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# **Building Covered California: Blueprint Overview and Establishment Grant Comment Draft**

**Covered California  
November 7, 2012**



# Agenda

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- Where We Are and Next Steps
- Blueprint For California Operating a State-based Insurance Exchange
- Planning for Level 2.0 and Financial Sustainability
- Major Program Activities – Planning Considerations
- Outreach, Education and Marketing
- Operating and Financial Contingency Plans
- Small Business Health Options Program

# Vision & Mission

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## Vision

- The vision of the California Health Benefit Exchange is to improve the health of all Californians by assuring their access to affordable, high quality care.

## Mission

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

# Covered California: Next Steps

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Date	Activity
November 7 <sup>th</sup>	Present Draft Level 2.0 Plan
November 9 <sup>th</sup>	Comments requested
November 14 <sup>th</sup>	Recommended Plan and Blueprint to Board
November 15 <sup>th</sup> /16 <sup>th</sup>	Submit Level 2.0 Establishment Request and Blueprint
December 19 <sup>th</sup>	Board considers Final Outreach Grant Program Policies
December – February	Engage stakeholders in refining and beginning implementation of Marketing and Outreach Plans

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# Covered California: Context for Blueprint & Level 2.0

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- The Exchange has been working since it was established through state legislation in 2010 to lay the groundwork for the unprecedented expansion of coverage that will benefit millions of Californians starting in 2014.
- The Exchange continues to make dramatic progress through accelerated planning and development activities undertaken during the state's Level 1 and Level 1.2 Exchange Establishment grants supporting many of the core work areas of the Exchange.
- The Exchange is now seeking Level 2.0 grant funding to continue and expand its planning, development and implementation activities for a state-administered Exchange and to begin full operation by January 2014 and be self-sustainable by January 2015.

# Blueprint Overview

- Health & Human Services has developed a program that offers multiple Exchange models as well as a number of design alternatives within each model. California has chosen the State-based Exchange model.



\*Coordinate with Medicaid and CHIP Services (CMCS) on decisions and protocols

# Covered California Blueprint

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- In the Fall of 2010, California enacted the first state law in the nation establishing a health benefit exchange under the ACA, the California Patient Protection and Affordable Care Act (CA-ACA)
- Covered California will submit its Blueprint for Operating a State-based Insurance Exchange on November 16, 2012 which will identify Covered California's approach in:

Legal Authority and Governance	Finance and Accounting
Consumer and Stakeholder	Technology
Eligibility and Enrollment	Privacy and Security
Plan Management	Oversight and Monitoring
Risk Adjustment and Reinsurance	Contracting, Outsourcing and Agreements
Small Business Health Options Program	State Partnership Exchange Activities
Organization and Human Resources	

# Planning for Level 2.0 and Sustainability

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- California's size and diverse demographics poses unique challenges in making sure Californians are familiar with the opportunities for health coverage offered by Covered California.
- Establishment grants provide support for the Exchange to build the infrastructure to support its ongoing operation
- The Financial Sustainability Plan provides how the Exchange plans to ensure that it is self-sustaining in the future.
  - Sets an operational scale based on enhanced enrollment targets.
  - Plans for financial needs if enrollment is lower than the enhanced scenario.

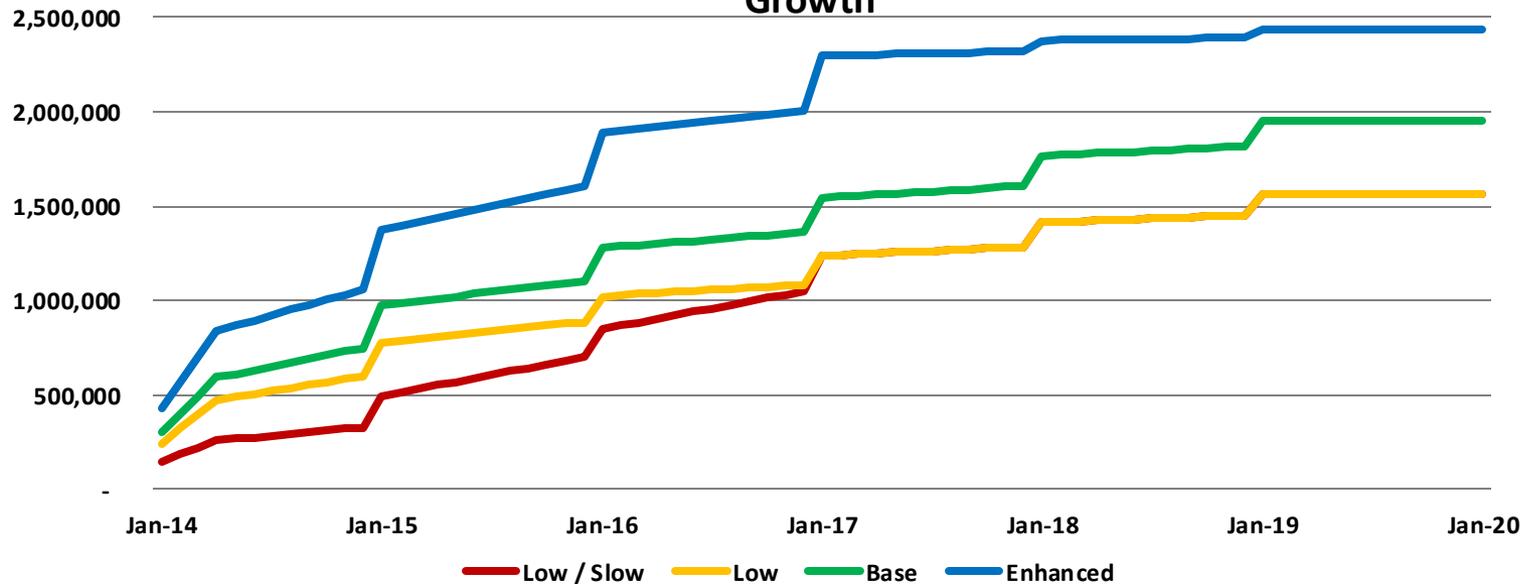
# Use of Establishment Funds

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- Federal guidance limits Establishment Funds to supporting Exchange-specific start-up, outreach and testing:
  - The cooperative agreement amounts (Exchange grant funds) will only fund costs for establishment activities that are integral to Exchange operations and meeting Exchange requirements.
  - The first year of Exchange activities is critical to ensuring Exchange self-sufficiency. The establishment of an Exchange and activities related to such establishment also include start-up year expenses to allow outreach, testing and necessary improvements during the start-up year.
- Implications for Exchange planning:
  - All targeting, programs and budgeting are based on targeting of Exchange-eligible individuals.
  - There will be complementary benefits to enrollment of those newly-eligible for Medi-Cal, but Exchange establishment funds may not directly support such efforts.

# “Aim High” and Plan for Uncertainty

Exchange Subsidized & Unsubsidized Enrollment Projection Profile and Growth



	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20
Low / Slow	150,000	490,000	850,000	1,240,000	1,410,000	1,560,000	1,560,000
Low	240,000	780,000	1,020,000	1,240,000	1,410,000	1,560,000	1,560,000
Base	300,000	970,000	1,280,000	1,550,000	1,770,000	1,950,000	1,950,000
Enhanced	430,000	1,380,000	1,890,000	2,300,000	2,380,000	2,430,000	2,440,000

Covered California is seeking to enroll as many Californians as possible. Covered California is working to meet and exceed its goals, while at the same time planning for lower enrollment by developing budgets that can be adjusted and constantly adjusting its marketing, outreach and operations as needed based on new information and experience.



# Major Activities 2013 - 2014

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- Evaluate, select, certify and contract with QHP issuers to provide coverage through the individual and SHOP exchanges
- Establish through an external vendor(s) the California SHOP Exchange to serve small employers and their employees
- Refine and implement an aggressive marketing, outreach, and public education program leading to the first open enrollment period in 2013 and 2014, and annual open enrollment late in 2014 and 2015
- Build out the administrative and operational infrastructure
- Refine, test and bring online CalHEERS
- Continue to actively collaborate with state partner agencies administering public coverage programs and regulating health insurance markets to maximize coordination and integration of existing and newly developing health coverage programs, consumer services and oversight functions
- Implement a multi-year strategy for evaluation and monitoring of Exchange programs and implementation of federal health reforms in the state
- Maintain and enhance operational coordination, financial management support and business operations in service of the mission and functions of Covered California

# Operational Principles

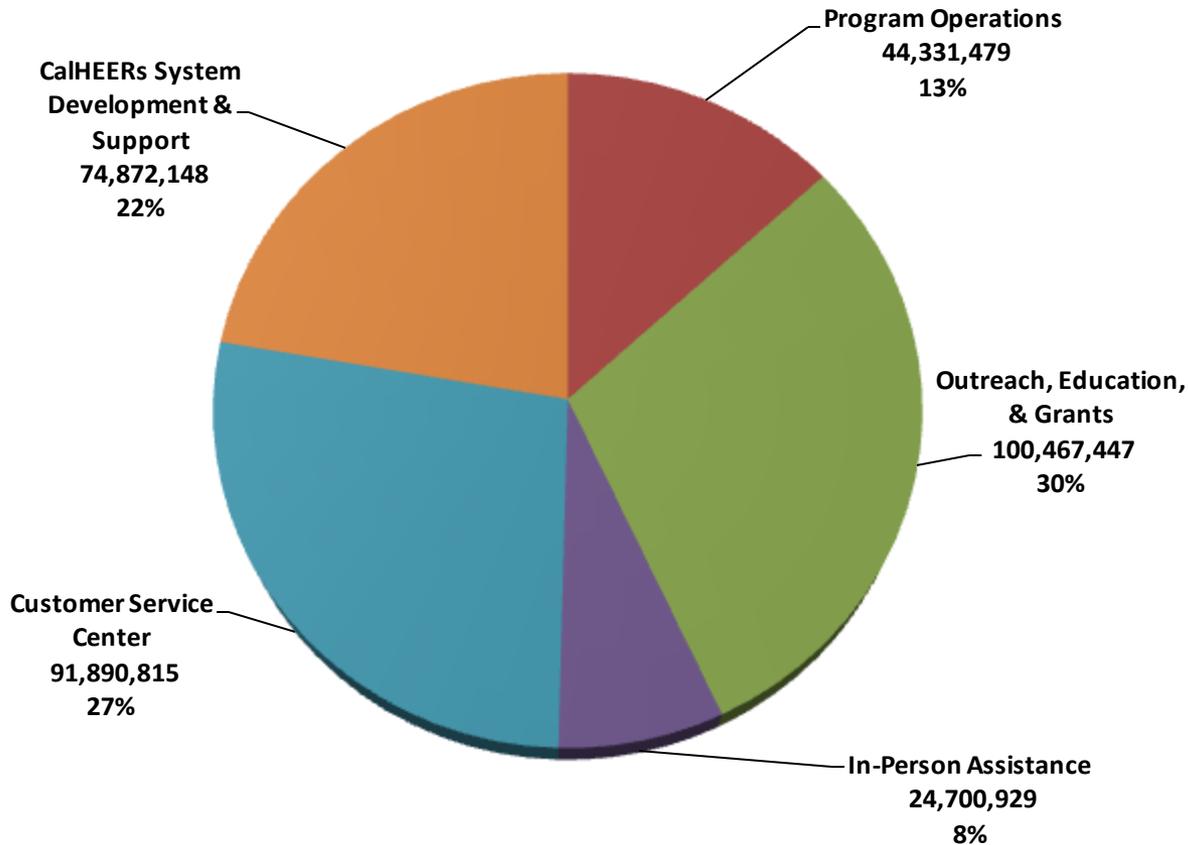
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- Seek the highest value for the lowest cost
- Distinguish one-time development efforts and costs from ongoing costs
- Plan for variances
- Embrace interdependence and partnerships
- Evidence-based planning: Test, verify and adjust

# Planned Enrollment & Operating Budget

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected	\$ -	\$ 4,593,636,060	\$ 8,606,230,770	\$ 12,078,402,954	\$ 15,369,903,069
Members	0	1,058,791	1,602,078	2,002,972	2,319,902
FTEs - Program Operations (Ex. Service Center)	269	292	292	292	292
FTEs - Service Center	530	860	761	761	761
<b>Revenue</b>					
HHS Establishment Grant 1.1-1.2 Funds	\$ 71,952,038	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	287,911,102	380,611,117	-	-	-
Plan Assessment Revenue	-	183,745,442	258,186,923	301,960,074	307,398,061
<b>Total Revenue</b>	<b>\$ 359,863,140</b>	<b>\$ 564,356,559</b>	<b>\$ 258,186,923</b>	<b>\$ 301,960,074</b>	<b>\$ 307,398,061</b>
Plan Assessment %	-	4.00%	3.00%	2.50%	2.00%
<b>Total Expenses</b>					
Program Operations	49,325,542	50,480,822	44,331,479	46,235,954	47,352,742
Outreach, Education, & Grants	88,652,963	130,009,207	100,467,447	98,945,760	98,945,760
In-Person Assistance	17,522,532	31,738,170	24,700,929	25,346,554	25,346,554
Customer Service Center	87,587,637	102,100,905	91,890,815	91,890,815	91,890,815
CalHEERs System Development & Support	142,620,714	80,948,064	74,872,148	62,971,059	53,023,364
<b>Subtotal Expenses</b>	<b>385,709,387</b>	<b>395,277,168</b>	<b>336,262,817</b>	<b>325,390,141</b>	<b>316,559,234</b>
Allocated Cost Offsets	(25,846,247)	(14,666,052)	(21,325,519)	(18,414,912)	(15,996,899)
<b>Total Operating Cost</b>	<b>\$ 359,863,140</b>	<b>\$ 380,611,117</b>	<b>\$ 314,937,298</b>	<b>\$ 306,975,230</b>	<b>\$ 300,562,335</b>
Expense PMPM			17.63	13.14	10.85
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 183,745,442</b>	<b>\$ (56,750,375)</b>	<b>\$ (5,015,156)</b>	<b>\$ 6,835,727</b>
Year-end Reserve Balance	\$ -	\$ 183,745,442	\$ 126,995,068	\$ 121,979,912	\$ 128,815,639
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 77,000,000	\$ 77,000,000	\$ 77,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ 106,745,442</b>	<b>\$ 49,995,068</b>	<b>\$ 44,979,912</b>	<b>\$ 51,815,639</b>

# Budget by Expense Category - 2015



Total Expenses: \$336,262,817

# Program Operations

- Infrastructure and support activities to support operational functions of Covered California such as:
  - Support selection and oversight of qualified health plans
  - Finance and Administration
  - Program Policy and Oversight
  - Eligibility and Enrollment
  - Legal
  - Government Relations
  - Small Business Health Options Program
  - Information Technology (does not include CalHEERS)
- Includes all staff except those in Service Center

	2013	2014	2015
Budget	\$49,325,542	\$50,480,822	\$44,331,479
% of Spending	13%	13%	13%

# In-person Assistance & Navigator Programs

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- Assistance delivered through trusted and known channels will be critical to building a culture of coverage to ensure as many consumers as possible enroll in and retain affordable health insurance.
- The need for assistance will be high during the early years, with some estimates ranging from 50% to 75% of applicants needing assistance to enroll.
- The in-person assisters and navigators will be trained, certified and registered with the Exchange in order to enroll consumers in Exchange products and programs.

	2013	2014	2015
Budget	\$17,522,532	\$31,738,170	\$24,700,929
% of Spending	5%	8%	7%

# Customer Service Center

- The Service Center will respond to general inquiries, provide assistance with enrollment, support retention and help those who enroll in Covered California
- Estimate 850 State staff for the period from initial implementation in 2013 through December 31, 2014
- A significant share of staff will be hired as permanent intermittent staff to accommodate fluctuations in demand between open enrollment periods and other times of the year
- Current plans call for staff to be located in 3 separate facilities:
  - The main facility will be in Sacramento
  - A secondary facility targeted for southern/central California
  - A third facility will be located at a County-based site

	2013	2014	2015
Budget	\$87,587,637	\$102,100,905	\$91,890,815
% of Spending	23%	26%	27%

# CalHEERS

## System Development & Support

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- The Exchange has been engaged from its inception in rigorous analysis and system design to develop the information technology (IT) capacity to make eligibility and enrollment as easy as possible for consumers to support Exchange functionality and operations.
- The Exchange has been engaged through active partnership with the state agencies administering California's other state health care programs, the Department of Health Care Services and the Managed Risk Medical Insurance Board.
- The CalHEERS project is governed by an Executive Steering Committee that represents each of the participating agencies and has guided the project through the procurement process.
- CalHEERS is now in the design phase and during the period of the Level 2.0 grant will continue through design, testing and operational phases.
- The Exchange IT solution will be developed in conformance to HHS guidance and requirements.

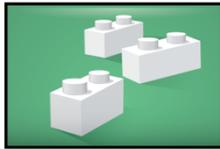
	2013	2014	2015
Budget	\$142,620,714	\$80,948,064	\$74,872,148
% of Spending	37%	20%	22%

# Outreach and Marketing

- Maximize the enrollment of uninsured Californians:
  - Provide a one-stop marketplace for affordable, quality health care options and health insurance information
  - Educate Californians to understand the benefits of coverage
  - Encourage insured Californians to retain their coverage
  - Ensure the availability of affordable health insurance coverage for all eligible Californians
- Ultimately, the goal is to have every eligible Californian get health insurance coverage

	2013	2014	2015
Budget	\$88,652,963	\$130,009,207	\$100,467,447
% of Spending	23%	33%	30%

# Covered California Marketing & Outreach Phases



## PHASE I

Build Out

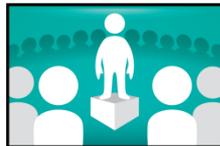
September - December 2012



## PHASE V

Get Ready, Get Set...  
Enroll!

August - December 2014



## PHASE II

Consumer Outreach  
& Education

The Benefits of Coverage & "It's Coming"  
January - July 2013



## PHASE VI

Retention & Special  
Enrollment

January - July 2015



## PHASE III

Get Ready, Get Set...  
Enroll!

August 2013 - March 2014



## PHASE VII

Get Ready, Get Set...  
Enroll!

August - December 2015



## PHASE IV

Retention & Special  
Enrollment

April - July 2014

# Covered California's Primary Targets

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- The primary target of marketing and outreach efforts of Covered California are the more than 5.3 million California residents as of 2014:
  - 2.6 million who qualify for subsidies in Covered California; and
  - 2.7 million who do not qualify for subsidies but now benefit from guaranteed coverage and can enroll inside or outside of Covered California.
- Covered California's marketing and outreach effort will reach nearly every Californian – almost 38 million residents – with a positive message on new insurance options and proactive personal health care.
- There are an additional 2.4 million Californians who will be newly eligible for Medi-Cal.

# Covered California's Annual Enrollment Goals

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- By 2015:
  - Enrollment of 1.4 million Californians in subsidized coverage in Covered California or enrolling in the marketplace without subsidies
- By 2016:
  - Enrollment of 1.9 million Californians in subsidized coverage in Covered California or enrolling in the marketplace without subsidies
- By 2017:
  - Enrollment of 2.3 million Californians in subsidized coverage in the marketplace or enrolling in the marketplace without subsidies

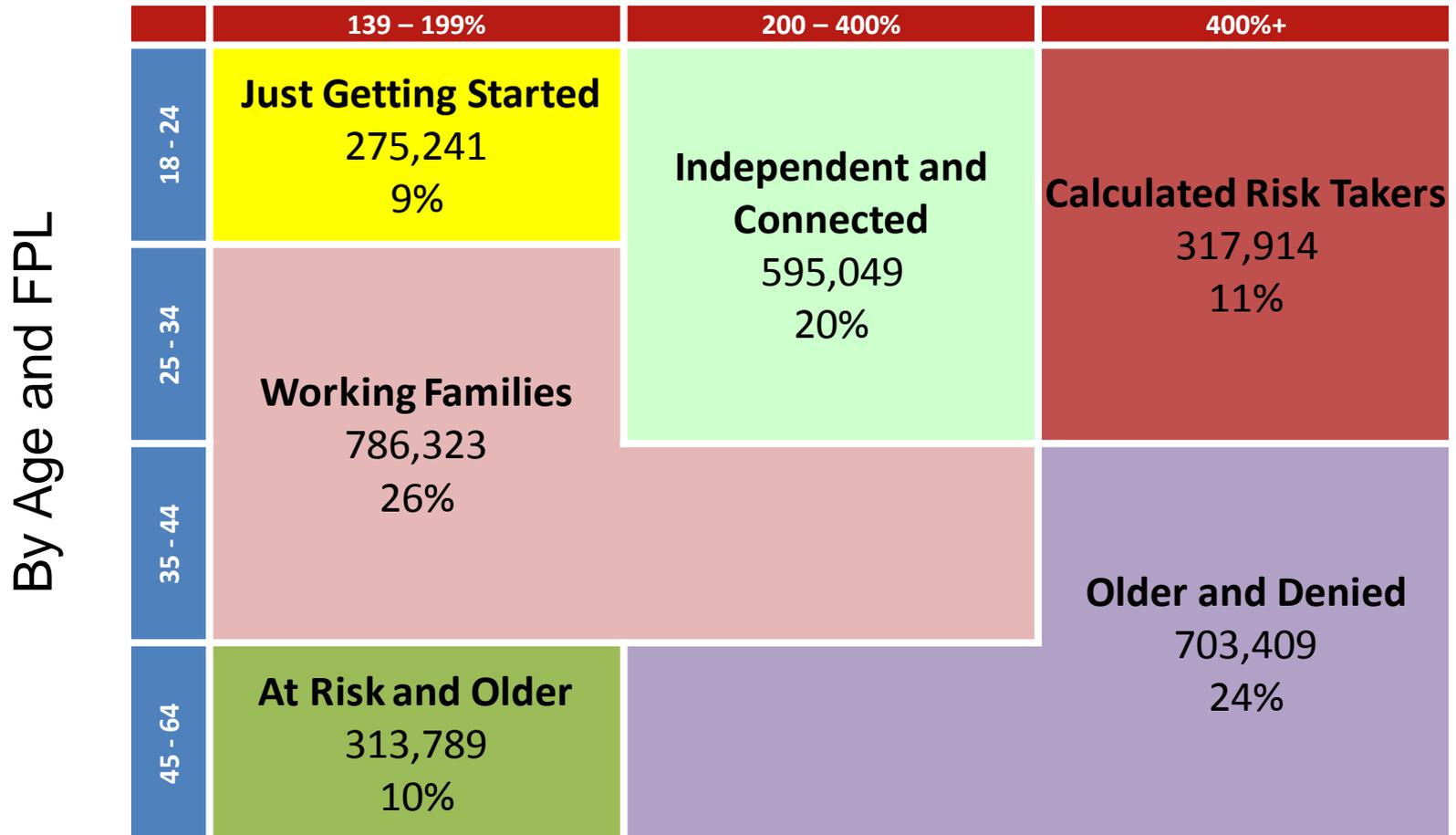
# Marketing & Outreach

## To Reach Target Audiences

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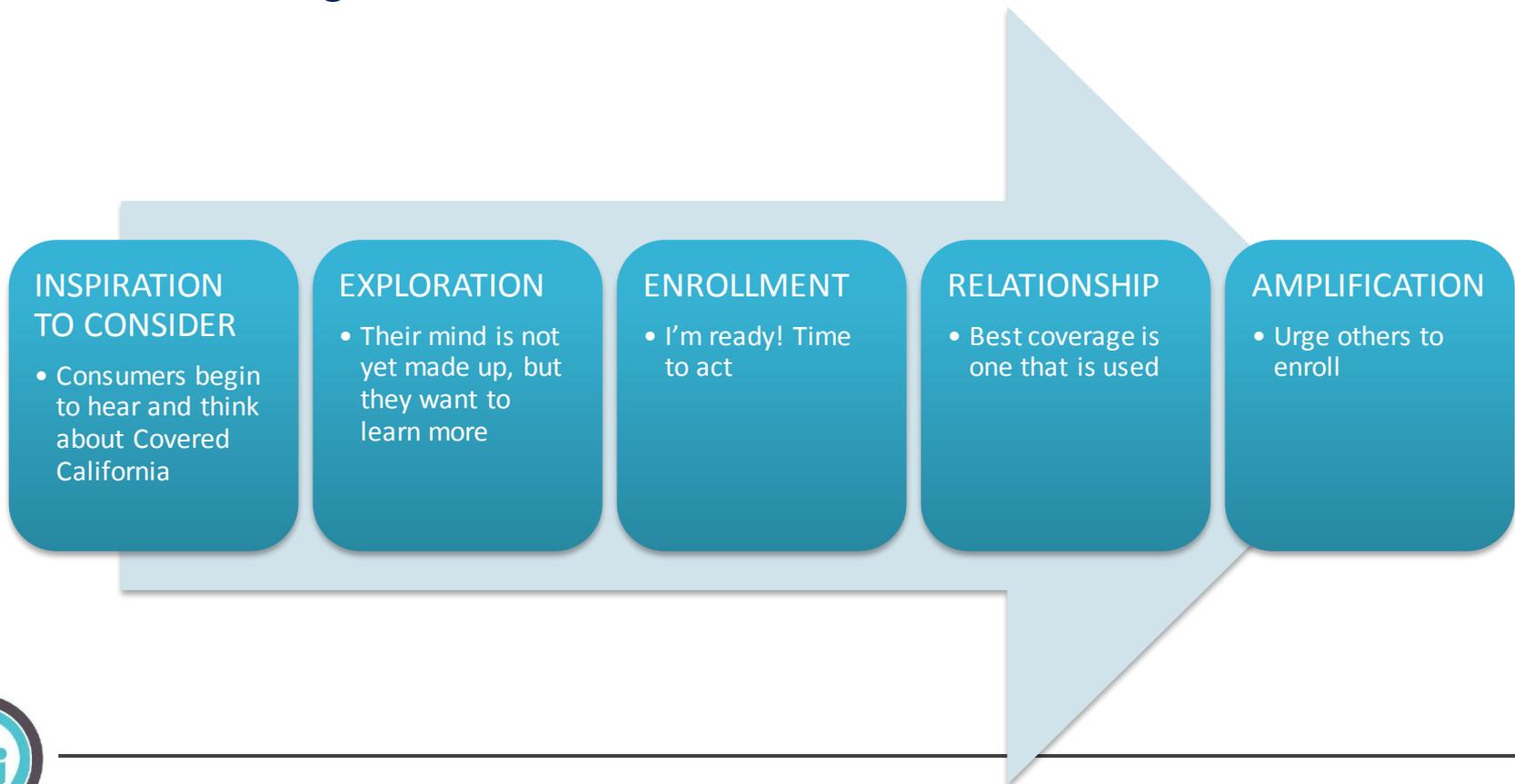
- Annual enrollment goals are the highest in the nation
- Covered California's eligible population is diverse culturally, by age, gender, marital and employment status and number of children at home
- California's media markets are larger and more expensive than any other state
  - California has two of the top 10 Nielson-ranked Designated Market Areas (DMAs) (Los Angeles ranks #2 in the nation and San Francisco/Oakland/San Jose rank #6)
  - California is the only state that has three markets in the top 20 DMAs, including Sacramento/Stockton/Modesto (#20)
  - Efforts need to be translated into at least 13 languages
- 58 counties, large rural and urban areas, extensive coordination with state and local agencies needed

# Covered California's Target Segments



# The Customer Journey

In developing its media and outreach strategy, Covered California considered each Californian's journey towards health coverage.



# The Strategy – Surrounding the Audiences with Messages and Motivation

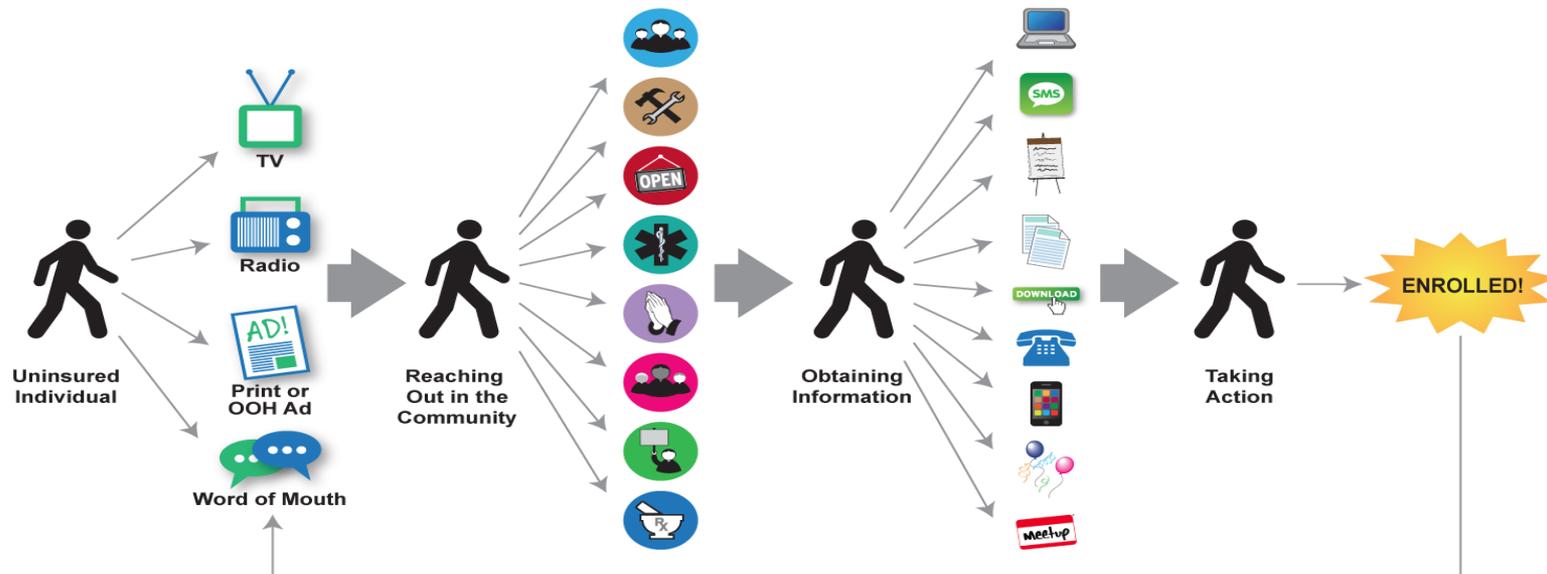
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*Covered California's overall strategic approach is to surround the various target audiences with messages and calls-to-action where they live, learn, work, worship and play.*

- Building-up awareness and education of Covered California through an integrated multi-channel program, will significantly increase the effectiveness of the grass roots efforts, PR and community outreach programs used to engage and enroll
- Covered California will leverage paid, earned and owned channels to achieve these objectives:
  - Create a brand that consumers can identify with and grow to trust
  - Mobilize communities through grants to educate and create awareness in their area
  - Create one-on-one opportunities to assist those needing information and/or wanting to enroll
  - Retain consumers once enrolled and activate them to promote and advocate among their communities, families and friends

# Covered California's Multi-Channel Approach

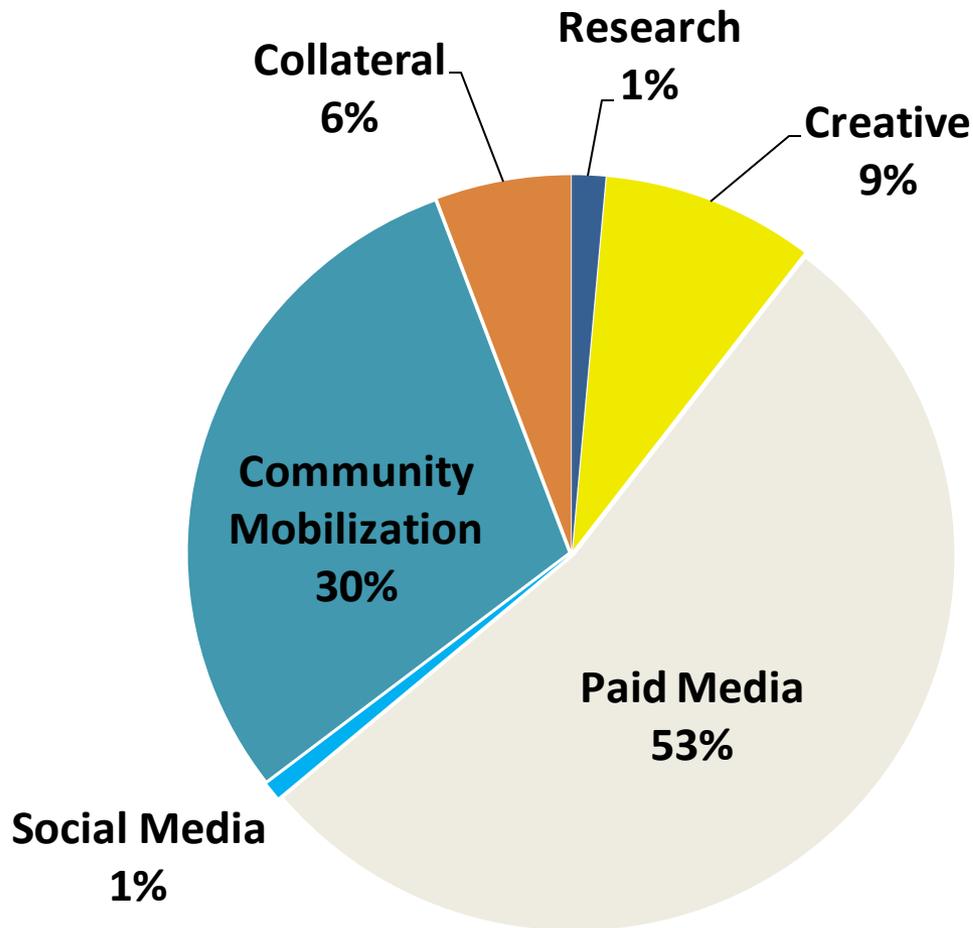
Educating and engaging through a comprehensive integrated multi-channel campaign program that ultimately drives to enrollment and word of mouth promotion.



# Marketing, Outreach & Education Budget

	2013	2014	2015
Research	\$2,900,719	\$2,165,181	\$1,521,687
Creative	\$8,327,474	\$16,063,145	\$14,664,561
Paid Media	\$33,309,897	\$64,252,579	\$58,658,243
Social Media	\$952,500	\$1,063,000	\$1,043,790
Community Mobilization	\$34,945,804	\$38,306,425	\$20,025,000
Collateral	\$8,216,569	\$8,158,877	\$4,554,166
<b>TOTAL</b>	<b>\$88,652,963</b>	<b>\$130,009,207</b>	<b>\$100,467,447</b>
<b>TOTAL Cost Per Target</b>	<b>\$16.83</b>	<b>\$24.72</b>	<b>\$18.91</b>

# Covered California 2014 Marketing and Outreach Mix



# Paid Media

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- Paid media is designed to reach broad and targeted audiences in urban and rural markets across the state.
- Will target all multicultural channels and allow messages in 13 threshold languages.
- Paid media has a “halo” effect on all aspects of the outreach and education program, improving performance in those areas.

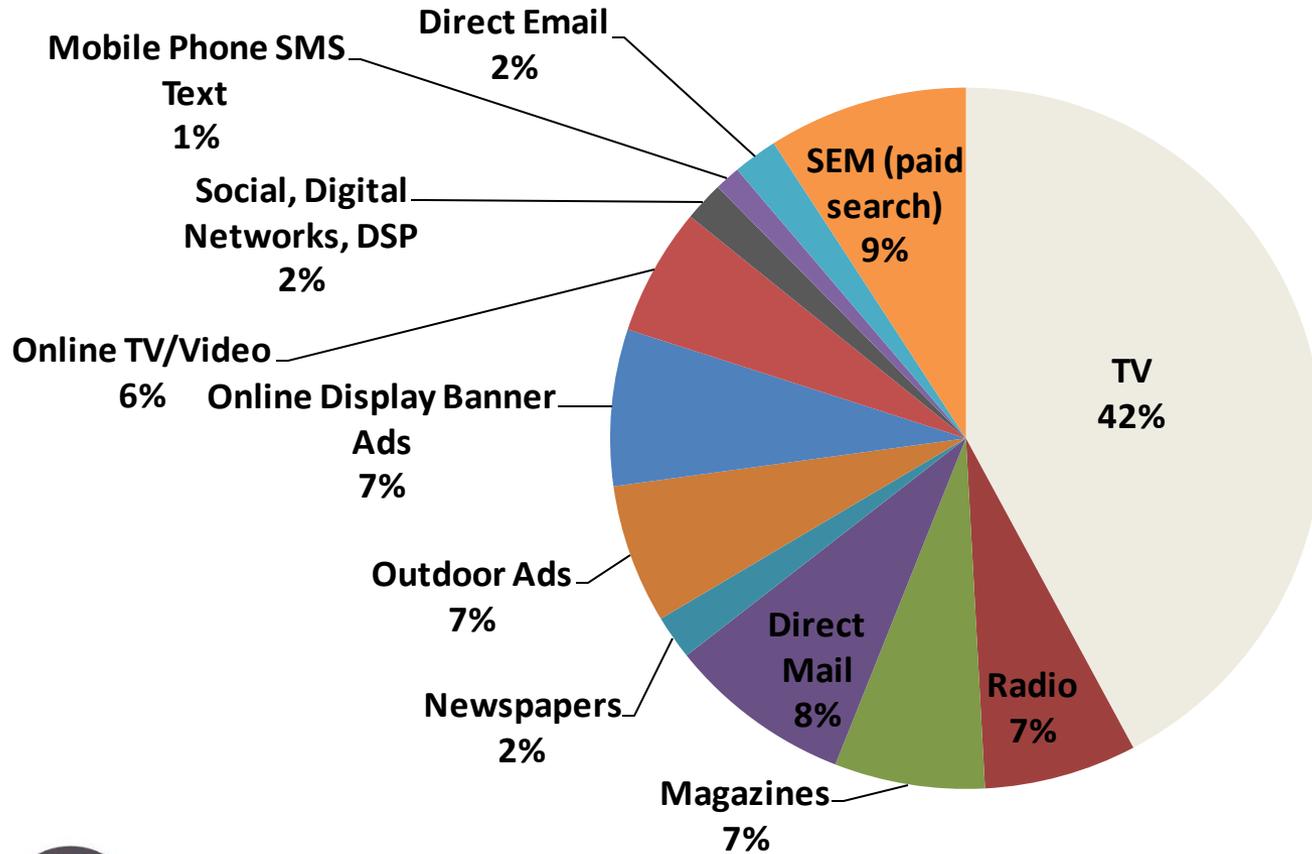
	2013	2014	2015
Paid Media	\$33,309,897	\$64,252,579	\$58,658,243
Cost Per Target	\$4.87	\$14.42	\$16.20

# Approach to Paid Media

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- Research and segment target audiences
- Evaluate media consumption by segment
- Develop integrated media plan to reach largest percentage of targeted consumers
- Budgeting to touch target audience almost 5 times each
- Ongoing evaluations and adjustments

# Paid Media Channel Mix 2013 - 2014



# Community Mobilization

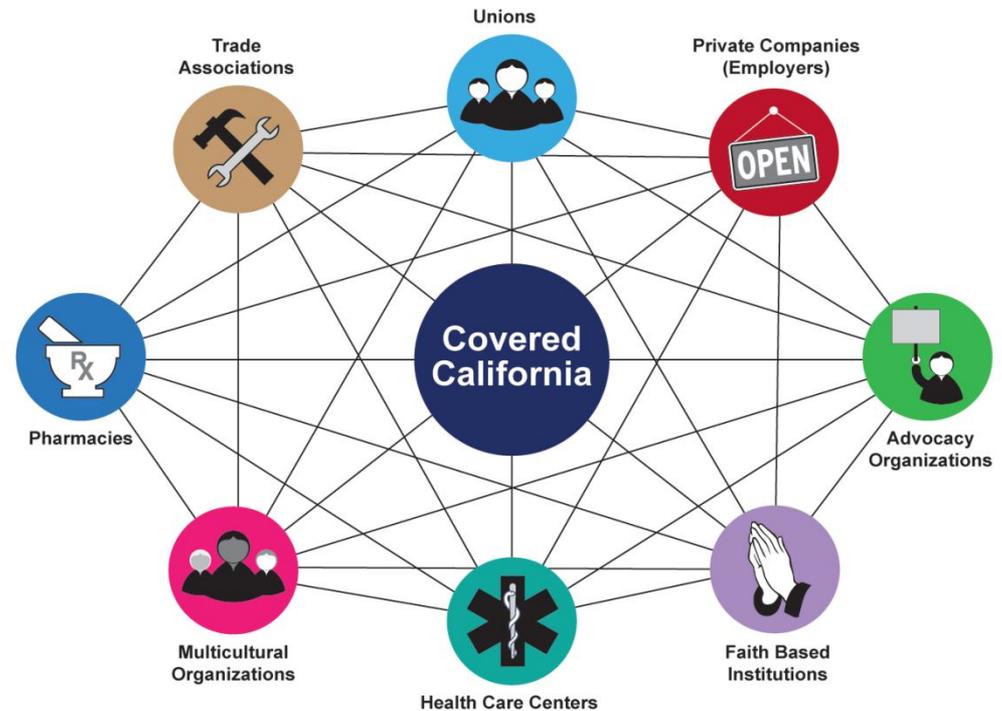
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- Extending paid media through grassroots public relations, media relations and community outreach.
  - Community-based grants program, funded at \$43M over 2013-2014
  - Mobilizing and Educating key influencers
  - Launching key milestone events
  - Establishing market driven partnerships
  - Managing educational outreach and enrollment

	2013	2014	2015
Community Mobilization	\$34,945,804	\$38,306,425	\$20,025,000
Cost Per Target	\$7.80	\$8.02	\$4.60

# Community Mobilization

- Providing a stakeholder engagement framework for our Community Based grants and In-person Assisters program to reach strategic points of entry where people “live, work, shop, and play.”



# Outreach and Grant Timeline

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- Cycle 1
  - Grant application release: December 21, 2012
  - Grant applications due: February 8, 2013
  - Award: March 22, 2013
- Cycle 2
  - Grant application release: April 13, 2013
  - Grant applications due: May 15, 2013
  - Award: June 7, 2013

# Retention Strategies

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In partnership with the plans, develop and implement a retention strategy to reduce churn and increase customer loyalty

- Methodology
  - Over time develop models to maximize retention
  - Develop a communications plan with proper messaging in concert with the plans
  - Leverage existing communications vehicles being utilized by the plans
- Measurement
  - Retention will be measured within targeted segments compared to control groups
  - Retention will be measured in relations to individual plans as well as through Covered California
- Budget
  - Will be determined in consultation with the various participating plans

# Cost per Acquisition Comparisons

Reference	Cost Per Acquisition	Notes
Covered California	\$151	Cost based on “enhanced” level of enrollment (does not include assisters or Service Center Costs)
Mass. Connector	\$148	Based on state marketing and combined state and foundation community-based outreach support; initial four years spending (2006-2010).
Healthy Families	\$97	First three years of marketing and outreach (including assisters’ payments at approx. \$15 per all enrolled).
California Health Plan 1	\$200-\$350	Marketing/acquisition costs for individual market in California (excluding agents commissions; different channels).
California Health Plan 2	\$350-\$550	Marketing/acquisition costs for individual market in California (excluding agents commissions; different channels).

# Planning for Uncertainty: Budget Alternatives for the Individual Exchange

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- The planning framework for the Exchange is to build operations and budgets that can be prudently scaled up or down based on variations in enrollment. Major planning considerations include:
  - Targeted a minimum of three months operating as a reserve balance
  - Additional revenues to be generated not reflected in working budgets
    - Plan assessment on non-Exchange QHP enrollment (at 50% of the in-Exchange rate)
    - Plan assessment for supplemental benefits (vision and dental)
- Minimize the initial plan participation fee to promote affordability
- If enrollment is lower than planned:
  - Plan participation fees would either decrease at a slower rate or even possibly increase
  - Incremental expenses would be decreased (e.g., payments for in-person assistance and staffing of the Service Center)
  - Discretionary expenses would be adjusted based on the information of what did and did not work most effectively in prior years (e.g., outreach and marketing)

# Planned Enrollment & Operating Budget

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<b>Key Variables</b>					
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# Operating Budget under Base Enrollment

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected	\$ -	\$ 3,245,139,082	\$ 5,962,323,790	\$ 8,226,038,880	\$ 10,633,812,599
Members	0	747,975	1,106,088	1,361,699	1,605,903
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Plan Assessment Revenue	-	129,805,563	238,492,952	267,346,264	265,845,315
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Program Operations	49,325,542	50,015,577	43,481,363	45,081,545	46,198,333
Outreach, Education, & Grants	88,652,963	130,009,207	80,373,958	79,156,609	79,156,609
In-Person Assistance	17,522,532	31,738,170	19,802,604	20,224,904	20,224,904
Customer Service Center	87,587,637	102,100,905	74,938,563	74,290,841	74,887,129
CalHEERs System Development & Support	142,620,714	80,948,064	74,872,148	62,971,059	53,023,364
<b>Subtotal Expenses</b>	<b>385,709,387</b>	<b>394,811,923</b>	<b>293,468,636</b>	<b>281,724,958</b>	<b>273,490,339</b>
Allocated Cost Offsets	(25,846,247)	(14,666,052)	(21,325,519)	(18,414,912)	(15,996,899)
<b>Total Operating Cost</b>	<b>\$ 359,863,140</b>	<b>\$ 380,145,872</b>	<b>\$ 272,143,116</b>	<b>\$ 263,310,046</b>	<b>\$ 257,493,439</b>
Expense PMPM			21.99	16.55	13.43
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 129,805,563</b>	<b>\$ (33,650,165)</b>	<b>\$ 4,036,218</b>	<b>\$ 8,351,876</b>
Year-end Reserve Balance	\$ -	\$ 129,805,563	\$ 96,155,399	\$ 100,191,616	\$ 108,543,492
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 70,000,000	\$ 70,000,000	\$ 70,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ 52,805,563</b>	<b>\$ 26,155,399</b>	<b>\$ 30,191,616</b>	<b>\$ 38,543,492</b>

# Operating Budget under Low Enrollment

## Key Variables

	2013	2014	2015	2016	2017
Premium Collected	\$ -	\$ 1,425,594,396	\$ 3,448,885,352	\$ 5,886,535,461	\$ 8,390,685,455
Members	0	326,393	698,530	1,050,886	1,284,723
FTEs - Program Operations (Ex. Service Center)	269	292	247	246	244
FTEs - Service Center	530	860	253	327	376

## Revenue

HHS Establishment Grant 1.1-1.2 Funds	\$ 71,952,038	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	287,911,102	379,518,111	-	-	-
Plan Assessment Revenue	-	57,023,776	224,177,548	264,894,096	230,743,850
<b>Total Revenue</b>	<b>\$ 359,863,140</b>	<b>\$ 436,541,887</b>	<b>\$ 224,177,548</b>	<b>\$ 264,894,096</b>	<b>\$ 230,743,850</b>
Plan Assessment %	-	4.00%	6.50%	4.50%	2.75%

## Total Expenses

Program Operations	49,325,542	49,387,816	36,990,265	38,791,752	39,747,639
Outreach, Education, & Grants	88,652,963	130,009,207	70,327,213	69,262,032	69,262,032
In-Person Assistance	17,522,532	31,738,170	17,326,854	19,370,904	19,370,904
Customer Service Center	87,587,637	102,100,905	58,822,852	63,602,547	66,833,771
CalHEERs System Development & Support	142,620,714	80,948,064	74,872,148	62,971,059	53,023,364
<b>Subtotal Expenses</b>	<b>385,709,387</b>	<b>394,184,162</b>	<b>258,339,331</b>	<b>253,998,294</b>	<b>248,237,710</b>
Allocated Cost Offsets	(25,846,247)	(14,666,052)	(20,990,997)	(18,070,354)	(15,642,005)
<b>Total Operating Cost</b>	<b>\$ 359,863,140</b>	<b>\$ 379,518,111</b>	<b>\$ 237,348,334</b>	<b>\$ 235,927,940</b>	<b>\$ 232,595,705</b>
Expense PMPM			33.16	20.72	15.38
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 57,023,776</b>	<b>\$ (13,170,786)</b>	<b>\$ 28,966,155</b>	<b>\$ (1,851,855)</b>

Year-end Reserve Balance	\$ -	\$ 57,023,776	\$ 43,852,990	\$ 72,819,145	\$ 70,967,290
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ (19,976,224)</b>	<b>\$ (16,147,010)</b>	<b>\$ 12,819,145</b>	<b>\$ 10,967,290</b>

# Small Business Health Options Program

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- California is creating a separate exchange to serve small businesses and their employees, the Small Business Health Options Program (SHOP).
- The Exchange has undertaken a solicitation for a qualified vendor to administer the California SHOP and support its business functions.
- The vendor will be responsible for:
  - Sales support and fulfillment
  - Agent and general agent management
  - Eligibility and enrollment
  - Financial management
  - Customer service
  - Information technology services (optional)

# SHOP - Planned Enrollment & Operating Budget

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected (Year End)	\$ -	\$ 325,448,471	\$ 791,471,441	\$ 1,221,258,887	\$ 1,712,164,782
Members (Year End)	0	96,000	161,000	218,000	280,333
FTEs (Year End)	7	7	7	7	7
<b>Revenue</b>					
HHS Establishment Grant 1.1-1.2 Funds	\$ -	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	15,642,039	21,203,227	-	-	-
Plan Assessment	-	13,017,939	25,722,822	30,531,472	29,962,884
<b>Total Revenue</b>	<b>15,642,039</b>	<b>34,221,166</b>	<b>25,722,822</b>	<b>30,531,472</b>	<b>29,962,884</b>
<i>Plan Assessment %</i>		4.00%	3.25%	2.50%	1.75%
<b>Collected for Commissions*</b>		<b>17,574,217</b>	<b>42,739,458</b>	<b>65,947,980</b>	<b>82,183,910</b>
<b>Total Revenue and Collected Commissions</b>	<b>15,642,039</b>	<b>51,795,383</b>	<b>68,462,280</b>	<b>96,479,452</b>	<b>112,146,793</b>
<b>Total Expenses</b>					
Program Operations	11,142,039	14,703,227	15,255,607	15,693,663	16,135,054
Marketing	3,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Partnerships	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>Subtotal Expenses</b>	<b>15,642,039</b>	<b>21,203,227</b>	<b>21,755,607</b>	<b>22,193,663</b>	<b>22,635,054</b>
<b>Allocated Cost Offsets</b>					
Program Operations and Administrative			2,593,082	2,657,747	2,726,658
CalHEERs System Development & Support			5,241,050	4,407,974	3,711,635
<b>Subtotal Allocated Cost Offsets</b>	<b>-</b>	<b>-</b>	<b>7,834,133</b>	<b>7,065,721</b>	<b>6,438,294</b>
<b>Total Operating Cost</b>	<b>15,642,039</b>	<b>21,203,227</b>	<b>29,589,740</b>	<b>29,259,384</b>	<b>29,073,348</b>
<i>Expense PMPM</i>			18.01	12.39	9.42
<b>Commissions Expense</b>	<b>-</b>	<b>17,574,217</b>	<b>42,739,458</b>	<b>65,947,980</b>	<b>82,183,910</b>
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 13,017,939</b>	<b>\$ (3,866,918)</b>	<b>\$ 1,272,088</b>	<b>\$ 889,536</b>
Year-end Reserve Balance	\$ -	\$ 13,017,939	\$ 9,151,022	\$ 10,423,110	\$ 11,312,646
Minimum Target Year-End Balance (3 months)	\$ -	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000
<b>Difference - Surplus (Gap from 3 months minimum)</b>	<b>\$ -</b>	<b>\$ 4,017,939</b>	<b>\$ 151,022</b>	<b>\$ 1,423,110</b>	<b>\$ 2,312,646</b>

\* Collected commissions assumes 1) 80% of premiums are agent-managed, 2) commission rates of 6% for agent commissions and 1.5% for general agent commissions applied to 50% of the agent-managed business.

# Planning for Uncertainty: Small Business Health Options Program

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- As with the Individual Exchange, the planning for the Small Business Health Options Programs is designed around operations and budgets that can be scaled up or down based on variations in enrollment. Major planning considerations include:
  - The Exchange is planning for SHOP operations and budget to be self-sustaining and independent of the Individual Exchange
  - Allocating an appropriate portion of Exchange overhead to the management of the SHOP
  - Targeted a minimum of three months operating as a reserve balance
  - Minimize the initial plan participation fee to promote affordability
  - Provide for support for agents who take role in supporting employer participation in the SHOP program
- If enrollment is lower than planned:
  - Plan participation fees would either decrease at a slower rate or even possibly increase
  - Incremental expenses would be decreased (e.g., payments for vendor administration)
  - Discretionary expenses would be adjusted based on the information of what did and did not work most effectively in prior years (e.g., outreach and marketing)

# Next Steps

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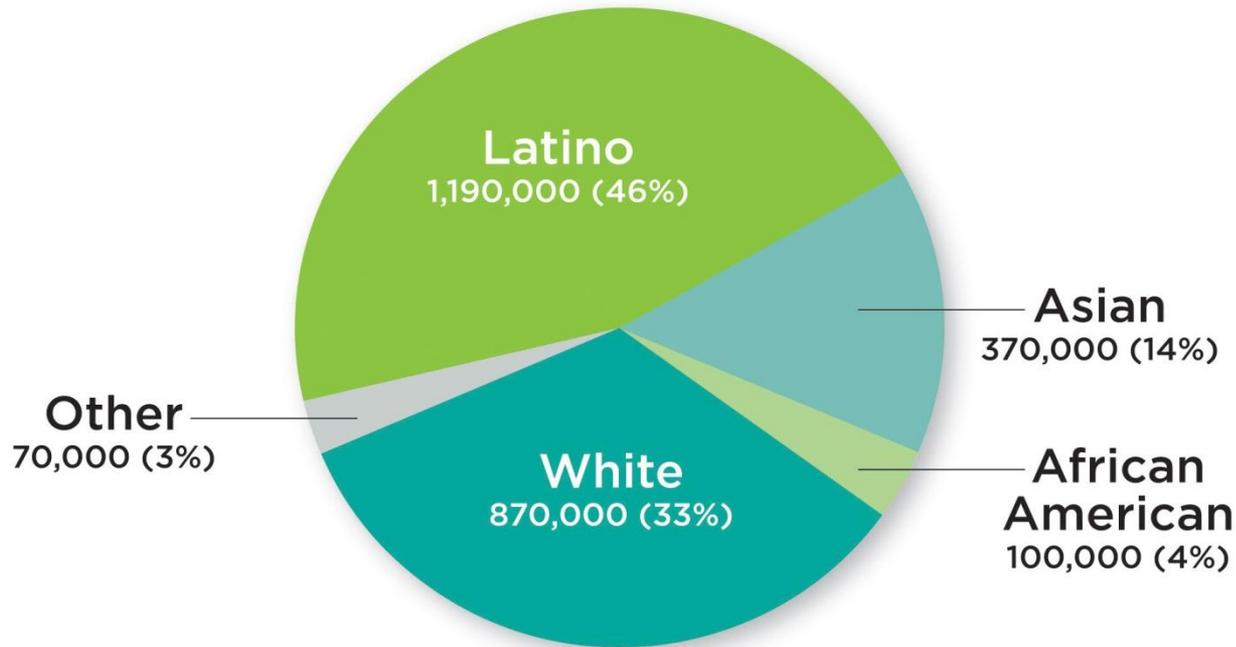
- Questions and Comments
- Submit comments/suggestions to [info@healthexchange.ca.gov](mailto:info@healthexchange.ca.gov) by end of Friday, November 9<sup>th</sup>
- Exchange revise and finalize for presentation to Board on November 14<sup>th</sup>
- Submission of Blueprint and Level 2.0 Request
- Ongoing refinement and implementation

# Appendix

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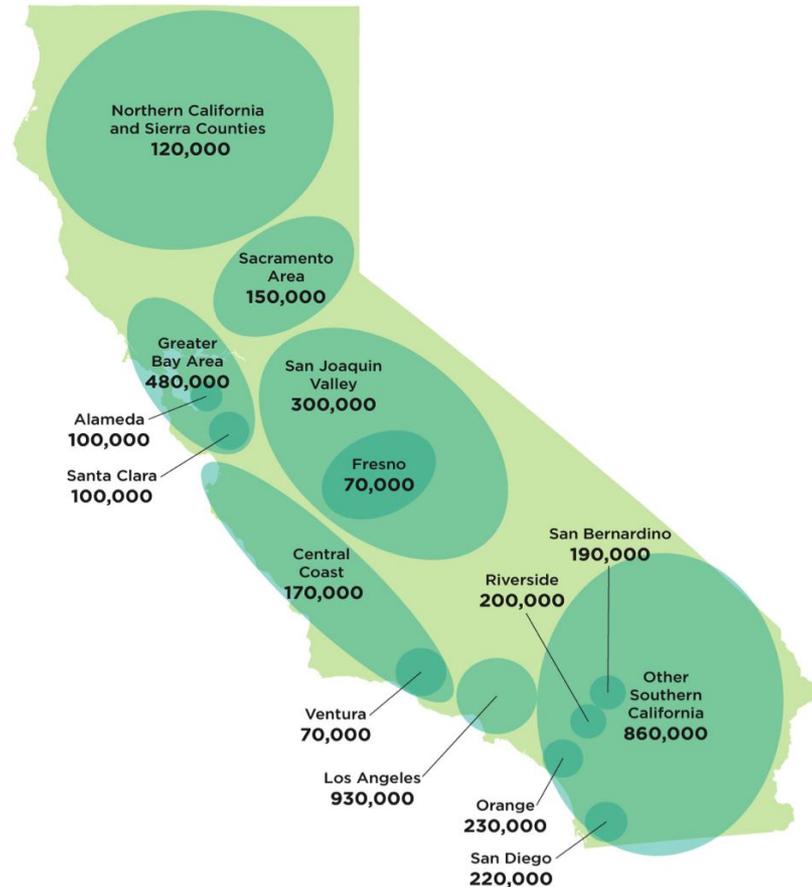
# Ethnic Mix of Exchange Subsidy Eligible Californians

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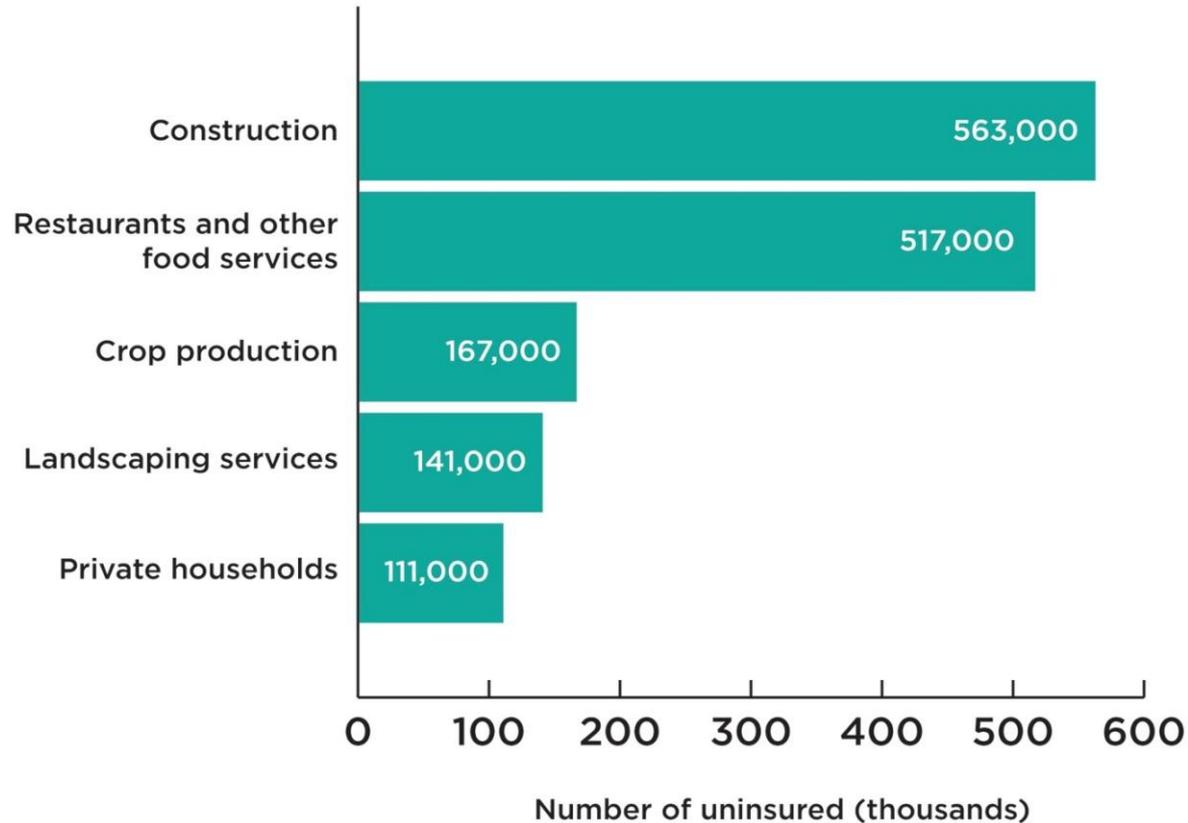
# California's Uninsured Population is Spread Throughout the State

California's expanse, diverse geography and mix of rural and urban areas are unique and present outreach challenges.



# California's Uninsured: Where do they work?

Top Five Employment Sectors with Largest Number of Uninsured



# Research, Measurement and Optimization

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- Measure the effectiveness of all marketing efforts through primary research, customer and media and secondary research
  - Awareness and message testing will be measured through primary research
  - Channel and media optimization
  - Real-time dashboard for tracking and measuring Key Performance Indicators

	2013	2014	2015
Research	\$2,900,719	\$2,165,181	\$1,521,687
Cost Per Target	\$0.53	\$0.38	\$0.30

# Creative, Strategy and Agency Support

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- Creation of all print, electronic, and other marketing tools
- Marketing and media strategy
- Agency support
- Production of all paid media materials
  - Print
  - Digital
  - TV
  - Radio
  - Out of Home

	2013	2014	2015
Creative & Agency Management	\$8,327,474	\$16,063,145	\$14,664,561
Cost Per Target	\$2.40	\$2.43	\$4.05

# Paid Social Media

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- Generate interest and engagement in the social media space, specific to younger target audience by:
  - Developing social media content that can be shared across the media
  - Pushing content to specific cohorts
  - Engaging and educating
  - Tracking and optimizing

	2013	2014	2015
Paid Social Media	\$952,500	\$1,063,000	\$1,043,790
Cost Per Target	\$0.18	\$0.20	\$0.20

# Collateral: Printing and Distributing Materials for Community Distribution

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- Education materials to help raise awareness, increase understanding and motivate action:
  - Work in concert to reinforce key messages
  - Be culturally and linguistically relevant
  - Create easy to understand material (to address literacy and health literacy issues)
  - Provide a clear call-to-action (visit Covered California)
  - Translate materials into 13 languages that will be offered to program partners

	2013	2014	2015
Collateral	\$8,216,569	\$8,158,877	\$4,554,166
Cost Per Target	\$1.55	\$1.54	\$0.86