

# 2014-15 COVERED CALIFORNIA BUDGET

Sue Johnsrud, Chief Deputy Executive Director of Operations

# BUDGET PLANNING FOR 2014-15: THE ROAD TO SUSTAINABILITY

- Covered California's focus in 2014-15, will be to complete the establishment process for the marketplace, stabilize the program and prepare for the first renewal and second open enrollment cycle.
- By the end of 2014-15 Covered California will move into its 'sustainability' phase, transitioning from being exclusively funded by federal grants to being funded with assessment revenue. In anticipation of this transition, Covered California will continue to review and evaluate the organization to ensure the most efficient, effective and lowest cost structure possible.
- The 2014-15 recommended budget was developed based on Covered California's experience to date, projections for future enrollment and anticipated work in the coming year. It is designed to:
  - Retain current enrollees
  - Continue to build enrollment – estimated to be 1.7 million by the end of open enrollment
  - Provide a better consumer experience to applicants and enrollees
  - Continue to provide the foundation for Covered California's work as an active health purchaser
- The recommended budget reflects the following:
  - Phase-in of changes to cost allocation to more appropriately reflect costs across programs.
  - Proposed restructure of community based enrollment efforts to reduce administrative costs, increase efficiency and maximize direct contact with consumers.
  - Funding to strengthen the organization's analytic and evaluation capacity to support near term work to maximize enrollment and long-term goals relating to health care quality, access and costs.

# THE 2014-15 BUDGET – RECOMMENDED VS. PRELIMINARY

	FY 2013-14 Recommended Budget	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
Service Center	\$ 64,732,239	\$ 89,300,509	\$ 97,022,224	\$ 7,721,715
CalHEERS	\$ 181,042,718	\$ 65,788,077	\$ 88,177,616	\$ 22,389,539
Enrollment Activities	\$ 134,218,916	\$ 132,629,444	\$ 168,646,841	\$ 36,017,397
SHOP	\$ 9,504,885	\$ 14,308,612	\$ 14,355,583	\$ 46,971
Plan Management & Evaluation	\$ 22,788,018	\$ 24,671,039	\$ 25,127,957	\$ 456,918
Administrative	\$ 36,556,839	\$ 34,466,095	\$ 39,421,405	\$ 4,955,310
Expense Reserve	\$ -	\$ 20,000,000	\$ 10,000,000	\$ (10,000,000)
<b>Total Expenses</b>	<b>\$ 448,843,615</b>	<b>\$ 381,163,776</b>	<b>\$ 442,751,626</b>	<b>\$ 61,587,850</b>
Cost Sharing/Reimbursements	\$ (5,000,000)	\$ (2,708,077)	\$ (31,058,183)	\$ (28,350,106)
<b>Total Operating Costs</b>	<b>\$ 443,843,615</b>	<b>\$ 378,455,699</b>	<b>\$ 411,693,443</b>	<b>\$ 33,237,744</b>

## Key Changes:

- Service Center is funded to support the 80/30 service level standard.
- CalHEERS costs reflect a delay from July 1 to September 1, 2014 in the implementation of proposed cost allocation changes, as well as higher costs for postage and additional support to the Office of Systems Integration for quality assurance activities.
- Increased funding for the Navigator program and updated cost estimate to extend outreach and enrollment grants until the end of open enrollment using awarded funds.
- Additional limited term staffing in Financial Management, Business Services and HR to support temporary work and increased funding to pay for statewide costs.

# MAJOR CHANGES – 2013-14 TO 2014-15

- Service Center funding reflects full staffing, as well as resources to meet the 80/30 service level standard (+\$32 million).
- CalHEERS' budget reflects an anticipated reduction in total project spending of approximately 10 percent and a change in cost allocation to more appropriately reflect costs across Medi-Cal and Covered California (- \$93 million).
- Enrollment Activities funding reflects a modest reduction in support for marketing efforts, an increase in funding for community-based enrollment efforts, reduced administrative costs and increased reimbursements for Covered California to make payments to Certified Enrollment Entities on behalf of DHCS (+ \$34 million).
- Enrollment Activities funding also reflects the reorganization of existing resources to better coordinate field activities for enrollment and retention.
- SHOP budget increase due to the shift of program responsibilities to a contractor (+ \$4.9 million).

# SUSTAINABLE OUT-YEAR BUDGETS

	FY 2013/14	FY 2014/15	FY 2015/16
Enrollment	1,200,000	1,800,000	2,000,000
Beginning Balance	\$ 802,134,713	\$ 425,008,431	\$ 254,993,149
Projected Revenue	\$ 66,717,333	\$ 241,678,161	\$ 320,847,987
Expenditures	\$ 443,843,615	\$ 411,693,443	\$ 324,883,234
Year-End Balance	\$ 425,008,431	\$ 254,993,149	\$ 250,957,902

- Assumes approximately \$360 million in remaining federal grant funding can be used to support establishment activities in 2014-2015 and through 2015.
- Enrollment forecast reflects projected caseload at the end of the fiscal year as approved by the Board in May 2014.
- Revenue projections reflect maintaining assessments at \$13.95 per member per month in 2016. Depending on enrollment and expenditure plans, the assessment for 2016 could be lowered to maintain a reserve level of 6 months.
- The budget for fiscal year 2015-16 would be adjusted based on experience next year.

# MAJOR ASSUMPTIONS AND RISKS

## Assumptions:

- Federal approval will be obtained to change the current cost allocation formula for CalHEERS to better reflect the true costs to Medi-Cal and Covered California
- Beginning in 2015-16, Service Center expenditures will be cost allocated across Medi-Cal and Covered California and the federal government will approve use of assessment revenues.
- Federal approval will be obtained to spend current grants on establishment costs well into 2015 to reflect support of the second round of open enrollment and to complete the establishment of Covered California.
- Spending for enrollment activities and for CalHEERS will decrease between 2014-15 and 2015-16 by approximately 20 percent and 15 percent, respectively.

## Risks:

- Enrollment could be lower than projected. If enrollment is closer to the low projection of 1.3 million in 2015 and 1.4 million 2016, revenues would be \$21 million lower in 2014-15 and \$75 million lower in 2015-16.
- If there are delays in the federal approval of the proposed cost allocation changes, costs could be higher by millions of dollars.
- If the aforementioned assumptions do not materialize costs could be higher by tens of millions of dollars or Covered California could be required to spend more assessment revenues sooner than anticipated.

# NEXT STEPS

- By no later than July 15, 2014, submit draft revised cost allocation plan to the federal government for review and approval.
- By August 1, 2014, to the extent needed, seek federal approval to extend authority to spend current federal grant into 2015.
- By September 1, 2014, review 2013-14 spending and make necessary budget adjustments to ensure appropriate, timely spending on federal grant funds, to reduce spending authority if no longer needed, and to capture spending in the correct fiscal year.
- Continue to monitor enrollment and effectuation trends. If enrollment projections are not being met, assess alternatives to continue to align projected spending with available revenues.
- Regularly monitor spending and begin taking necessary steps to ensure spending in 2015-16 will align with projected spending levels.

# RECOMMENDATION FOR APPROVAL BOARD RESOLUTION NO. 2014-XX

In the matter of the 2014-15 Budget.

The Board hereby resolves, in accordance with Sections 100503(o) of the Government Code, to adopt the California Health Benefit Exchange 2014-15 Budget, as presented by staff and dated June 19, 2014, as follows:

1. Approve the Budget for Fiscal Year 2014-15, providing expenditure authority of \$ 442,751,626.
2. To address priorities and needs, authority is granted to the Executive Director to make adjustments provided 2014-15 expenditures remain at or below the level of expenditure authority approved by the Board.
3. Adjustment to program budgets and positions shall be reported to the Board as necessary.



# SUMMARY OF BUDGET DETAIL

# SERVICE CENTER BUDGET RECOMMENDATION

	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
Service Center	\$ 89,300,509	\$ 97,022,224	\$ 7,721,715

## ***Budget Summary***

The 2014-15 recommended service center budget:

- Provides sufficient resources to support the 80/30 service level. However, similar to the 2013-14 experience, spending could be lower given challenges in recruiting and retaining service center staff.
- Retains existing trained staff to stabilize operations and to improve services.
- Assumes the conversion from permanent intermittent to permanent positions over the course of the year. This conversion will allow Covered California to continue to provide improved levels of customer service. \*
- The cost for FY 2015/16 will be adjusted to reflect cost allocation based on planned evaluation of Service Center workload related to Medi-Cal.

\* Actual number of staff converted will depend on workload and number of trained staff.

# CALHEERS BUDGET RECOMMENDATION

	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
Covered CA CalHEERS Costs	\$ 65,788,077	\$ 88,177,616	\$ 22,389,539
CalHEERS Costs Funded by Other Depts	\$ 124,211,923	\$ 112,309,834	\$ (11,902,089)
<b>Total CalHEERS Project Costs</b>	<b>\$ 190,000,000</b>	<b>\$ 200,487,450</b>	<b>\$ 10,487,450</b>

## *Budget Summary*

The 2014-15 recommended CalHEERS budget:

- Reflects a decrease in total project costs of approximately 10 percent between 2013-14 as costs related to equipment purchases and development will not occur in 2014-15.
- Modifies cost allocation to more appropriately reflect costs across programs beginning Sept. 1, 2014.
- Increased funding for OSI for quality assurance, project management and an evaluation of the status of the project in meeting business requirements and program needs.
- Provides for the transition of functions including help desk, customer relations management, IVR, and possibly testing, if doing so will increase efficiency, avoid increased costs or generate savings.
- Updated costs for postage and implementing various system improvements.

# ENROLLMENT ACTIVITIES BUDGET RECOMMENDATION

*Includes Marketing, Outreach and Enrollment, Agent Support, Eligibility Administration, and Communications and Public Relations*

	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
Enrollment Activities	\$ 132,629,444	\$ 168,646,841	\$ 36,017,397

## ***Budget Summary***

The 2014-15 recommended enrollment activities budget:

- Transitions from bifurcated outreach and enrollment expenditures to increased use of Navigators to maximize funding for direct education and enrollment services, reduce administrative costs and meet federal requirements.
- Continues support for Certified Enrollment Entities through open enrollment. After open enrollment, continues to support uncompensated enrollment entities to meet federally required CAC program.
- Extends existing Outreach & Education Grants through open enrollment providing grantees additional time to spend previously awarded funds.
- Maintains a robust paid marketing and social media campaign to achieve an estimated 600,000 new enrollments to reach 1.8 million enrollees by June 2015.
- Maintain strong support and referral for certified agents.
- Provides for the reorganization of existing resources to support a single sales unit to better coordinate field activities and have more focused enrollment and retention efforts.

# PLAN MANAGEMENT AND EVALUATION BUDGET RECOMMENDATION

*Includes Plan Management, Policy and External Affairs*

	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
Plan Management & Evaluation	\$ 24,671,039	\$ 25,127,957	\$ 456,918

## ***Budget Summary***

The 2014-15 recommended plan management and evaluation budget:

- Supports recertification and selection process for 2015 Plan Year.
- Provides for initial analysis of care provided by contracted health plans and active monitoring of insurance market trends.
- Invests to strengthen the organization's analytic and evaluation capacity to support Covered California's near term work to maximize enrollment and long term goals related to health care quality, cost and access. Specifically:
  - Supports coordinated evaluation across Covered California elements (care delivery, outreach, enrollment).
  - Builds platform for Covered California to partner and support care that addresses disparities and delivery system improvements.

# SHOP BUDGET RECOMMENDATION

	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
SHOP	\$ 14,308,612	\$ 14,355,583	\$ 46,971

## *Budget Summary*

The 2014-15 recommended SHOP budget:

- Completes transition of operations to new administrative platform.
- Improves Insurance Agent tools, support and educational outreach.
- Supports enhancement of product offering to meet evolving market.
- SHOP budget increase due to a shift of SHOP responsibilities to a contractor to fully administer the SHOP program that should have been reflected in the preliminary budget.

# ADMINISTRATION BUDGET RECOMMENDATION

*Includes Operations, Finance, Executive and Human Relations*

	FY 2014-15 Preliminary Budget	FY 2014-15 Recommended Budget	Difference
Administrative	\$ 34,466,095	\$ 39,421,405	\$ 4,955,310

## ***Budget Summary***

The 2014-15 recommended Administration budget:

- Supports management of operation to promote efficiency, effective delivery of services and to continue to work towards operational excellence in all areas.
- Accounts for potential uncertainty (\$10 million expense reserve).
- Provides increased limited term staffing in Financial Management, Business Services and HR to continue making manual payments and meet other temporary workload.
- Support staff development and a good work environment.
- May support consolidated training if a reorganization would increase efficiency, improve outcomes and generate savings.