaison.

### Key Activities

- Provides strategic representation to federal, state and local elected and administration officials.
- Proactively develops and maintains stakeholder relations to support and advance Covered California's mission and goals.
- Tracks state and federal legislation and develops technical assistance when needed.
- Provides constituent correspondence and case-escalation resolution for cases brought forward by legislative offices, stakeholders and headquarters staff.

### Key Accomplishments for FY 2016–17

- Monitored and analyzed legislation that had a potential impact on Covered California. Provided technical assistance to Congress and the California Legislature as needed.
- Assisted in the resolution of 449 escalated consumer cases spanning a variety of areas, including Form 1095-A disputes, enrollment issues and payment inquiries.
- Provided updates and information to elected officials and staff, including presentations regarding Covered California, updates on new developments and responses to inquiries from elected officials as appropriate.
- Reached out to offices of elected officials throughout California during the fourth open-enrollment period with the goal of promoting enrollment into health coverage. Provided outreach toolkits to legislative offices regarding the special-enrollment period for 2017.
- Facilitated internal workgroups to analyze and provide technical assistance on federal healthcare legislation.
- Hosted the 2016 Tribal Consultation and facilitated the Tribal Advisory Workgroup process.
- Completed and distributed the 2015–16 Covered California Report to the Governor and Legislature.

## External Affairs Budget

|                       | FY 2015-16          | FY 2016-17        | FY 2017-18          |
|-----------------------|---------------------|-------------------|---------------------|
|                       | Actual Expenditures | Approved Budget   | Approved Budget     |
| Positions             | 7                   | 7                 | 8                   |
| Personal Services     | \$ 542,883          | \$ 504,346        | \$ 527,652          |
| Benefits              | \$ 199,224          | \$ 255,174        | \$ 271,906          |
| Contracts             | \$ 19,040           | \$ 105,000        | \$ 105,000          |
| OEE                   | \$ 42,180           | \$ 42,000         | \$ 69,000           |
| Pro Rata              | \$ -                | \$ 23,400         | \$ 45,757           |
| <b>Total Expenses</b> | <b>\$ 803,327</b>   | <b>\$ 929,920</b> | <b>\$ 1,019,314</b> |

### Budget Highlights and Key Changes

- Funding for tribal consultations remains steady from FY 2016–17.
- The budget includes one new office technician position to increase efficiency and streamline work by having a centralized position to handle clerical and administrative workload that is currently disbursed among all staff members.
- The contract budget includes:
  - \$75,000 for tribal consultations.
  - \$30,000 for various other services.

### FY 2017–18 Activities Supporting Covered California’s Mission and Strategy

- Developing governmental and stakeholder outreach and engagement strategies, including proactive and strategic engagement on Covered California initiatives.
- Monitoring and analyzing legislation affecting Covered California, its consumers and the health insurance market.
- Maintaining open communication and coordination with Covered California stakeholders, as well as federal, state and local government officials.
- Engaging in and providing support for special projects and matters that involve multiple divisions within the organization.
- Serving as Covered California’s liaison to California’s tribal governments.

# XI. Budget and Planning Process

The annual Covered California budget and planning process is a comprehensive and analysis-based procedure used to determine the most cost-effective and efficient level of resources that the organization needs to carry out its legislatively mandated mission and goals. The process is based on established budget principles, processes and procedures in order to provide the highest levels of fiscal integrity, accountability, transparency and accuracy.

The budget process is facilitated by the Financial Management Division, working closely with the executive leadership and all program areas. In strict accordance with the financial guidelines set forth under Government Code section 100503, the Covered California board must:

- Assess a charge on health insurance companies that is reasonable and necessary to support the development, operations and prudent cash management of the exchange.
- Authorize expenditures, as necessary, from the California Health Trust Fund to pay program expenses to administer the exchange.
- Keep an accurate accounting of all activities, receipts and expenditures, and annually report that accounting to the Health and Human Services' secretary.
- Commencing Jan. 1, 2016, conduct an annual audit.
- Prepare an annual report for the governor and the Legislature on its implementation and performance during the preceding fiscal year. The report must include the manner in which funds were expended and the progress toward meeting the requirements of the Affordable Care Act.
- Maintain enrollment and expenditures to ensure that expenditures do not exceed the amount of revenue in the fund, and if sufficient revenue is not available to pay estimated expenditures, institute appropriate measures to ensure fiscal solvency.

Government Code section 100520 sets out the requirements for the establishment and utilization of the Health Trust Fund:

- The board must establish and maintain a prudent reserve in the fund.
- Effective Jan. 1, 2016, if at the end of any fiscal year the fund has unencumbered funds in an amount that equals or is more than the board-approved operating budget of Covered California for the next fiscal year, the board is required to reduce the percent of premium rate during the following fiscal year in an amount that will reduce any surplus funds of the exchange to an amount that is equal to the agency's operating budget for the next fiscal year.

Additionally, pursuant to section 100521 Government Code, the board must:

- Ensure that the establishment, operation and administrative functions of Covered California do not exceed the combination of available federal funds, private donations and other non-General Fund monies. No state General Fund money may be used for these purposes without a subsequent appropriation.
- Determine that sufficient financial resources exist or will exist in the fund. Such determination must be based on: (1) financial projections, which show that sufficient resources exist or will exist in the fund to implement Covered California; (2) a comparison of projected resources and projected costs; and (3) financial projections that demonstrate the sufficiency of resources for at least the first two years of operation.
- Provide notice to the Joint Legislative Budget Committee and the director of finance that sufficient financial resources exist in the fund to implement Covered California activities.
- If the board determines that the level of resources in the fund cannot support the operations of the exchange, provide a report to the Department of Finance and the Joint Legislative Budget Committee detailing the changes to the functions, contracts, or staffing necessary to address the fiscal deficiency along with any contingency plan should it be impossible to operate Covered California without the use of General Fund monies.