



FY2014 and FY2015 Administrative Budget Update

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Summary

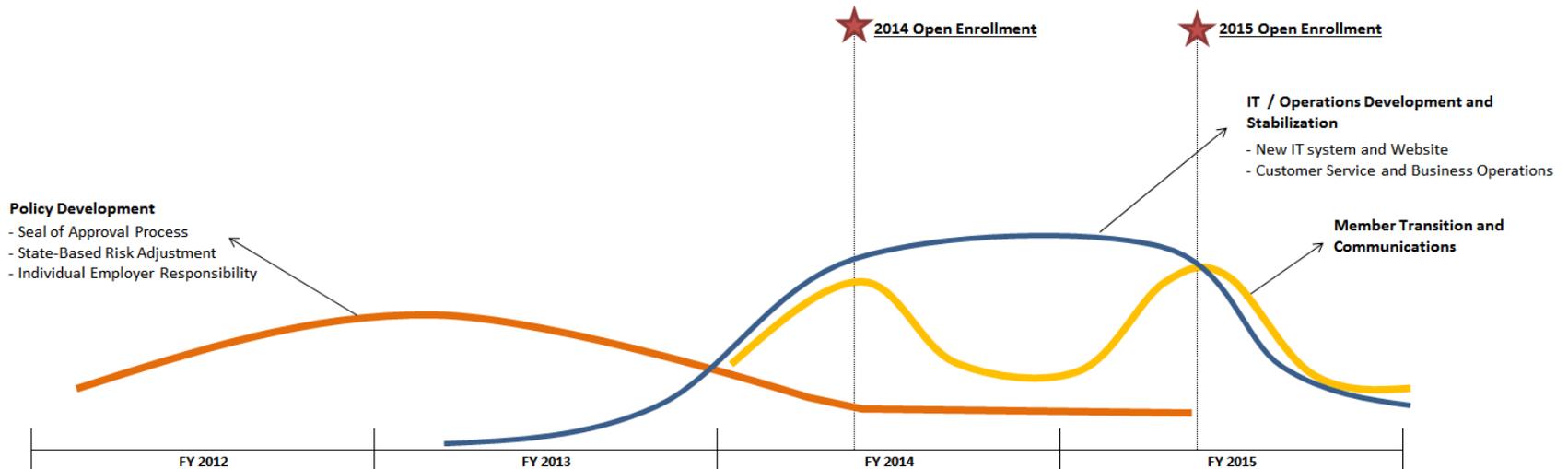


- The Health Connector’s administrative budget for FY14 and FY15 is heavily influenced by ACA transition activities
- Many key accomplishments in our ACA transition effort, including a host of policy and programmatic initiatives, have been delivered. At the same time, because of the difficult IT roll-out, the Health Connector’s work has taken on necessary changes and adjustments. Now, with the “Dual Track” plan, we are taking steady steps towards recovery and future success
- Our administrative budget reflects both the challenges that we have faced and the work we have done to protect coverage and get back on track as an ACA-compliant Marketplace
- Managing our administrative budget to ensure business continuity and our ability to achieve our goals has been and will continue to be a high organizational priority during this critical transition period

ACA Transition Activities

ACA implementation and stabilization activities will continue through FY15, as we complete IT development and member transition.

- IT and operational work has been a major focus throughout FY14 as we work through HIX-related challenges. Our new system is expected to be up and running by Fall 2014 and stabilize through 2015
- Outreach and communications activities were ramped up for the 2014 open enrollment, resulting in a significant enrollment increase in state health coverage programs. We envision another outreach “surge” in the upcoming fall to support member transition through the new functional HIX

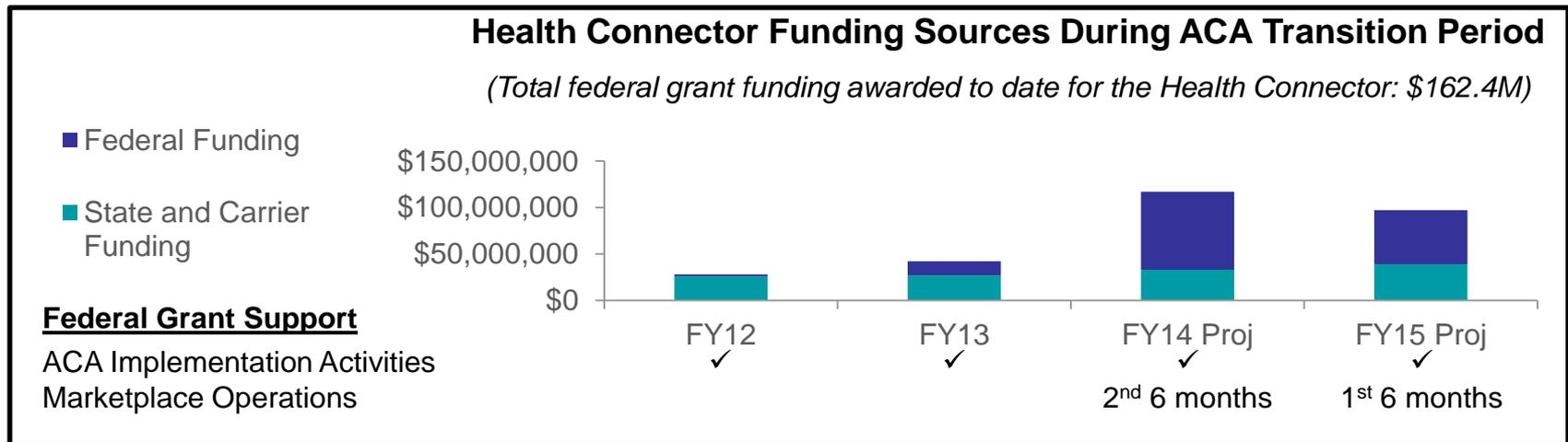


Federal Funding



Federal grant funding, which has been a key source of revenue for the Health Connector since FY13, will phase out in FY15.

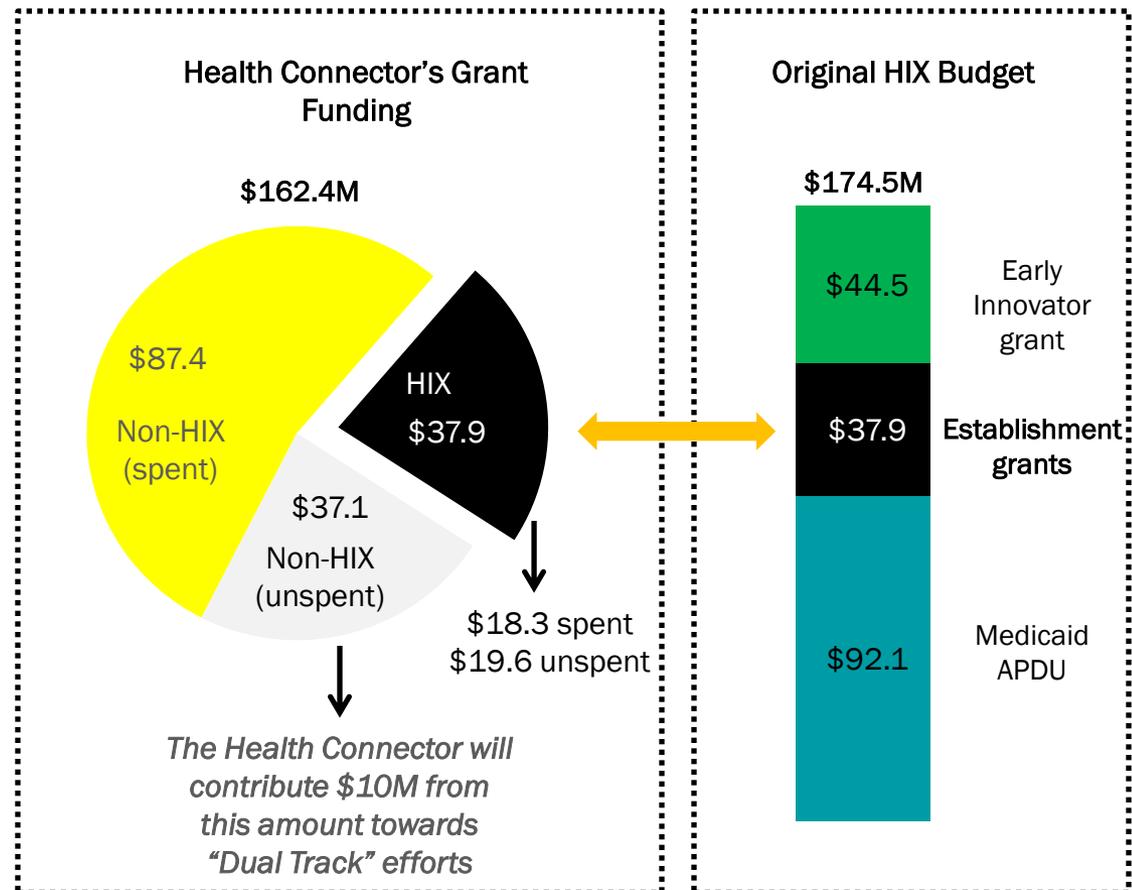
- Supported ACA implementation activities as well as the first year of Marketplace operations, which has allowed us, among others, to temporarily suspend carrier administrative fees for 2014
- Federal funding is expected to phase out after 2014, requiring reliance on traditional Health Connector revenue sources
 - The Health Connector will reinstate carrier fees starting in January 2015 (lower percentage than pre-ACA levels)
 - The Health Connector will continue to receive a state appropriation in order to perform critical public functions of a state-based Marketplace. We anticipate this will decrease as a share of our revenue over time as we gain scale



HIX Revenue and Expense Dynamic

The Health Connector contributes to HIX using federal Exchange Establishment grant funds.

- The original HIX budget (\$174.5M) consisted of funding from several sources
 - All HIX-related vendor contracts were owned by UMass (transitioning to ITD)
 - The Health Connector was responsible for contributing \$37.9M towards HIX
- For FY15, prior to repurposing of funds, the Health Connector had \$37.1M in federal grant funds previously budgeted for non-HIX expenses (e.g., customer service, outreach, personnel)



HIX Revenue and Expense Dynamic (cont'd)



- The Commonwealth will provide an update to the preliminary estimate of \$121M for 2014-2015 Dual Track implementation once negotiations between ITD and Optum for an at-risk, deliverables-based contract have been finalized
- Remaining spending on HIX-related activities will be funded in part by repurposing available funds
 - Material savings (at least \$30M) can be recovered from the original HIX budget shown on the previous slide
 - The Health Connector is contributing \$10M from Establishment grant funds previously budgeted for non-HIX activities to help prioritize HIX implementation (via ITD)
 - Through FY15, the Health Connector will contribute \$47.9M in Establishment grant funds to the HIX project (\$37.9M originally dedicated to HIX-related activities + \$10M repurposed)
- Consistent with the CMS-approved cost allocation methodology, additional funds will be requested through the Medicaid APDU* process

* APDU (Advanced Planning Document Update) is a federal funding mechanism through which Medicaid departments can seek funds to pay for enhancements to their eligibility and enrollment system(s) of which a component is state share.

FY14 Summary



- The Health Connector's original FY14 administrative budget was developed based on the vision of an on-schedule IT launch for 2014 open enrollment, with member transition and operational stabilization largely complete by early 2014
- Actual experience of FY14 was materially different, as a series of critical measures were taken in response to IT challenges starting in late 2013. This included extending Commonwealth Care, establishing temporary Medicaid coverage, adjusting our operations to mitigate IT deficiencies, and transitioning to the Dual Track plan
- While the underlying activities were significantly different, overall spending in FY14 came in similar to originally budgeted estimates. Total expense is approximately \$4.6M higher, largely attributable to costs related to servicing members in the extended Commonwealth Care program
- Because of the need to continue Commonwealth Care and provide support to its members, the state continued to contribute administrative fees for the program during the extension period. As a result, we are able to maintain a breakeven budget position for FY14

FY15 Summary



- FY15 will continue to be a year of ACA transition, with critical tasks and milestones that must be fulfilled in order for the Commonwealth to complete its ACA transition and for the Health Connector to stabilize as an ACA-compliant Marketplace
- From an expense perspective, FY15 presents a number of challenges to the Health Connector's administrative budget:
 - Dual Track implementation is a primary focus and requires significant resources (the Health Connector will contribute an additional \$10M from federal non-HIX grant funds)
 - Related to and influenced by the Dual Track implementation, the Health Connector must maintain strong business operations to support and complement the evolving IT system
 - Another key goal/challenge of FY15 is member transition, as we move Commonwealth Care and other members to their ACA-compliant permanent coverage. Heavy consumer assistance activities are incorporated in our planning

FY15 Summary (cont'd)

- From a revenue perspective,
 - We will continue to leverage available federal grant funds to support FY15 operations - not counting on new funding at this point although we are in discussion with CMS about possible additional support for outreach activities specifically
 - As long communicated, we will reinstate a carrier administrative fee (2.5~3.0% of premium) in calendar year 2015
 - State funding remains a revenue source - funding levels expected for FY15 similar to FY14
- Due to the one-time increased costs of transition activities in FY15, the Health Connector plans to spend approximately \$10M from its reserves for FY15
- We believe that spending from our reserves is an appropriate, one-time measure to provide fiscal protection during this crucial transition period

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Administrative Budget Update

FY2014 Administrative Budget Year-End
Projection

FY14 Overview



- Our original administrative budget projection for FY14 was \$112.9M. Year-end projection of \$117.5M is comparable to budget (\$4.6M higher)
- Similarly, we continue to project a largely “breakeven budget”, predominantly attributable to incremental revenue from state contribution towards Commonwealth Care administration
- Consistent with the original FY14 budget recommendation we have grouped expenses under three distinct categories

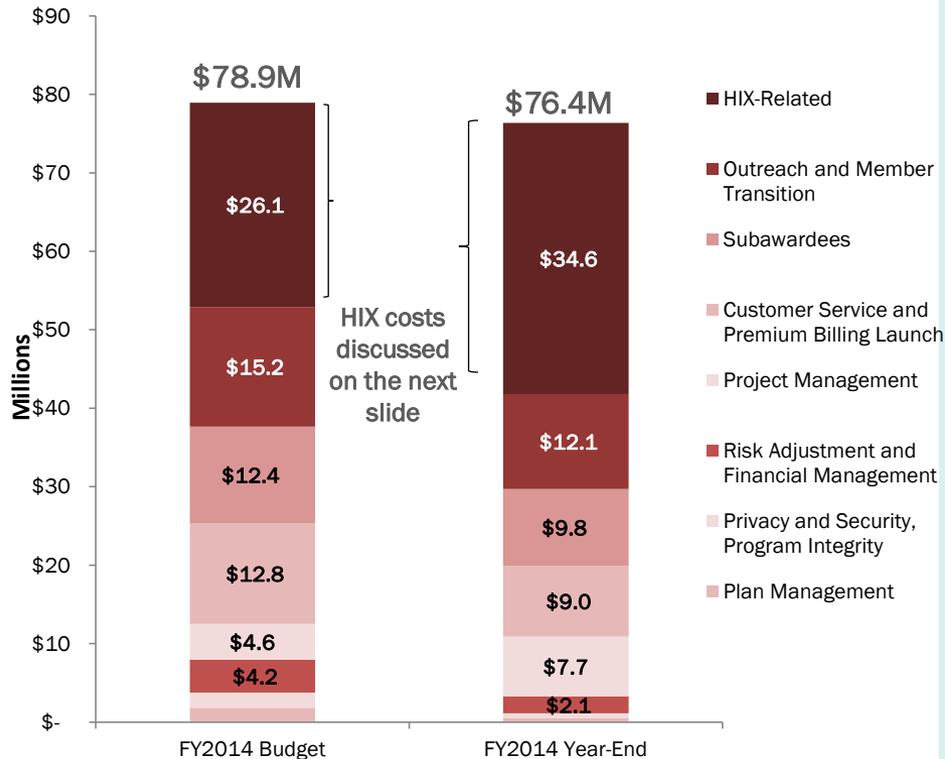
1. Federally-funded, predominantly one-time costs associated with ACA transition
2. Federally-funded operations costs directly related to the new ACA-compliant Marketplace or Connector “2.0” programs
3. Operational costs associated with state-funded “1.0” programs or activities ineligible for federal funding

	FY14 Budget	FY14 Year-End	Change + / -
ACA Transition Costs Subject to Federal Funding (\$ M)	\$78.9	\$76.4	(\$2.6) 
Federally Funded Operations (\$ M)	\$16.9	\$18.2	\$1.4 
State Funded Operations (\$ M)	\$17.1	\$22.9	\$5.9 
Total Proj. Spending	\$112.9	\$117.5	\$4.6

ACA Transition Costs Subject to Federal Funding



ACA transition costs are about the same in the aggregate, but spending in certain areas vary from the original projection.



HIX-Related (\$8.5M increase)

- Includes subaward payments to UMass for HIX-IES and total Optum costs from February through May (*discussed on next slide*)

Outreach and Member Transition (\$3.1M decrease)

- Outbound call campaign; member retention, transition and communications; media campaigns and community/employer road shows
- Decrease primarily due to suspension of marketing campaign and market research and web marketing activities, offset by increases for member retention, transition and communications activities

Subawardees (\$2.6M decrease)

- EOHHS, ANF, CHIA, HCFA (*does not include UMass – see HIX-related*)
- Medicaid expansion implementation, data aggregation services to support the state-based risk adjustment program and consumer assistance activities
- Decrease due to timing of projects / spending

Customer Service and Premium Billing Launch (\$3.8M decrease)

- Call center training and operations through December 2013
- Reduction due to lower-than-estimated membership in the second half of FY14, which reduces the operations launch payment allocated to QHP members (Sept. through Dec. 2013)

Project Management (\$3.1M increase)

- Project management support for CCA staff for operations development and stabilization activities and Dual Track implementation

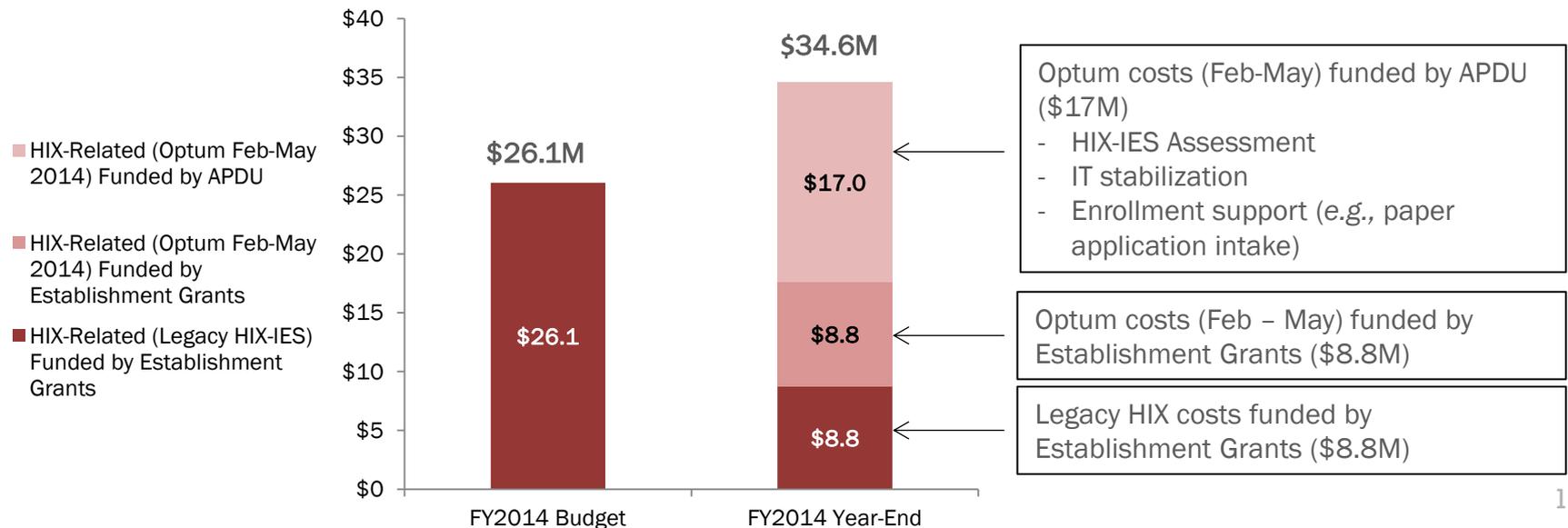
Risk Adjustment and Financial Management (\$2.1M decrease)

- Lower-than-anticipated expenses for risk adjustment consultants

Also includes privacy and security, program integrity and plan management

HIX-Related Funding Summary

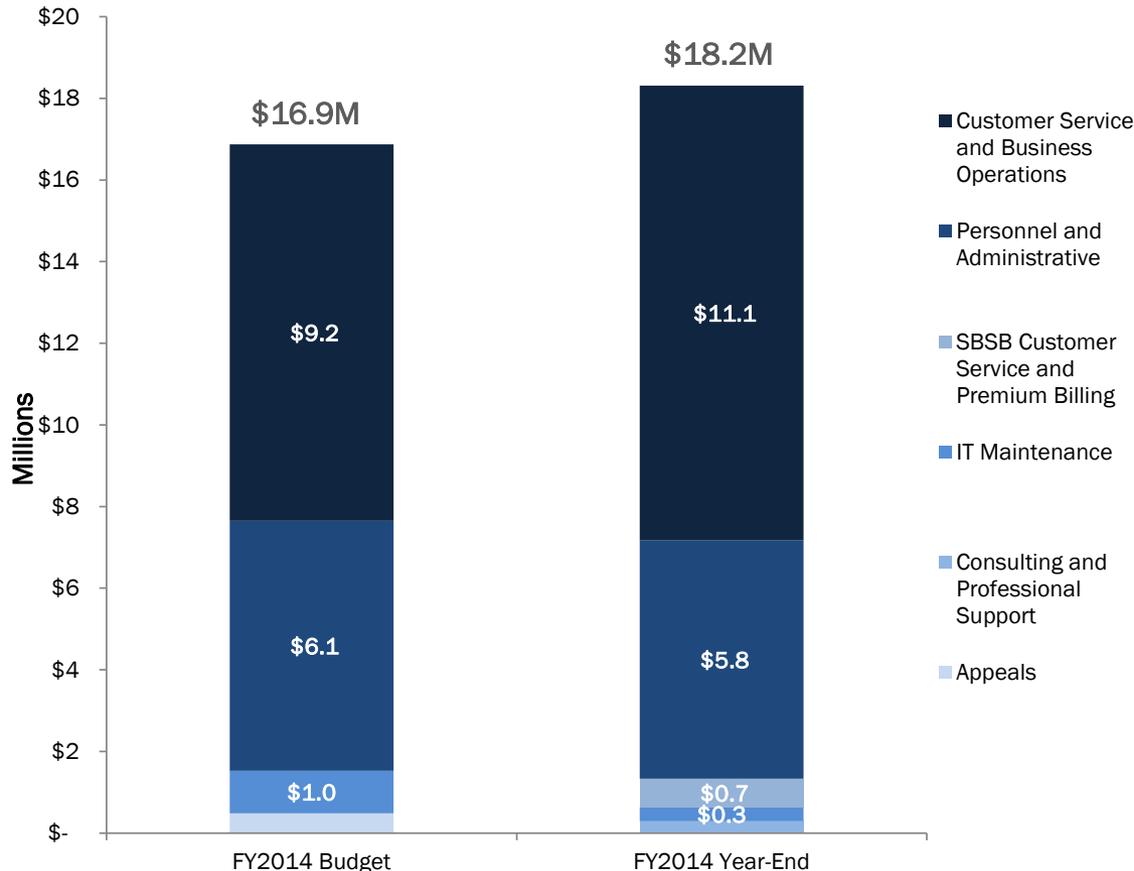
- The Health Connector’s HIX-related spending in FY14 totals \$34.6M. It is comprised of \$8.8M as part of the “legacy” HIX project and \$25.8M in spending for Optum to support the Commonwealth’s work between February and May 2014 to stabilize our website, clear the backlog of paper applications, ensure we could enroll new people in health insurance and assess our path forward
 - Establishment Grant spending is projected to be \$17.6M (\$8.8M for legacy HIX + \$8.8M for stabilization and assessment)
 - \$17M (stabilization and assessment) will be funded through the Advanced Planning Document Update (APDU) which was approved in June by CMS



Federally-Funded Operations



\$1.37M increase is due to additional operations development and stabilization costs, partly offset by lower-than-projected customer service costs as a result of fewer QHP members.



Customer Service and Business Operations (\$1.9M increase)

- Decrease in customer service and premium billing fees due to lower enrollment, offset by an increase in expenses for operations development and stabilization

Personnel and Administrative (\$0.3M decrease)

- Includes personnel as well as other administrative costs (e.g., rent, insurance)
- Decrease partially due to additional staff time dedicated to 1.0 programs as a result of the Commonwealth Care program extension

SBSB Customer Service and Premium Billing (\$0.7M increase)

- Includes customer service and premium billing functions to small group business
- Increase due to fees for servicing 2.0 business and other operational work necessary to support small group business administration

IT Maintenance (\$0.8M decrease)

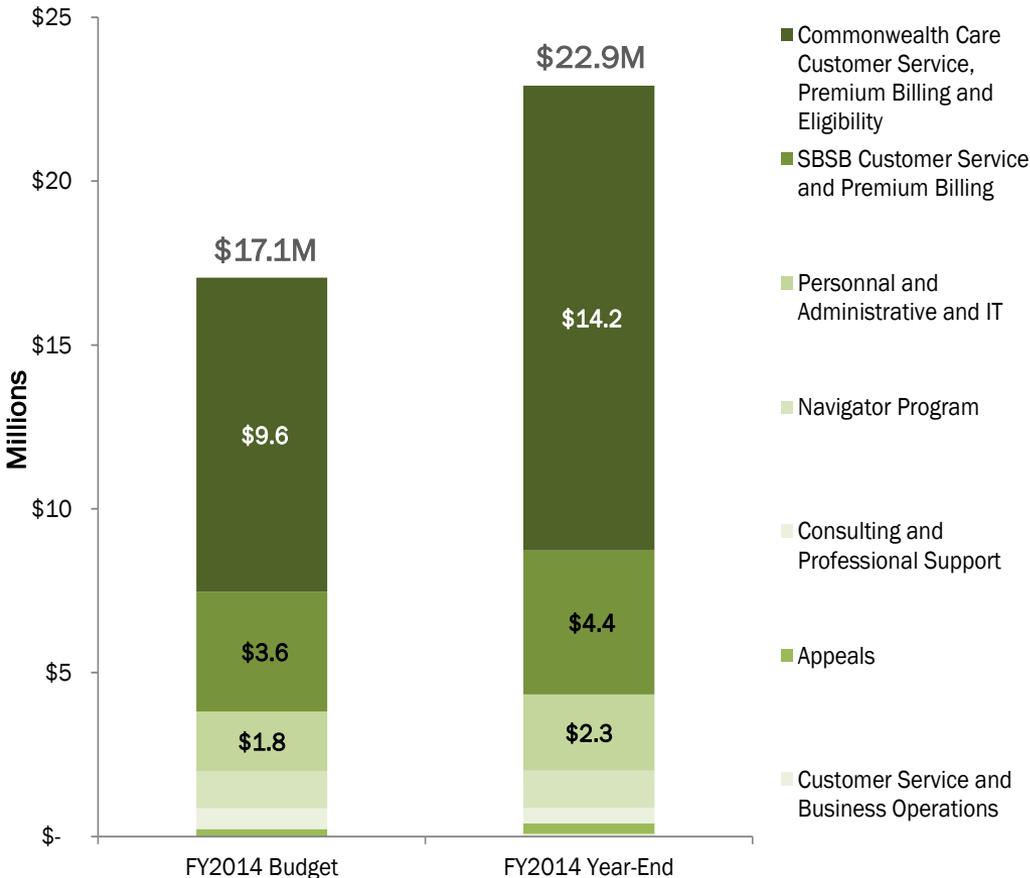
- Decrease due to lower spending on 1.0 Connector website as well as additional IT services and equipment being allocated to 1.0 versus 2.0 programs

Also includes consulting and professional support and 14 appeals

State-Funded Operations



\$5.86M increase is mainly due to the Commonwealth Care extension, which is offset by revenue from the Commonwealth Care administrative fee.



Commonwealth Care Customer Service, Premium Billing and Eligibility (\$4.6M increase)

- Customer service and premium billing functions will continue to be performed by Dell through Dec. 2014
- Increase due to higher costs as a result of program extension and operations launch costs allocated to Commonwealth Care members

SBSB Customer Service and Premium Billing (\$0.8M increase)

- Customer service and premium billing functions performed by SBSB (Commonwealth Choice for 1.0 members and SHOP development costs for 2.0 members)
- Increase primarily due to development costs and work associated with MLR premium rebates for CY2013

Personnel and Administrative and IT (\$0.5M increase)*

- Includes personnel costs as well as other administrative costs (e.g., rent, insurance, printing)
- Increase due to extension of 1.0 programs

* Allocation methodology allocates personnel and IT by staff time; consulting and appeals determined by project

Also includes Navigators, consulting and professional support, appeals and customer service and business operations

FY14 Year-End Net Position and Reserve Balance



After some aggregate adjustments to both spending and revenue, our FY14 administrative budget is projected to be largely breakeven.

- State funding increased \$5.3M compared to the budget
 - Commonwealth Care administrative fee for January through June 2014 to support program extension
- Carrier fee received in the first half of FY14 only
- All ACA-related activities funded by federal revenue*
- Health Connector reserve balance is \$26.7M at the end of FY14. Maintains reserves to help finance FY15 needs and avoid overburdening carriers or seeking a significant increase in state support

Revenue		FY14 Budget	FY14 Year-End
	Federal	\$95,811,764	\$94,601,871
	State	\$13,314,953	\$18,659,630
	Carrier	\$3,458,960	\$3,920,349
	Other	\$300,213	\$294,756
Total Revenue		\$112,885,890	\$117,476,606
Expense		\$112,869,230	\$117,517,315
Net Position		\$16,660	-\$40,710

FY13 Reserve Balance (June 30, 2013)	\$26,745,621
FY14 Net Position	-\$40,710
FY14 Reserve Balance (June 30, 2014)	\$26,704,911

* Inclusive of the Medicaid APDU funding for which a portion must be state funded

FY14 Administrative Budget Year-End Projection



	FY2014 Year-			
	FY2014 Budget	End	Variance	
* Commonwealth Care Members (inc. AWSS) Year-End	216,002	90,697	-125,305	-58%
Commonwealth Care Members (inc. AWSS) Average	210,134	155,615	-54,519	-26%
Commonwealth Care Member Months (incl. AWSS) Year-End	1,260,803	1,867,380	606,577	48%
SBSB 1.0 and QHP/QDP Members Year-End	42,828	5,730	-37,098	-87%
SBSB 1.0 and QHP/QDP Members Average	42,231	29,919	-12,312	-29%
SBSB 1.0 and QHP/QDP Member Months Year-End	253,384	359,024	105,640	42%
Dell QHP/QDP Members Year-End	200,232	39,286	-160,946	-80%
Dell QHP/QDP Members Average	175,768	13,983	-161,785	-92%
Dell QHP/QDP Member Months Year-End	1,054,610	167,795	-886,815	-84%
Total Members Year-End	200,232	135,713	-64,519	-32%
Total Members Average	428,133	199,517	-228,616	-53%
Total Member Months Year-End	2,568,797	2,394,199	-174,598	-7%
Revenue:				
Commonwealth Care (State)	\$11,314,953	\$16,659,630	\$5,344,677	47% (1)
Commonwealth Choice (Carriers)	\$3,458,960	\$3,920,349	\$461,389	13% (2)
Federal Grants	\$95,811,764	\$94,601,871	-\$1,209,893	-1% (3)
State Appropriation (post-Commonwealth Care)	\$2,000,000	\$2,000,000	\$0	0%
Investment Income	\$72,000	\$62,541	-\$9,459	-13%
Student Health Plan	\$228,213	\$216,081	-\$12,132	-5%
Dental	\$0	\$0	\$0	NA
Miscellaneous	\$0	\$16,134	\$16,134	NA
Total Revenue	\$112,885,890	\$117,476,606	\$4,590,716	4%
Expense:				
CCA 2.0 Operations - Customer Service and Premium Billing Personnel	\$8,898,433	\$10,936,205	\$2,037,772	23% (4)
Appeals Program	\$6,182,967	\$6,060,433	-\$122,534	-2%
Website Maintenance and Development	\$722,432	\$329,111	-\$393,321	-54% (5)
Information Technology	\$550,000	\$213,166	-\$336,834	-61% (6)
SBSB Customer Service and Premium Billing	\$769,494	\$857,926	\$88,432	11% (7)
Consulting and Professional Support	\$3,646,317	\$5,169,432	\$1,523,115	42% (8)
All Other	\$624,728	\$762,616	\$137,888	22% (9)
CCA 2.0 Operations - Application Processing and Intake	\$931,758	\$857,254	-\$74,504	-8%
OPEB Obligation	\$325,000	\$204,240	-\$120,760	-37% (10)
Commonwealth Care Customer Service and Premium Billing	\$545,805	\$545,805	\$0	0%
Commonwealth Care Enrollment and Eligibility Services	\$6,160,013	\$9,011,243	\$2,851,230	46% (11)
Operations Launch Costs Allocated to Commonwealth Care Members	\$3,432,431	\$3,330,706	-\$101,725	-3%
Communications - Health Connector 1.0	\$0	\$1,842,691	\$1,842,691	NA (12)
Navigator Program	\$0	-\$95,855	-\$95,855	NA
Consulting and Professional Support - Health Connector 2.0	\$1,139,129	\$1,138,860	-\$269	0%
Consulting and Professional Support - HIX-Related	\$40,532,890	\$31,988,301	-\$8,544,589	-21% (13)
Consulting and Professional Support - Subawardees (EOHHS, ANF, CHIA, HCFA)	\$26,053,875	\$34,568,782	\$8,514,907	33% (14)
	\$12,353,958	\$9,796,401	-\$2,557,557	-21% (15)
Total Expense	\$112,869,230	\$117,517,315	\$4,648,085	4%
Net Gain / (Loss)	\$16,660	(\$40,710)	-\$57,370	-344%

* Membership figures in the original FY2014 Budget represent originally anticipated enrollment at program end (Dec 31, 2013) versus fiscal year end (Jun 30 2014)

Administrative Budget Update

FY2015 Administrative Budget
Recommendation

FY15 Overview



- FY15 budget recommendation incorporates spending assumptions reflective of the anticipated transition activities, along with the Health Connector’s operating needs
- For the purpose of administrative budget development, we have incorporated a number of key assumptions:
 - Continued operation as a state-based marketplace
 - Enrollment and member transition
 - IT and operational needs for the transition/stabilization year
- Total spending in FY15 is expected to be higher than “steady-state” budget levels given the continuation of transition activities. However it will be lower than FY14 as one-time ACA implementation tasks begin to ramp down

Continued Operation as a State-Based Marketplace (SBM)



A key assumption embedded in the FY15 budget recommendation is that we will succeed in launching hCentive for Fall 2014 open enrollment.

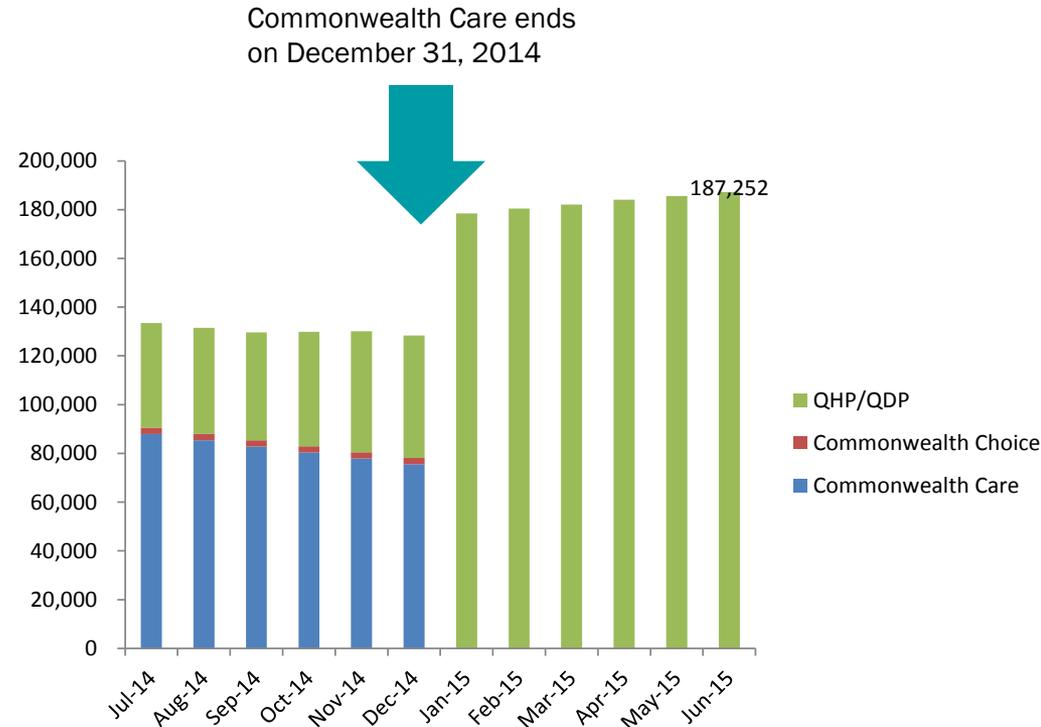
- Leveraging hCentive in 2014 is our preferred outcome. The hCentive implementation, while not without risk, is currently on track
- If, however, we are directed to transition to the FFM for the upcoming open enrollment, we will revise and communicate an updated administrative budget to the Board
 - Under the FFM scenario, the Health Connector will operate as a “Supported State-Based Marketplace” (SSBM), where we will continue to perform key functions including the Seal of Approval, consumer assistance, SHOP and risk adjustment, as well as potentially supporting the ConnectorCare program
 - The FFM path will introduce substantial changes across a host of work tracks, including IT, operations and communications and stakeholder engagement

Enrollment and Member Transition



Assuming a successful launch of a new state-based website, we will be heavily focused on transitioning members to ACA-compliant coverage without disruption.

- The FY15 administrative budget assumes Commonwealth Care will end on December 31, 2014, and the hCentive solution will be implemented for a smooth member transition into QHPs during Fall 2014 open enrollment
 - Eligible members under transitional MassHealth coverage and Commonwealth Care will begin to migrate to ConnectorCare; we assume a successful transition for budget planning purposes but acknowledge the tight time frame
- 1.0 non-group members serviced by SBSB may continue coverage in plans until their renewal date through December 2014
- FY15 QHP/QDP enrollment projections assume modest growth across population segments



IT/Operations

The next six-to-twelve months will continue to be a heavy transition period, with higher-than-steady-state spending across several areas before our operations fully stabilize.

Key Expense Categories	FY15 Dynamic
Dell Customer Service and Business Operations	<ul style="list-style-type: none">• Certain IT development to coordinate with hCentive and provide an end-to-end solution (separate from the “Dual Track” budget)• Significant “back office” work to support a minimally-customized new system• Manual processes for life changes and potentially “state wrap”
Continued HIX Development	<ul style="list-style-type: none">• New HIX system will continue to be enhanced throughout 2015, including certain Exchange-specific functionality that improves user experience (e.g., automated life changes, decision support tools, provider search)
Outreach and Member Transition	<ul style="list-style-type: none">• Similar to FY14, member transition remains a key outstanding task, with most if not all members in legacy/temporary coverage required to re-apply• Will leverage the foundation of a highly-successful, multi-faceted 2013 campaign

A temporary staff increase is another key component of strengthening business operations and consumer assistance during FY15

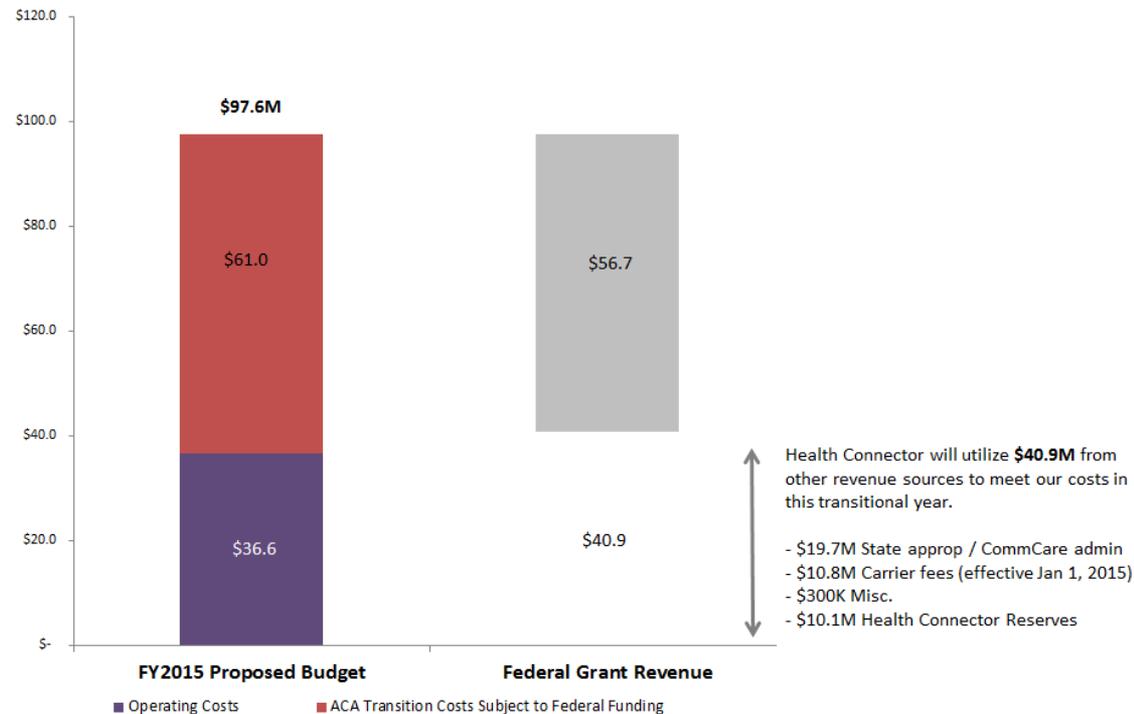
- During the course of FY14 the Health Connector has built up its staff to meet critical needs that emerged during the transition period
 - Stood up operational contingencies as a result of lacking system capabilities (e.g., interim enrollment reports, dental shopping)
 - Established an expanded in-house consumer support team to escalate resolution of member issues
 - Dedicated resources to carrier engagement to resolve operational issues and maintain strong lines of communication with participating health plans
- Increased staffing needs will persist through the remainder of this year in light of our continuing transition
 - Member transition is a major focus of open enrollment, as many will need to re-apply for coverage. A cross-functional member transition team has been assembled to execute a multi-faceted campaign
 - Strong business operations (e.g., back office support) will continue to be crucial as we launch the new website and perform enhancements overtime
 - In coordination with ITD, we are closing the staffing gap in technology implementation to stand up an improved website and help ensure a successful experience during open enrollment and beyond
- Staffing needs are expected to decrease in FY16 as the organization moves towards stabilization

FY15 Administrative Budget Recommendation



A total expense of \$97.6M is projected for FY15, and we will leverage \$56.7M in federal grant funding and \$40.9M in other revenue sources to offset these costs.

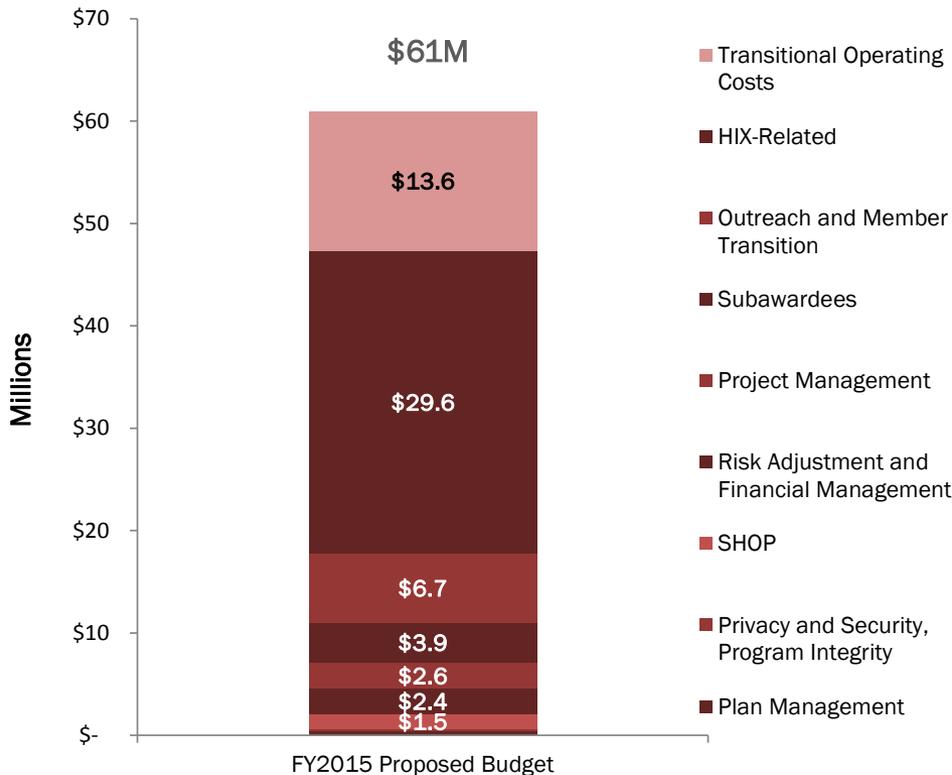
- Expenses are projected to be \$97.6M, of which \$61M or over 60% are ACA transition costs (red)
- The administrative budget reflects \$56.7M remaining in federal Establishment grant funds
- We anticipate continued state funding consistent with our budget request to the Governor and Legislature
- We also estimate revenues for the second six months of FY15 as a result of reintroducing carrier fees in January 2015
- To close the remaining spending gap we anticipate utilizing \$10.1M from our reserves



ACA Transition and Operating Costs Subject to Federal Funding



ACA transition costs, primarily for the dual track efforts, will continue to be incurred through FY15.



Transitional Operating Costs (\$13.6M)

- Includes operations development and stabilization activities, and includes cost of temporary increase in personnel (as discussed on a previous slide)

HIX-Related (\$29.6M)

- The Health Connector will contribute the remaining Establishment grants dedicated to HIX and identified savings in non-HIX Establishment grants through December 2014. The Commonwealth will continue to refine the total cost of the Dual Track with completion of the Optum contract and determine the resources and funding sources needed going forward.

Outreach and Member Transition (\$6.7M)

- Outreach and advertising campaigns for Fall Open Enrollment

Subawardees (\$3.9M)

- EOHHS, ANF, CHIA, HCFA
- Customer service and operations for ACA transition, state-based risk adjustment program and consumer assistance

Project Management (\$2.6M)

- Support for dual track implementation, federal compliance efforts and IRS reporting

Risk Adjustment and Financial Management (\$2.4M)

- State-based risk adjustment program implementation, additional simulations and settlement charge calculation support
- Financial audits (standard and A-133)

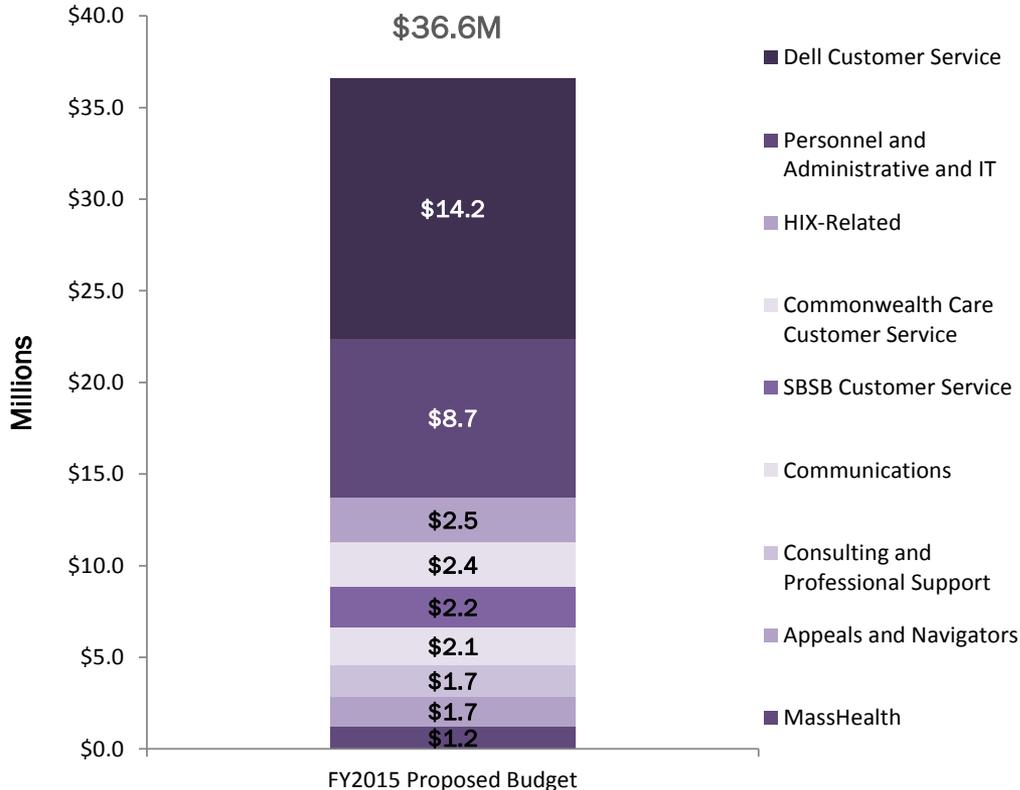
SHOP (\$1.5M)

- SHOP development

Includes privacy and security, program integrity and plan management

Operations Costs

Half of our anticipated FY15 operating costs represent customer service and business operations expenses across all our programs.



Dell Customer Service (\$14.2M)

- Includes customer service and premium billing and business operations, including QDP broker commissions

Personnel and Administrative and IT (\$8.7M)

- Includes personnel as well as other administrative costs and IT (e.g., rent, insurance, printing); excludes costs associated with temporary staff increase related to ACA transition efforts

HIX-Related (\$2.5M)

- Ongoing maintenance costs in the second half of FY15

Commonwealth Care Customer Service (\$2.4M)

- Customer service and premium billing functions will continue to be performed by Dell through Dec. 2014

SBSB Customer Service (\$2.2M)

- Customer service and premium billing functions through June 2015 for 1.0 business until renewal and for new small groups purchasing QHP/QDPs, including broker commissions

Communications (\$2.1M)

- Includes outreach and advertising activities in the second half of FY15

Consulting and Professional Support (\$1.7M)

- Includes actuarial, legal and corporate consultants

Appeals and Navigators (\$1.7M)

- Includes navigator grants (state-funded) and appeals

MassHealth (\$1.2M)

- Application and intake and document management support

FY15 Administrative Budget Year-End Net Position



We have committed to using a portion of our reserves to finance one-time transition expenses.

- FY15 revenue primarily consists of remaining federal grants, state funding and carrier fees
 - Supplemented by \$10.1M contribution from the Health Connector’s reserves
- Reserves are estimated to be ~\$16.6M at the end of FY15
 - The estimated reserve balance still provides solid liquidity protection with approximately five months of operating cash in hand

Revenue	FY14 Year-End	FY15 Proposed
Federal	\$94,601,871	\$56,679,423
State (Commonwealth Care)	\$16,659,630	\$4,422,059
State Appropriation	\$2,000,000	\$15,300,000
Carrier	\$3,920,349	\$10,714,526
Other	\$294,756	\$330,979
Total Revenue	\$117,476,606	\$87,446,987
Expense	\$117,517,315	\$97,571,104
Net Position	-\$40,710	-\$10,124,118

FY13 Reserve Balance (June 30, 2013)	\$26,745,621
FY14 Net Position	-\$40,710
FY14 Reserve Balance (June 30, 2014)	\$26,704,911
FY15 Projected Net Position	-\$10,124,118
FY15 Projected Reserve Balance (June 30, 2015)	\$16,580,793

FY15 Administrative Budget Recommendation



	FY2014 Year-End	FY2015 Proposed Budget	Variance	
Commonwealth Care Members (inc. AWSS) Year-End	90,697	0	-90,697	-100% (1)
Commonwealth Care Members (inc. AWSS) Average	155,615	40,818	-114,797	-74%
Commonwealth Care Member Months (incl. AWSS) Year-End	1,867,380	489,816	-1,377,564	-74%
SBSB 1.0 and QHP/QDP Members Year-End	5,730	7,384	1,654	29% (2)
SBSB 1.0 and QHP/QDP Members Average	29,919	6,247	-23,672	-79%
SBSB 1.0 and QHP/QDP Member Months Year-End	359,024	74,965	-284,059	-79%
Dell QHP/QDP Members Year-End	39,286	179,868	140,582	358% (3)
Dell QHP/QDP Members Average	13,983	109,676	95,693	684%
Dell QHP/QDP Member Months Year-End	167,795	1,316,109	1,148,314	684%
Total Members Year-End	135,713	187,252	51,539	38%
Total Members Average	199,517	156,741	-42,776	-21%
Total Member Months Year-End	2,394,199	1,880,890	-513,309	-21%
Revenue:				
Commonwealth Care (State)	\$16,659,630	\$4,422,059	-\$12,237,571	-73% (4)
Commonwealth Choice (Carriers)	\$3,920,349	\$0	-\$3,920,349	-100% (5)
Federal Grants	\$94,601,871	\$56,679,423	-\$37,922,449	-40% (6)
State Appropriation (post-Commonwealth Care)	\$2,000,000	\$15,300,000	\$13,300,000	665% (7)
Carrier Fee	\$0	\$10,714,526	\$10,714,526	NA (8)
Investment Income	\$62,541	\$57,156	-\$5,385	-9%
Student Health Plan	\$216,081	\$224,384	\$8,303	4%
Dental	\$0	\$33,619	\$33,619	NA
Miscellaneous	\$16,134	\$15,820	-\$314	-2%
Total Revenue	\$117,476,606	\$87,446,987	-\$30,029,619	-26%
Expense:				
CCA 2.0 Operations - Customer Service and Premium Billing	\$10,936,205	\$26,173,419	\$15,237,214	139% (9)
CCA 2.0 Operations- Eligibility Determination and Exchange Shopping	\$0	\$2,477,771	\$2,477,771	NA (10)
CCA 2.0 Operations - Application Processing and Intake	\$204,240	\$1,225,440	\$1,021,200	500% (11)
Personnel	\$6,060,433	\$7,723,680	\$1,663,246	27% (12)
Appeals Program	\$329,111	\$519,179	\$190,068	58% (13)
Website Maintenance and Development	\$213,166	\$0	-\$213,166	-100% (14)
Information Technology	\$857,926	\$1,180,463	\$322,536	38% (15)
SBSB Customer Service and Premium Billing	\$5,169,432	\$2,183,400	-\$2,986,032	-58% (16)
Consulting and Professional Support	\$762,616	\$3,183,400	\$2,420,784	317% (17)
All Other	\$857,254	\$855,448	-\$1,806	0%
OPEB Obligation	\$545,805	\$555,087	\$9,282	2%
Commonwealth Care Customer Service and Premium Billing	\$9,011,243	\$2,430,907	-\$6,580,335	-73%
Commonwealth Care Enrollment and Eligibility Services	\$3,330,706	\$0	-\$3,330,706	-100%
Operations Launch Costs Allocated to Commonwealth Care Members	\$1,842,691	\$0	-\$1,842,691	-100%
Communications	-\$95,855	\$2,083,333	\$2,179,188	2273% (18)
Navigator Program	\$1,138,860	\$1,139,664	\$804	0%
Consulting and Professional Support - Health Connector 2.0	\$31,988,301	\$16,101,415	-\$15,886,886	-50%
Consulting and Professional Support - HIX-Related	\$34,568,782	\$29,582,765	-\$4,986,017	-14%
Consulting and Professional Support - Subawardees (EOHHS, ANF, CHIA, HCFA)	\$9,796,401	\$155,736	-\$9,640,665	-98%
Total Expense	\$117,517,315	\$97,571,104	-\$19,946,211	-17%
Net Gain / (Loss)	-\$40,710	-\$10,124,118	-\$10,083,408	24769%

FY15 Administrative Budget Recommendation – Vote



Health Connector staff recommends that the Health Connector Board of Directors vote to approve the FY15 administrative budget recommendation.



Appendix

Establishment Grant Budget Reallocation



The Health Connector is repurposing \$10M in federal grant funds from non-HIX areas to support Dual Track implementation.

	Budgeted	Actual + Contractual + Planned	Balance
HIX-Related Costs	\$37,866,324	\$37,866,324	\$0
Health Connector Operating Costs (e.g., indirect expenses)	\$34,286,215	\$34,082,690	\$203,525 
Marketing, Communications and Consultants Costs (e.g., advertising and market research)	\$23,775,491	\$20,187,458	\$3,588,033 
Health Connector ACA Transition Costs (e.g., Risk Adjustment, Plan Management, non-HIX IT)	\$50,573,491	\$47,529,390	\$3,044,101 
Other Agency Costs (e.g., Personnel, Paper Application Processing)	\$14,889,623	\$11,688,362	\$3,201,262 
	\$161,391,145	\$151,354,224	\$10,036,921

- In consultation with CMS and state colleagues, the Health Connector reviewed the Establishment grant-funded projects and performed a reprioritization and re-budgeting exercise with the goal of freeing up federal funds to support operations development and stabilization and dual track efforts
- The table above shows the \$10M savings identified by project area that will be reallocated

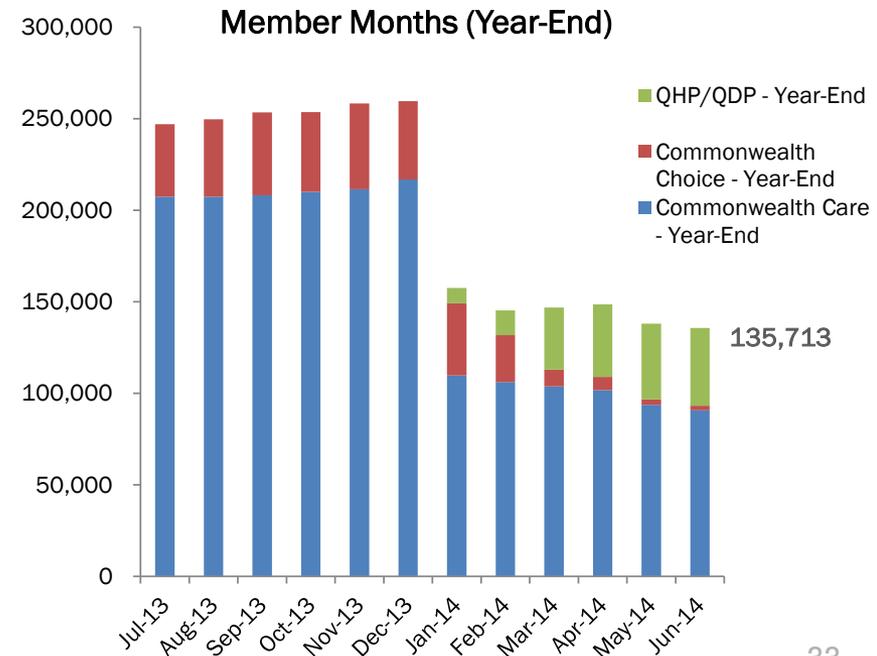
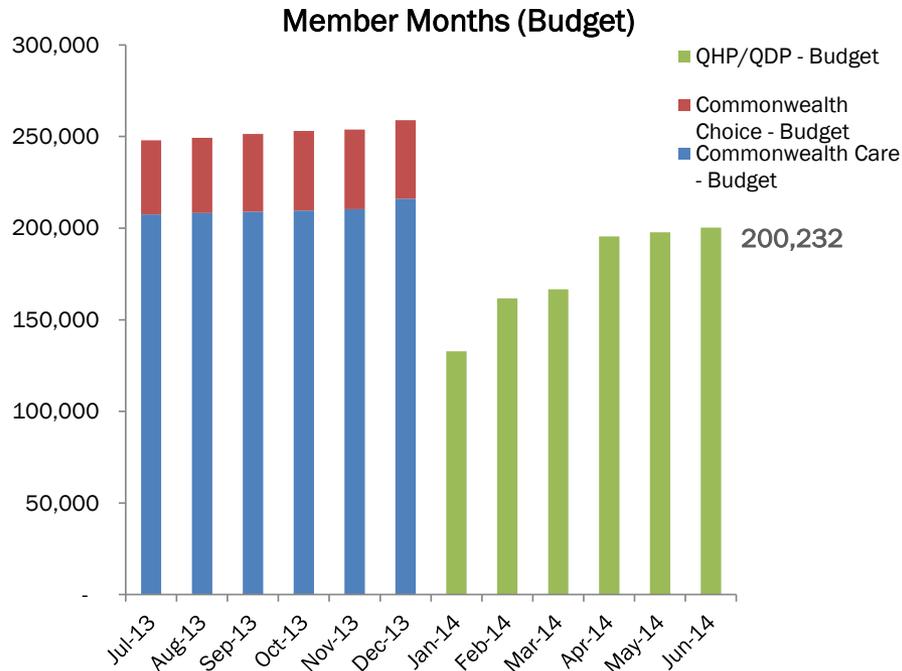


FY14 Administrative Budget Y/E Projections Supporting Materials

FY14 Enrollment Assumptions

A key factor that influences our projection is enrollment. The latest updated projection shows lower enrollment in QHPs and continued enrollment in Commonwealth Care.

	FY2014 Budget	FY2014 Year-End	FY2014 Variance	
Members Year-End	200,232	135,713	(64,519)	-32%
Member Months Year-End	2,568,797	2,394,199	(174,598)	-7%



FY14 Explanation of Significant Variances



Revenue

1. Commonwealth Care: \$5,344,677 increase
 - Increased administrative fee revenue due to extension of the program through December 2014
2. Commonwealth Choice: \$461,389 increase
 - Moderately higher-than-budgeted non-group enrollment in the first half of FY14 with SBSB
3. Federal Grants: \$1,209,893 decrease
 - Corresponds to combined changes in ACA transition and operating activities
 - Includes \$17M in revenue to be received from the MassHealth APDU (inclusive of state share)

Expense

4. CCA 2.0 Operations Customer Service and Premium Billing: \$2,037,772 increase
 - Increased costs for additional call center staff and certain operations development and stabilization activities offset by lower QHP enrollment
5. Appeals Program: \$393,321 decrease
 - Decrease due to lower than anticipated volume

FY14 Explanation of Significant Variances (cont'd)



6. Health Connector 1.0 Website Maintenance and Development: \$336,834 decrease
 - Decreased spending on existing website to prioritize new website development
7. Information Technology and Equipment (non-HIX): \$88,432 increase
 - Due to the purchase of laptops and necessary encryption software required for each
8. SBSB Customer Service and Premium Billing: \$1,523,115 increase
 - Due to system development and implementation costs for the administration of small group business through SBSB
9. Consulting and Professional Support: \$137,888 increase
 - Primarily due to IT risk assessment performed in February 2014, offset by lower spending for actuarial and legal consultants
10. CCA 2.0 Operations Application Processing and Intake: \$120,760 decrease
 - Lower-than-anticipated costs from MassHealth, as paper application intake was largely absorbed by Optum

FY14 Explanation of Significant Variances (cont'd)



11. Commonwealth Care Customer Service and Premium Billing: \$2,851,230 increase

- Due to the extension of the program through December 2014

12. Operations Launch Costs allocated to Commonwealth Care Members: \$1,842,691 increase

- Includes a portion of the Dell operations launch cost for the period of Sept-Dec 2013, allocated to Commonwealth Care membership per mutually-agreed upon methodology

13. Consulting and Professional Support Health Connector 2.0: \$8,544,589 decrease

- Due to lower costs for customer service startup, risk adjustment
- Also reflect lower spending on marketing activities due to suspended campaign

14. Consulting and Professional Support HIX-Related: \$8,514,907 decrease

- Due to changes in HIX-related activity as discussed on prior slides

15. Consulting and Professional Support Subawardees: \$2,557,557 decrease

- Reflects additional subawards for hotline and public education and outreach activities offset by a delay in the receipt of invoices from EOHHS and CHIA compared to budget



FY15 Administrative Budget Supporting Materials

FY15 Key Line Items



Enrollment

1. Commonwealth Care

- Commonwealth Care program ends December 31, 2014

2. SBSB

- Commonwealth Choice program is available through November 30, 2014 to 1.0 members who may remain in their plan until their renewal date
- Enrollment includes both 1.0 and 2.0 members (SBSB offers QHP/QDPs to small groups through June 30, 2015)

3. QHP/QDP

- ConnectorCare (subsidized) year-end members estimated at 130,641
- QHP/QDP and QDP only unsubsidized year-end members estimated at 56,611

Revenue

4. Commonwealth Care: \$4.4M

- Administrative fee is approximately 2.44% of capitation (July through December 2014)

FY15 Key Line Items (cont'd)



5. Commonwealth Choice: \$0M

- No carrier administrative fees in CY2014; Commonwealth Choice as a program/brand ended March 2014, but enrolled members may remain in their plans through CY2014 until their renewal date

6. Federal Grants: \$56.7M

- Funds ACA transition costs and eligible operating costs through December 31, 2014

7. State Appropriation: \$15.3M

- Post-Commonwealth Care; reflects critical public functions of a state-based Marketplace

8. Carrier Fee: \$10.7M

- Carrier administrative fee is 3% for ConnectorCare, 3% for QDPs, and 2.5% for QHPs (unsubsidized)

Expense

9. CCA 2.0 Operations Customer Service and Premium Billing: \$26.2M

- Includes enrollment, customer service and premium billing services for QHP/QDPs and broker commissions

FY15 Key Line Items (cont'd)



10. CCA 2.0 Operations Eligibility Determination and Exchange Shopping: \$2.5M

- Funds the Health Connector's share of estimated ongoing and maintenance costs for the IT/Eligibility system

11. CCA 2.0 Operations Application Processing and Intake: \$1.2M

- Funds estimated payments for application processing and intake and document management support

12. Personnel: \$7.7M

- Assumes additional Health Connector positions to support dual track strategy implementation

13. Appeals: \$519K

- Assumes approximately 370 hearings/month

14. Health Connector 1.0 Website Maintenance and Development: \$0

- Reflects completed conversion from 1.0 to 2.0 website in 2014

FY15 Key Line Items (cont'd)



15. Information Technology: \$1.2M

- Funds IT equipment and maintenance and disaster recovery costs

16. SBSB Customer Service and Premium Billing: \$2.2M

- Funds vendor fees and broker fees to support 1.0 members until their renewal date and fees to support small groups purchasing QHP/QDPs

17. Consulting and Professional Support: \$3.2M

- Includes \$1.5M for SHOP implementation
- Funds actuarial, legal and corporate consultants as well as project management assistance

18. Communications Health Connector 1.0: \$2.1M

- Funds communications and outreach activities primarily in the second half of FY15