



Covered California: Ten Years of Experience Promoting Competition and Health Plan Accountability

November 29, 2021

Affordable Care Act and Covered California: Three Distinct Epochs in the First 10 Years

The enactment of the Affordable Care Act in 2010 launched an incredible era in health care. Three distinct “epochs” within that era came to influence and define Covered California in its first 10 years.

EPOCH I: *Start-up, Launch, and Establishment (2011 – 2016)*

Covered California made early strategic decisions that built a solid foundation:

- Broad, consumer-centric mission and vision to guide its work, along with ethic of transparency, and evidence-based decisions.
- Creating a consumer-driven marketplace with choice and competition based on price, networks, and service. Strong focus on quality, equity, and delivery system transformation.
- Built a trusted brand with marketing, outreach, strong consumer service.

The results: Covered California became the largest marketplace in the nation with strong enrollment, robust carrier participation, and healthy risk.

EPOCH II: *Repeal and Replace (2017 – 2020)*

Facing federal “repeal and replace” of the Affordable Care Act, California and Covered California showed the law is working:

- Continued market curation, marketing and outreach, longer open enrollment period.
- Silver loading policy.
- Banned short-term limited duration insurance plans, and association health plans.
- State subsidies up to 600% FPL and state individual mandate penalty.
- During the pandemic - opened special enrollment period, bolstered marketing and outreach.

EPOCH III: *Building on the Affordable Care Act Now and In the Future (2021–)*

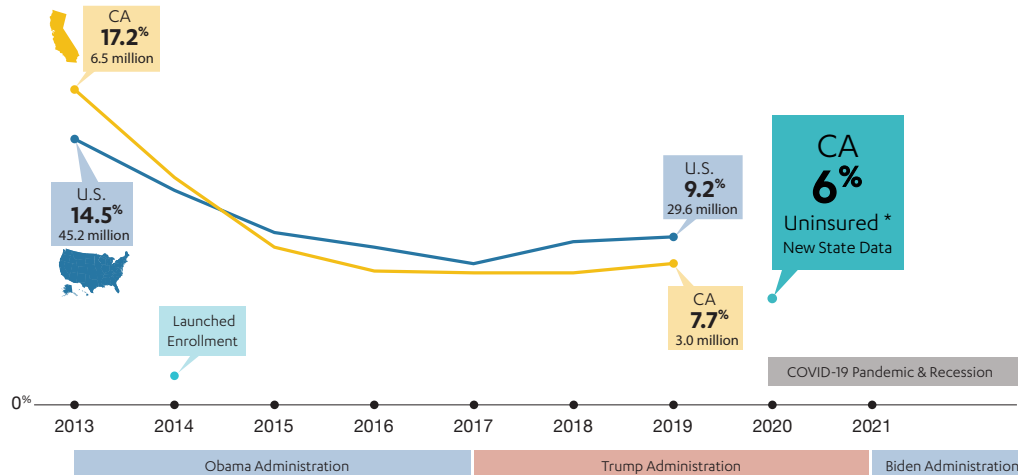
Under a new federal administration and Congress, 2021 has been a year of building on the Affordable Care Act now and for the future.

- The American Rescue Plan builds on California’s model and goes beyond it with more generous subsidies and eliminating the “cliff.”
- Covered California continues to serve as proving ground by innovating its marketplace role to maximize enrollment and improve the health care system with policies to improve quality, address disparities, advance delivery system reform, and purchaser alignment.

Results: Record Decrease in California's Uninsured Rate

Comparing the Rate of Uninsured in California and the United States

- California experienced the nation's largest drop in the uninsured rate.
- More than 4.7 million Californians have gained coverage since 2013.
- As of 2019, about 3 million uninsured, with about 60% ineligible (undocumented) for federal programs.



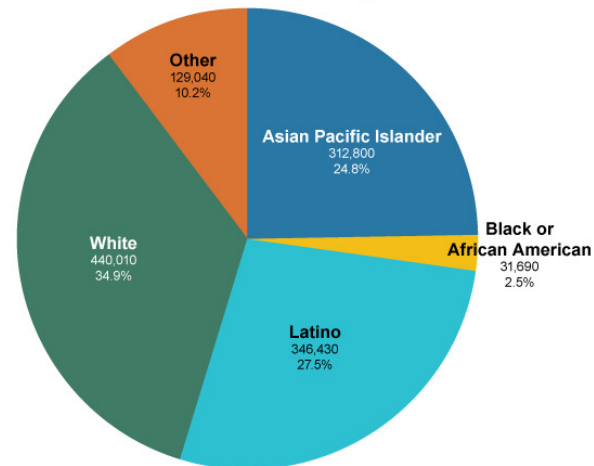
Source: U.S. Census 2014-2020

*Source: California Health Insurance Survey, September 2021

<https://healthpolicy.ucla.edu/publications/Documents/PDF/2021/access-to-care-policybrief-sep2021.pdf>.

The survey is based on interviews conducted continuously throughout the year with respondents from more than 20,000 California households in a variety of languages. U.S. Census data on California's uninsured rate in 2020 has been delayed due to the pandemic and is not reflected.

Covered California Overview



1.6M Enrolled 12 Plans

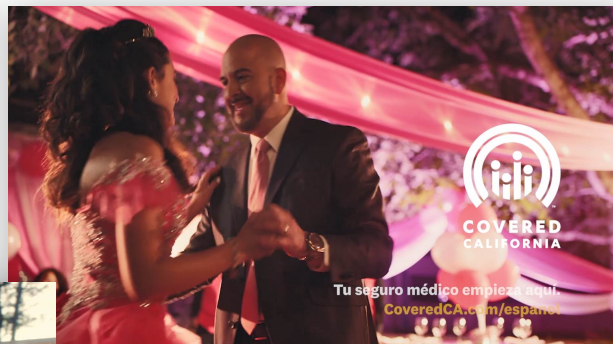
Source of enrollment data: Covered California June 2021 Active Member Profile

*Race/Ethnicity is a roll-up dimension that combines application questions on race and ethnicity, where a consumer who reports a Latino, Hispanic, or Spanish origin is counted as "Latino," races of Asian, Native Hawaiian or Pacific Islander are counted as "Asian Pacific Islander," and "Other" comprises all non-Latino selections other than "Black or African American," "White," or "Asian Pacific Islander" from the Race/Ethnicity dimension (including Multiple Races).

**Bright HealthCare is a new entrant in 2022 and not reflected in 2021 enrollment data

Investments in Marketing and Outreach Matter

Covered California spends approximately one-third of its operating budget - \$129.7 million per year - on marketing and outreach which are two core elements to ensure strong, healthy enrollment that reaches California's diverse populations and keeps premiums low.



"Portraits" - <https://www.youtube.com/watch?v=pLAgFQf-CUC>

"Corazon" - <https://www.youtube.com/watch?v=FxRfZlbVzf0>

Marketing and Outreach: Scope and Diversity Matter

In communities throughout California, thousands of certified agents, Navigators, and other enrollment partners are ready to help consumers enroll into coverage.



**11,368 Certified
Insurance
Agents**

**523 Covered
California
Storefronts**

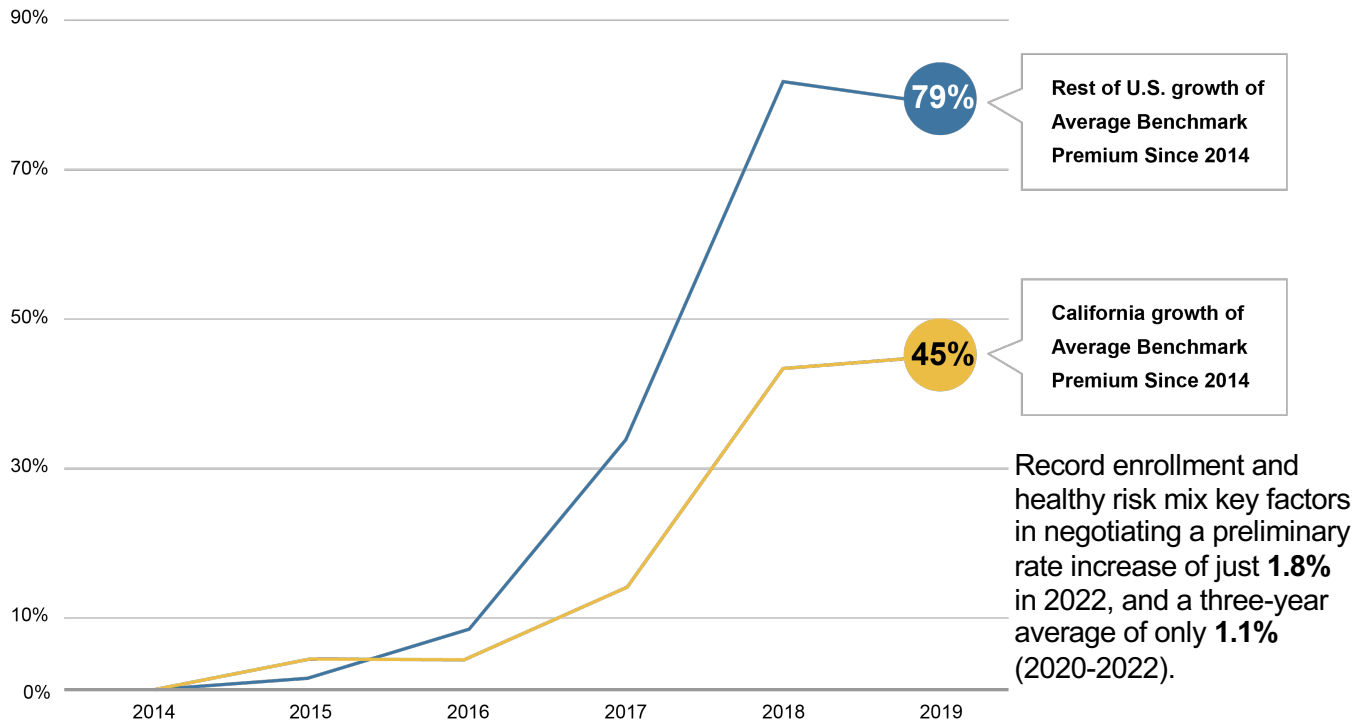
**87
organizations
funded through
Navigator
Grants, and
212 other
community-
based enrollers**

**15+ languages spoken
by Agents and
Navigators:**

Spanish	3,609
Chinese	1,257
Korean	611
Vietnamese	511
Hindi	250
Tagalog	243
Armenian	207
Farsi	176
Arabic	160
Punjabi	151
Russian	131
Japanese	85
Cambodian/Khmer	38
Thai	35
Hmong	22
Other	686

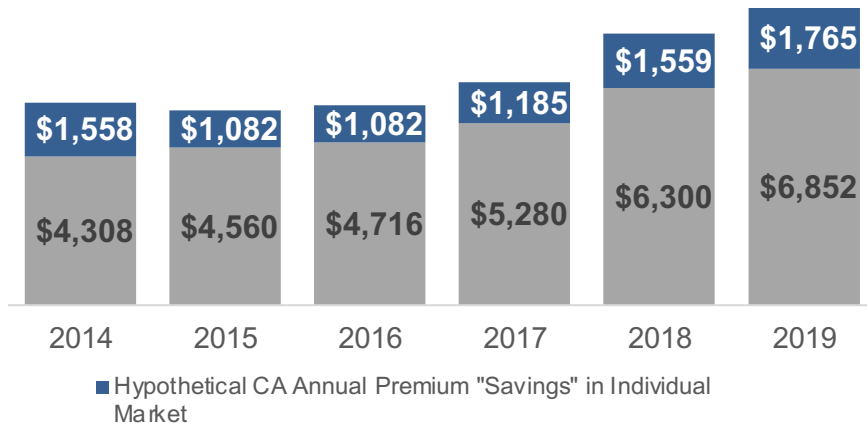
Source: CAE Language Count 2021 and Agent Report 2021

Covered California Premium Increases Have Been About Half of Those in Federally Facilitated Marketplace States



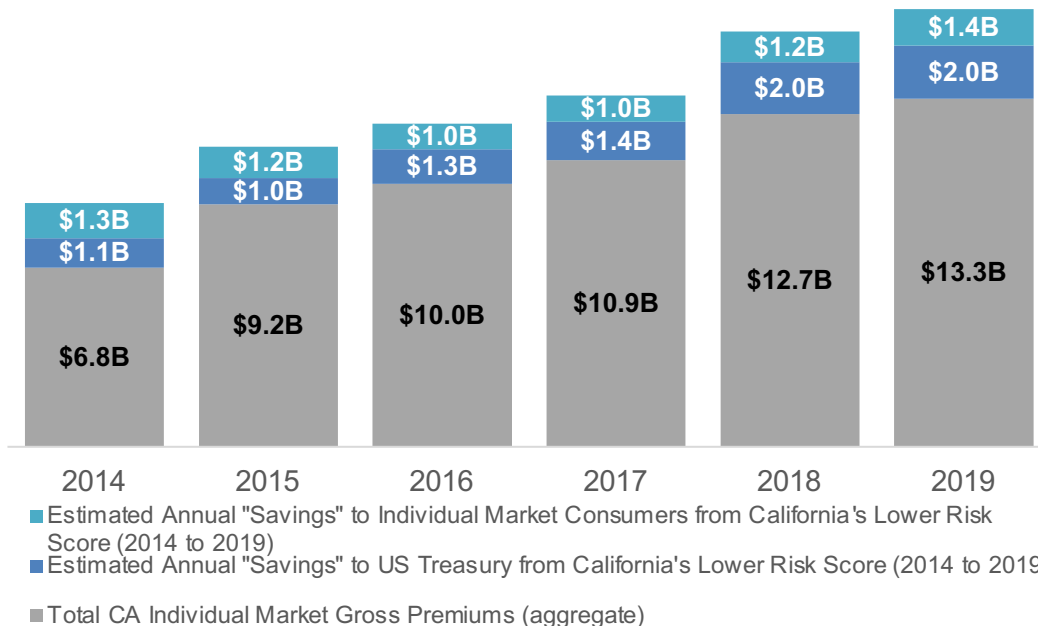
California's Investments Result in Healthier Risk Mix and Lower Premiums for Unsubsidized Consumers

California's Average Annual Individual Market Premium (gray)
and Estimated Premium Saved if California
Had Same Risk Mix as the Nation (blue)



- California's risk mix results in premiums about 20% lower than they would be if the state had the nation's risk mix.
- As a result, unsubsidized enrollees have saved between \$1,082 and \$1,765 each year over the past six years.

California's Healthy Risk Mix May Have Saved Consumers and the Federal Government Nearly \$16B

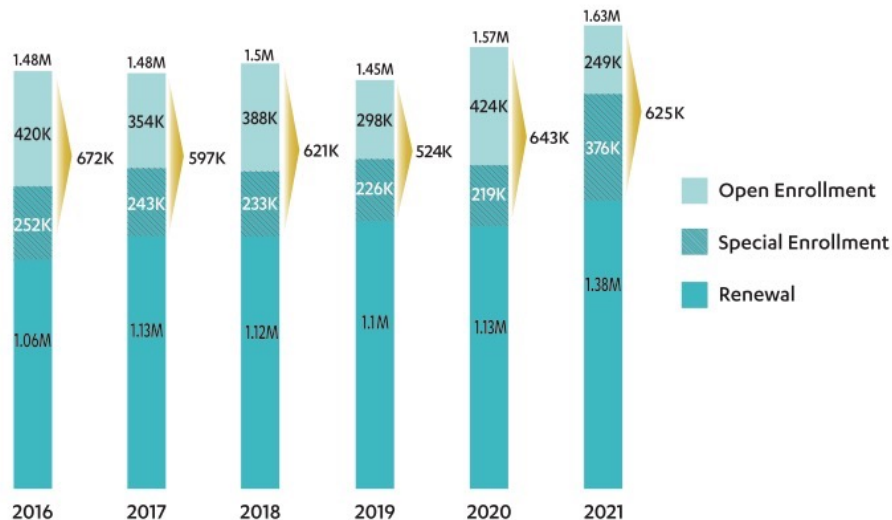


Covered California's actions have likely resulted in \$15.9 billion in total savings to enrollees and the U.S. Treasury between 2014 and 2019 - with about \$7.1 billion accruing to the federal government and \$5.7 billion to California consumers.

2021 Highest Enrollment Ever, Driven by High Consumer Need During Pandemic and American Rescue Plan Subsidies

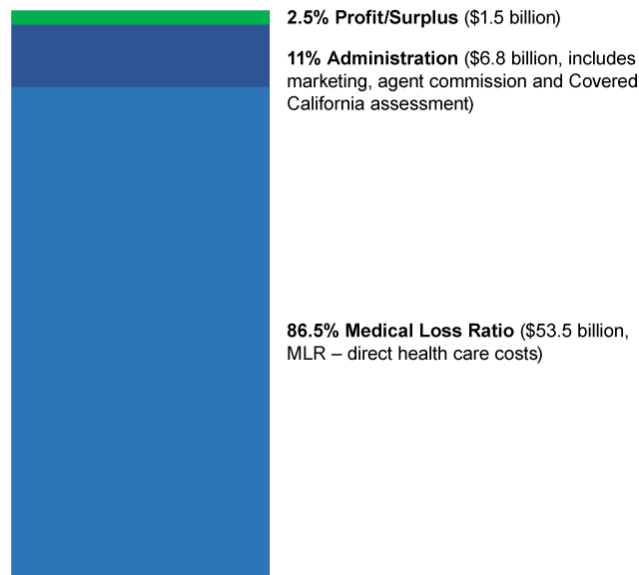
Plan Selections at End of Open Enrollment for Coverage Years 2016 - 2021

- Record 1.63 million plan selections at end of 2021 OE.
- 625,000 new plan selections during special and open enrollment; similar to 2020.
- Major shift of enrollment mix with COVID SEP: 2021 higher enrollment in SEP than OE first time ever, with 376,000 enrolling in SEP (almost double prior years).
- OE new enrollment in 2020 highest ever driven by new state subsidies and state-penalty, dropped in 2021 after large SEP enrollment.



Covered California – Consumer-Centered Competition Driving Value and Efficiency

Covered California Issuers: Cumulative Medical Loss Ratio, Administrative Expenses and Profit 2014-2019: Total Health Care Premium of \$61.8 billion.

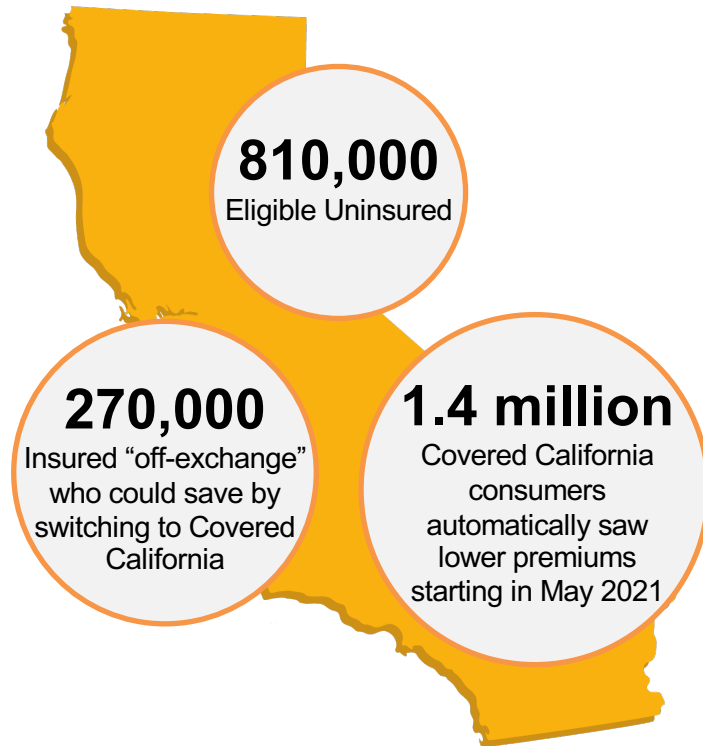


The Value/Efficiency Story Nationally

- **Profit margins in 2019:**
 - 8.9% Individual
 - 4.1% Small Group
 - 2.5% Large Group
 - 3.3% Medicare Advantage
 - 0.6% Medicaid managed care
- **Medical Loss Ratio (MLR) in 2019**
 - 81.6% Individual
 - 83.5% Small Group
 - 89.3% Large Group
 - 85.6% Medicare Advantage
 - 87.3% Medicaid managed care

Sources: Medicare Advantage financial results for 2019; Commercial health insurance: Detailed 2019 financial results and emerging 2020 Trends; Medicaid managed care financial results for 2018, Milliman

The American Rescue Plan Lowers Premiums for 2.5 Million Californians



- The American Rescue Plan provided expanded subsidies so Californians without other coverage would not have to pay more than 8.5% of income towards their health care premiums.
- Covered California established an American Rescue Plan special enrollment period through the end of 2021, invested \$20 - \$30 million in marketing and outreach, and collaborated with carriers, encouraging them to invest in marketing and reach out to every off-exchange consumer eligible for a subsidy.
- Hundreds of thousands of Californians eligible for \$0 month premiums, resulting in record enrollment.

American Rescue Plan Making Large Differences in the Lives of Californians

When looking at the overall enrollment profile, the largest group receiving subsidies are those with household incomes between 138% and 200% of the Federal Poverty Level (FPL). These household are paying \$35 a month for coverage, a savings of more than \$700.

Subsidy Received Members	2020 TOTAL ENROLLMENT*				2021 TOTAL ENROLLMENT*			
Subsidy Level	Share of Members (Column %)	Average Gross Premium	Average Net Premium	Average Savings	Share of Members (Column %)	Average Gross Premium	Average Net Premium	Average Savings
138% FPL or less	2.6%	\$745	\$95	\$650	2.4%	\$734	\$97	\$637
138% FPL to 200% FPL	45.9%	\$775	\$111	\$664	46.0%	\$741	\$35	\$706
200% FPL to 400% FPL	47.1%	\$908	\$247	\$661	45.9%	\$904	\$139	\$765
400% FPL to 600% FPL	3.1%	\$1,060	\$508	\$552	4.6%	\$1,105	\$307	\$798
600% FPL or greater	0.0%				0.9%	\$1,244	\$712	\$532

* Data as of 8/10/2021, June effectuated enrollment of each year.

LOOKING AHEAD TO CONTRACT YEAR 2023 AND BEYOND

State Options Limited if ARP Subsidies are Not Sustained

- Prior to ARP in 2020 California implemented a three year state premium subsidy program.
 - The program provided new subsidies for Covered California enrollees between 400-600% FPL and additional support for below 400% FPL.
 - American Rescue Plan subsidies were far more generous than state premium subsidies, so the state program was effectively “switched off” in 2021.
- Covered California is now studying options for state level subsidies for 2023 and beyond as required by recent state legislation.
 - The cost of backfilling American Rescue Plan subsidies will far exceed the amount of state funds appropriated for state level subsidies.

Covered California's Positive Outcomes: 2014 – 2021

- **Many carriers and broad consumer choice:** Substantial consumer choice (12 health plans in 2022, with 70% of enrollees having five or more health plans to choose among) and market stability (10 of the 12 health plans having participated continuously since 2014).
- **High enrollment, healthy risk mix, and lower costs:** By effectively supporting broad enrollment, California has a risk mix that is far healthier than the national average, equating to premiums being about 20 percent lower than they would have been if the risk mix were at the national rate.
- **Low annual premium increases:** Over the past seven years, premium increases in California have been about half as large as those in federally facilitated marketplace states. Low premium increases have resulted in not only strong subsidized enrollment, but also more unsubsidized consumers able to afford keeping coverage than in FFE (on AND off exchange).
- **Biggest decrease in uninsured in nation:** Covered California has been a key contributor to California's experiencing the largest drop in uninsured in the nation – from pre-ACA rate of 18 percent to reported rate as of 2020 of 6 percent.
- See Appendix – Covered California Market Context for additional information.

Covered California's Ongoing Challenges

Covered California's positive results and accomplishments have occurred in the context of challenges that are shared by consumers across the nation, regardless of whether they get care through Medicaid, Marketplaces, Medicare or ESI, including:

- **Inconsistent and limited improvement in quality:** Uneven quality across and within contracted health plans, resulting in many consumers getting low quality care – particularly communities of color and lower income Americans – with little improvement over time.
- **Persistent health disparities:** Challenges in tracking and addressing disparities despite Covered California's longstanding focus on equity.
- **Unaffordability of coverage and care for many:** Prior to the American Rescue Plan subsidy increases, many found coverage or care unaffordable (and many with ESI and Medicare struggle with affordability).
- **Coverage transitions difficult:** Consumers moving between ESI, Medicaid, Marketplace and Medicare coverage often find the process difficult and confusing, leading to gaps in coverage.
- **Consumers making poor decisions:** Too often, consumers are not making adequately informed choices, as evidenced by enrollees not taking full advantage of available subsidies.
- **More choice NOT translating to better value:** In Covered California, most consumers have many health plan choices with unclear evidence that adding more plan choices would add consumer value (e.g., reducing costs, improving quality or providing access to new/different providers).
- **Challenges in rural areas:** In California's northernmost region, there are access challenges and little plan or provider competition (impacting about 6% of enrollees).

Covered California's Health Plan Contracting 2023 – 2025: Context and Goals

- The 2023 Plan Year is the first of a three year contract period. Historically, Covered California has not allowed new entrants during the three year period, with exceptions made for Medi-Cal local initiatives or new entrants to the individual market. It is also likely core contracting requirements will carry forward beyond 2025.
- Numerous carriers have expressed interest in joining Covered California in 2023 or later.
- Covered California aims to maintain a broad portfolio of carriers and robust consumer choice AND provide more incentives to improve quality and value
- Covered California's 2023 Qualified Health Plan (QHP) certification effort will:
 - Include updated contract expectations to foster quality improvement and address equity for Covered California enrollees and all Californians; and
 - Incorporate changes to the health plan selection process to clarify the basis of carrier participation.

Covered California's Health Plan Contracting 2023 – 2025: Building on and Improving a Strong Foundation

Stable and desirable marketplace:

- Eleven carriers have participated for over 5 years
- Multiple national and regional plans have expressed interest in joining

Ongoing contract requirements set a high bar:

- Standard patient-centered benefit designs to reduce consumer confusion and ensure quality of coverage
- Requirements related to scope of marketing, including coordination, targeting and co-branding
- Adequate provider networks, including inclusion of Essential Community Providers
- Initiatives to improve healthcare quality, address health disparities, and promote delivery system and payment reform

Significant additions to existing contractual requirements in the areas of:

- Disparities reduction
- Behavioral health
- Value based delivery systems (advanced primary care, integrated delivery systems, payment reform)
- Affordability and cost (provider networks and consumer affordability)
- Data exchange requirements

Across the board, Covered California's contracting is designed to be aligned with and complement efforts of other major purchasers, including CMS, Medi-Cal, CalPERS (the state employee purchasing program), and others.

Covered California's Health Plan Contracting 2023-2025: Major New Potential Requirements Under Consideration

In addition to incremental changes to existing requirements, Covered California is considering significant changes in two primary areas:

- **Additional Incentives/Penalties for Quality and Equity:** Increased contractual expectations for quality improvement, including introduction of the Quality Transformation Initiative, which incentivizes the delivery of higher quality and equitable care by assessing a quality penalty on lower quality plans at an amount starting at 1% and increasing to 4% of premium.
- **Formalizing Plan Selection/Exclusion Criteria:** The determination of how many plans should be offered in a given area, and what additional criteria should be used to evaluate the addition of new, and/or removal of existing health plans, based on the value they provide to consumers.

In considering these options, Covered California is in the process of conducting a detailed market analysis, review of the literature, assessing legal and regulatory issues and engaging stakeholders as well experts to inform the approaches under consideration to develop proposals for the Board in January 2022.