The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Boston, MA 02108

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Governor

KARYN POLITO
Lieutenant Governor

MARYLOU SUDDERS
Board Chair

LOUIS GUTIERREZ
Executive Director

Board of the Commonwealth Health Insurance Connector Authority
Administration and Finance Subcommittee Meeting

Minutes

Tuesday, November 22, 2016
1:30 PM to 3:00 PM

One Ashburton Place
Boston, MA 02108
Matta Conference Room, 11th Floor

Attendees, Members: Marylou Sudders, Kristen Lepore, Rina Vertes, Celia Wcislo, Dimitry Petion, Louis Gutierrez.

Other Attendees: Lauren Peters, Executive Office of Administration and Finance, Roberta Herman, Executive Director of the Group Insurance Commission.

The meeting was called to order at 1:30 PM.

I. **Minutes:** The minutes of the June 7, 2016 Administration & Finance Subcommittee meeting were unanimously approved.

II. **Health Connector Administrative Finance Update:** Prior to the presentation, Executive Director Louis Gutierrez shared that there was dissonance with the operations and program budget. He stated that the Health Connector (CCA) will be proceeding with Fiscal Year 2018 (FY18) budget with updated assumptions and will be incorporating Open Enrollment activity to update any estimates. The PowerPoint presentation "Health Connector Administrative Finance Update" was presented by Kari Miller and Nupur Gupta. Ms. Miller began with an overview of the Fiscal Year 2017 (FY17) and FY18 administrative budget. She continued with a budget summary that showed a loss of $3.8 million greater than expected, explaining that the contributing factors include higher than projected enrollment, associated operational expenses, and payments to carriers due to discrepancies, the latter of which are still under negotiations. In response to a question from Secretary Lepore regarding the negotiations of carrier payments, Mr. Gutierrez replied that CCA will assume 100 percent of this liability. In response to a question from Mr. Petion regarding the $1.8 million expense from increased membership and the acquisition cost, Ms. Miller replied that CCA would be close to breaking even, because savings from changes to the Small Business Health Options Platform (SHOP) and dental program compared to the current cost structure revenue net out to $1.2 million. In response to a question from Ms. Wcislo regarding increase in staffing numbers, Ms. Miller replied that it is the result of the reduction in consulting and the movement from temporary to permanent employees. Ms. Miller then proceeded to inform members that the FY17 update takes into consideration a projected five percent increase in ConnectorCare membership. In response to questions from Ms. Wcislo and Secretary Lepore regarding the growth in cost related to membership, Mr. Gutierrez noted that this aligns with the contract structure with Dell / NTT. Secretary Sudders noted that a cap may be an appropriate consideration for this contract. Ms. Miller continued that the updated FY17 revenue increased compared to what was budgeted and is due to increased enrollment, even though lower ConnectorCare premiums led to lower administrative fees as a result of member movement due to higher rates. The operating costs of the budget were then reviewed, which expanded on the increased business of CCA and costs funded by Federal Grants through the Patient Protection and Affordable Care Act (ACA). She then provided further review of the FY17 budget position and reserves, noting that reserves will be utilized for an additional $4.2 million of FY17 funding which will put significant pressure on the need for a balanced budget in FY18. In response to a question from Ms. Vertes regarding the amount in reserve following the utilization of $4.2 million, Ms. Miller replied that there is $11.35 million in reserves at the end of FY17 with a goal to have $35 million in reserves to cover approximately six months of expenses, as recommended by the Auditor's office, and Ms. Peters added that CCA holds all reserves in the Commonwealth Care Trust Fund (CCTF). Ms. Wcislo then commented that at one time the reserve had $25 million and as much as $33 million, to which Ms. Miller responded that the reserves were heavily relied upon in FY16 and FY17, though CCA benefits from the support of the CCTF and carrier fees.

Ms. Miller then reviewed the FY18 Administrative budget which recommends a breakeven bottom line, projects a two percent increase in operational expenses and enrollment growth of 14 percent. She continued that there is an expectation that carrier fees may increase as a result of increased enrollment and a reduced reliance on the CCTF, though $45 million will be required from the CCTF to break even. In response to a question by Ms. Wcislo, Ms. Miller confirmed that reserve funds were used in the previous years for funding. In response to a concern from Secretary Lepore and the uncertainty portrayed in FY18 projections, Ms. Miller replied that CCA's financial structure depends on the balance of state funding and carrier revenues. In reply, Secretary Lepore and Ms. Wcislo commented that the costly errors from vendors are separate from the financial structure of CCA and that there was concern with the reduction in the amount of reserves remaining. In response to a question from Ms. Vertes, Ms. Peters responded that spending on subsidized coverage through CCA is in part reimbursed by federal match, though this funding goes to the General Fund and not the CCTF. Ms. Vertes commented that the goal should be to bring the amount of state funding down and increase funding from the carriers, essentially lowering the cost of running this program. Ms. Peters replied that she would appreciate more details on the breakdown of the operations cost. Ms. Miller noted that the structure of the contract for customer service was slightly different in the fiscal years. In response to a question from Ms. Vertes about the timeline of submitting the budget, and possibility for further review as Open Enrollment continues, Ms. Miller stated that an update is submitted the first week of January, which is a rather tight timeline when considering Open Enrollment dates.

Ms. Miller then provided a historical review of CCA administrative costs since FY07, to which Ms. Vertes commented that $22 per member per month seems very high given the complex management of functions. In response to a number of questions posed regarding the per member per month (PMPM) cost, what it includes, the next steps and if there are tools to compare data with the cost of operating other Exchanges, Mr. Gutierrez replied that we cannot necessarily compare functions across Exchanges. He continued that much of CCA's costs are driven by customer service and the administrative budget, roughly two-thirds of which represents call center and business operations, Health Insurance Exchange (HIX) operations and maintenance costs and outreach. In response to a question by Ms. Vertes as to whether the contract is appropriate, Mr. Gutierrez replied that CCA has set expectations and most recently extended the contract. Ms. Wcislo commented that it appears as though there are always issues with vendors, and could it make more sense to bring the operations in house and have more control. In response Mr. Gutierrez commented that California has about 900 staff in house and Dr. Herman added that it would be very difficult to bring this operation in house. Continuing with the presentation, Ms. Miller provided an overview of FY18 enrollments, which represent modest growth with the expectation of growth throughout the year in the ConnectorCare program. In response to a question from Secretary Sudders regarding how many businesses are enrolled in the small group platform, as the growth has remained steady, Mr. Gutierrez responded that about 1,000 businesses are enrolled. He also confirmed that SHOP is a federal requirement in response to a question from Ms. Vertes. Secretary Sudders then inquired as to whether or not there is an opportunity to waive the federal requirement, and Mr. Gutierrez replied that this could be a component of federal requirements that is eliminated early on, and if there is an opportunity to leverage the $5 million in federal funds currently allocated to SHOP into another project then we should follow up with this. In response to Mr. Gutierrez's explanation, Ms. Peters asked if this funding is tied to other SHOP requirements, to which Mr. Gutierrez responded that in the past, federal funds have been reallocated to other projects, which could mean that if the SHOP requirement is removed there may be an opportunity to use these funds elsewhere. Ms. Wcislo commented that it appears as though SHOP is not utilized and may not be worth the investment. Mr. Gutierrez confirmed that the program does cost $3 million per year with the current vendor, and Secretary Sudders confirmed that it appears as though the majority of activity is in the individual market. As the FY18 review of expenses continued, Ms. Wcislo commented that she would be interested in knowing how efficient Dell /NTT is and if they have everything they need to perform the requirements of their contract and Secretary Lepore inquired as to what it would take to level fund for FY18. Ms. Miller then provided a review of the FY18 administrative budget recommendation, which reflects a $2 million decrease in FY18 for the operations and maintenance of HIX as the previous year, FY17, assumed 18 months from MassIT and FY18 assumes 12 months. While Ms. Miller shared the reserve level and projected operating budget for FY18, Secretary Sudders inquired about the small business and subsidy line item, to which Ms. Diamond responded that Wellness Track has proved to be a significant value-add for small businesses, enrollment has kept steady and if the Wellness Track were removed, which is an avenue for the Legislature to assist small businesses, it would impede the SHOP program. In response to a question from Ms. Wcislo regarding SHOP, Ms. Miller replied that SHOP costs about $4.2 million and that, as budget development continues, with federal transition and Open Enrollment, there are factors that contribute to uncertainties in the budget. She stated that additional uncertainties include the pension liability and HIX project funding with other sister agencies, all of which will have an impact on the administrative budget. Ms. Miller presented the subcommittee with the FY15 Audit results and CCA's response to the findings primarily related to IT system controls. With no further questions or comments, the presentation was completed.

III. **Health Connector Program Budget Update:** The PowerPoint presentation "Health Connector Program Budget Update" was presented by Edith Calvao. Ms. Calvao began the presentation by providing an overview of the FY17 and FY18 program budget recommendations. In response to a question from Ms. Wcislo, Ms. Calvao responded that the overview includes the cost of everything, including subsidies and Cost Sharing Reduction (CSR) advance payments. In response to a comment from Secretary Lepore regarding an apparent cost trending upwards throughout the last six months of FY17, Ms. Calvao replied that the first six months of FY17 include the impact of CSR reconciliation for calendar years 2014 and 2015, which reduces the overall PMPM. The cost for the second half of FY17 is actually going down since premium smoothing has been greatly reduced for calendar 2017. As a follow-up question, Secretary Lepore asked about the five year historical trend and cost for the state for ConnectorCare on a per member per month basis. Ms. Vertes commented that it would be projected to go down, and Ms. Calvao explained further that cost for the second half of FY17 was down also as a result of receiving 50 percent Federal Financial Participation (FFP) for the cost of the non-Alien with Special Status (non-AWSS). Dr. Herman then asked how high membership can go, noting that three percent is not a lot and with redistribution it will likely plateau in a couple of years. Ms. Wcislo then commented on her concerns for the majority of the uninsured who fall under 150 percent of the Federal Poverty Level (FPL) and Ms. Calvao responded that our marketing is targeting and looking for the highest rate of uninsured to try and bring more Massachusetts residents into coverage who need it. Ms. Calvao then provided an overview of the CSR multipliers and how Benefit Year 2017 will differ based on multipliers. She explained the uncertainty that remains when considering eligibility and if certain members will enter MassHealth or become eligible for APTC-only or unsubsidized plans. She stated that by the end of June membership will be slightly above where we are now, with an estimated 23,000 new enrollees but a risk of terminating 21,000 members due to required program integrity measures. Ms. Calvao continued that the cost of the ConnectorCare program, inclusive of CSRs, will be approximately $46 PMPM, with a per member cost ranging from $55 to $57. Ms. Wcislo asked if the $46 was net or gross cost and if it was inclusive of administrative costs, to which Secretary Sudders commented that if you add in the administrative costs it would be $64. While reviewing the FY17 and FY18 proposed budgets, Ms. Vertes asked if this can be compared to the FY17 actuals, and said she ultimately would like to know what is driving a $3 million increase every year, to which Ms. Calvao responded that the main driver is membership. Ms. Calvao continued to provide a review of the key assumptions of the FY18 budget, one of which includes an average rate increase by carriers of six percent. The FY18 ConnectorCare enrollment projections are estimated to continue growth with 28,000 new members and Ms. Calvao then reviewed the ConnectorCare enrollment assumptions, at which time Ms. Vertes commented that she wants to ensure that everyone is paying attention to the financial picture. In response to a comment from Mr. Petion regarding funding for activities and the need to find efficiencies, Mr. Gutierrez responded that CCA remains committed to increasing efficiency. Ms. Wcislo then asked if there are any plans for the old reform coalition and how to protect funding to ensure that the expenses are not all reverted back to the state, to which Secretary Sudders commented that though there is a need for another advocate circle it is important that we do not speculate at this time, and that we do not play both offense and defense at the same time. The Governor has said, the Secretary noted, that the Commonwealth has a long tradition, which will be upheld, to continue to make access to healthcare in the Commonwealth affordable for individuals.

The meeting was adjourned at 2:55 P.M.

Respectfully submitted,

Erin E. Ryan and Beth Riportella