



Health Connector Administrative Finance Update

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Overview

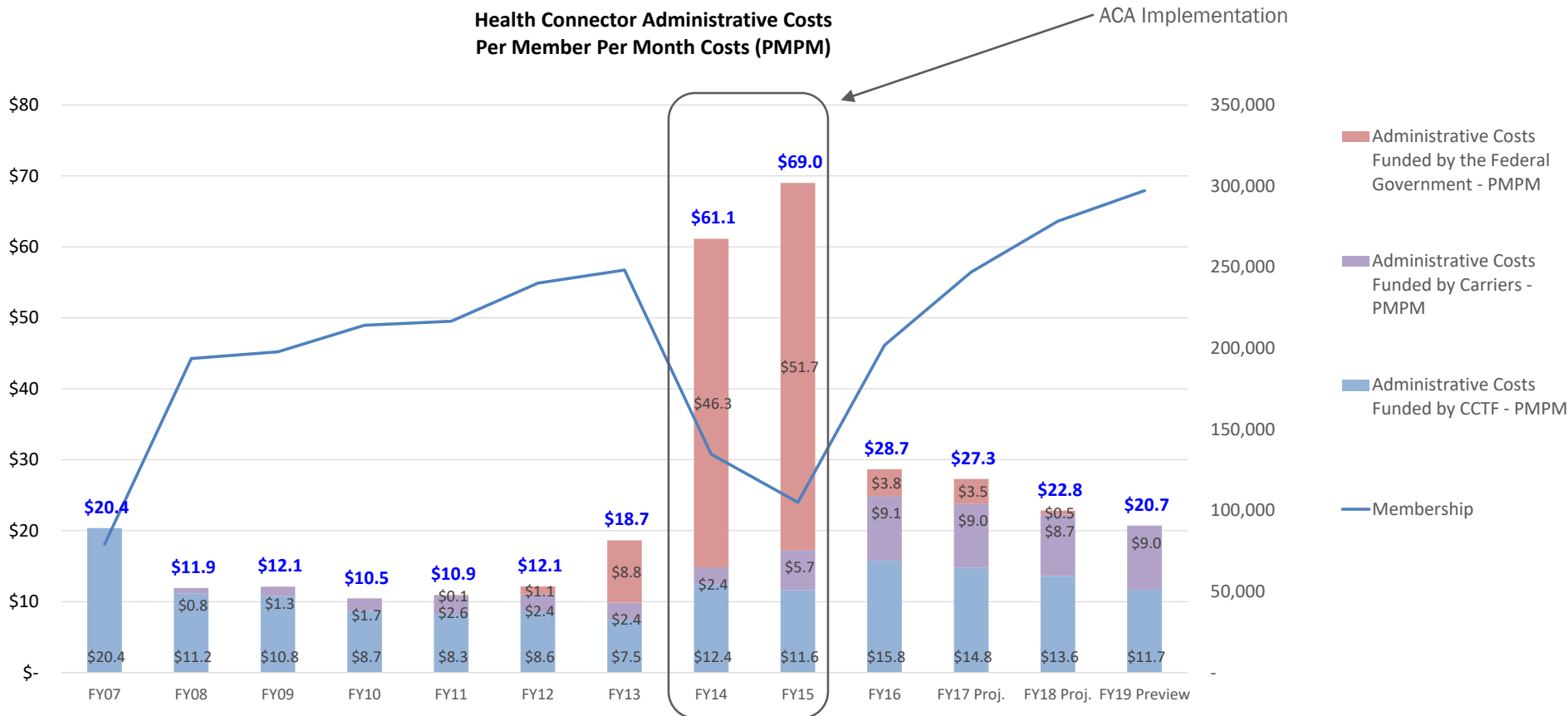


- The purpose of this presentation is to review the Health Connector's FY17 administrative budget year-end projection and to present the FY18 budget recommendation for a vote
- We anticipate modest improvement to our net position relative to the board-approved FY17 budget and are recommending a breakeven FY18 budget, reflective of continuing enrollment growth
- Health Connector administrative per member per month (PMPM) costs have been updated and a high-level comparative analysis of similar state-based Marketplaces was performed in response to prior board questions – they exhibit positive trend and relative costs
- Significant unpredictable events – most immediately urgent being the uncertainty regarding federal cost sharing reduction payments to carriers – could have a substantial destabilizing impact near term
 - Future of the Affordable Care Act
 - 2018 Open Enrollment

Health Connector Per Member Per Month Administrative Costs



Monthly per member administrative costs are projected to decrease 16% from FY17 to FY18.



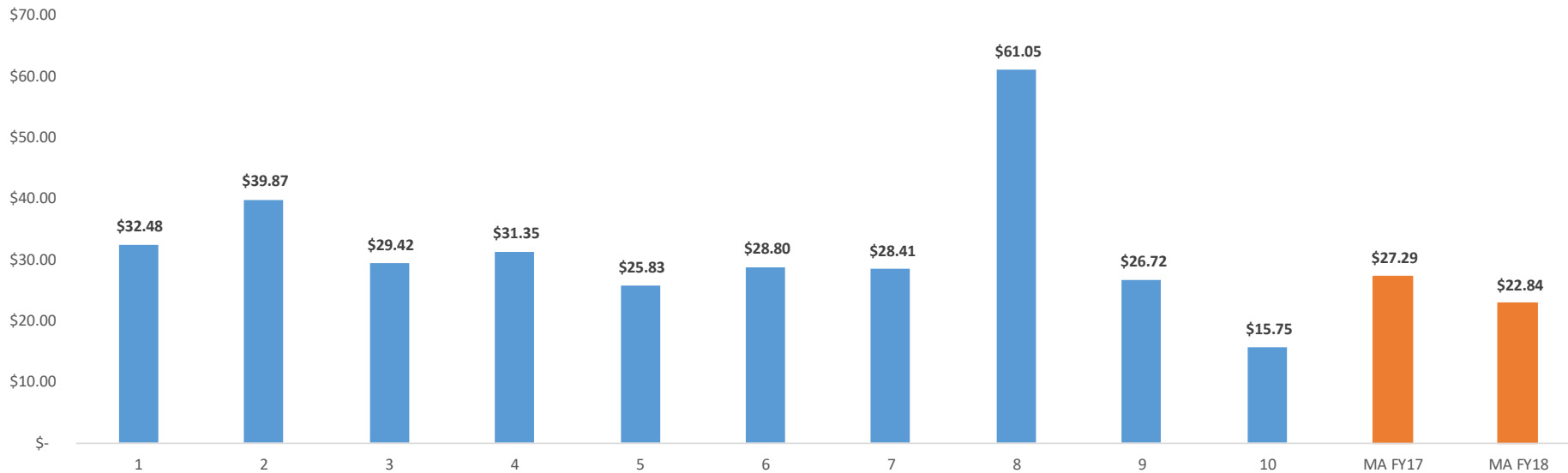
➤ While the per member administrative cost is declining, it will likely not return to pre-ACA levels at this time, as ACA administration is inherently more complex than chapter 58

Comparison to Other State-based Marketplaces



The Health Connector provides comprehensive services while maintaining lower administrative costs in comparison to most other SBMs.

SBM PMPM Comparison



Size (Thousands)	35	89	102	126	129	182	255	75	159	1,698	247	278
Premium Billing								✓			✓	✓
Risk Adjustment											✓	✓
Reinsurance				✓					✓			
EDI Customization	✓	✓									✓	✓
Broker Commissions										✓	✓	✓
Navigators			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Marketing			✓		✓	✓	✓	✓	✓	✓	✓	✓

- 4,7: Basic Health programs enrollment not reflected in the membership counts provided
- 8: Integrated Medicaid/Exchange structure cannot be easily be separated into Exchange-only costs
- 1, 2, & 4: Likely fund marketing activities, per the opinion of the Health Connector policy team, despite indicating in their responses that they do not

Administrative Finance Update

FY17 Administrative Budget Year-End
Projection

FY17 Administrative Budget Summary



The FY17 year-end projection results in a \$4.2M net loss, which reflects a \$0.2M improvement from the budget provided to the Board in July 2016.

Health Connector Administrative Budget	FY17 Budget	FY17 Year-End Estimate	Variance	
Total Member Months	2,873,180	2,963,363	90,183	3%
Revenue:				
Carrier Assessments	\$25,526,207	\$26,753,535	\$1,227,328	5%
Federal Grants	\$10,889,379	\$10,258,575	-\$630,804	-6%
CCTF	\$38,159,648	\$38,159,648	\$0	0%
Risk Adjustment Audit User Fee	\$728,000	\$699,281	-\$28,719	-4%
Student Health	\$224,384	\$154,312	-\$70,072	-31%
Miscellaneous/Investment	\$80,000	\$631,303	\$551,303	689%
Total Revenue	\$75,607,618	\$76,656,653	\$1,049,036	1%
Expense:				
Call Center, Enrollment and Premium Processing	\$41,056,177	\$45,432,210	\$4,376,033	11%
HIX Operations and Maintenance	\$7,242,719	\$6,445,803	-\$796,916	-11%
Outreach and Education	\$2,444,958	\$2,137,881	-\$307,076	-13%
Navigator Program	\$1,687,246	\$1,607,582	-\$79,663	-5%
Appeals Program	\$330,845	\$255,257	-\$75,588	-23%
Small Business Wellness Subsidies	\$259,039	\$245,056	-\$13,983	-5%
Personnel	\$8,169,609	\$7,564,254	-\$605,355	-7%
OPEB Obligation	\$660,972	\$772,353	\$111,381	17%
IT (non-HIX)/Facility/Administrative	\$2,495,605	\$2,194,011	-\$301,594	-12%
Consulting and Professional Support	\$4,818,735	\$4,230,549	-\$588,186	-12%
Consulting and Professional Support - CCA (FED)	\$6,927,655	\$4,981,682	-\$1,945,972	-28%
Consulting and Professional Support - HIX (FED)	\$3,961,724	\$5,004,632	\$1,042,908	26%
Total Expense	\$80,055,282	\$80,871,270	\$815,988	1%
Net Position	-\$4,447,664	-\$4,214,617	\$233,047	5%
Health Connector Reserves	\$15,548,895	\$15,413,019	-\$135,876	-1%
Operating Costs	\$69,165,903	\$70,884,956	\$1,719,053	2%
ACA Transition	\$10,889,379	\$9,986,314	-\$903,065	-8%

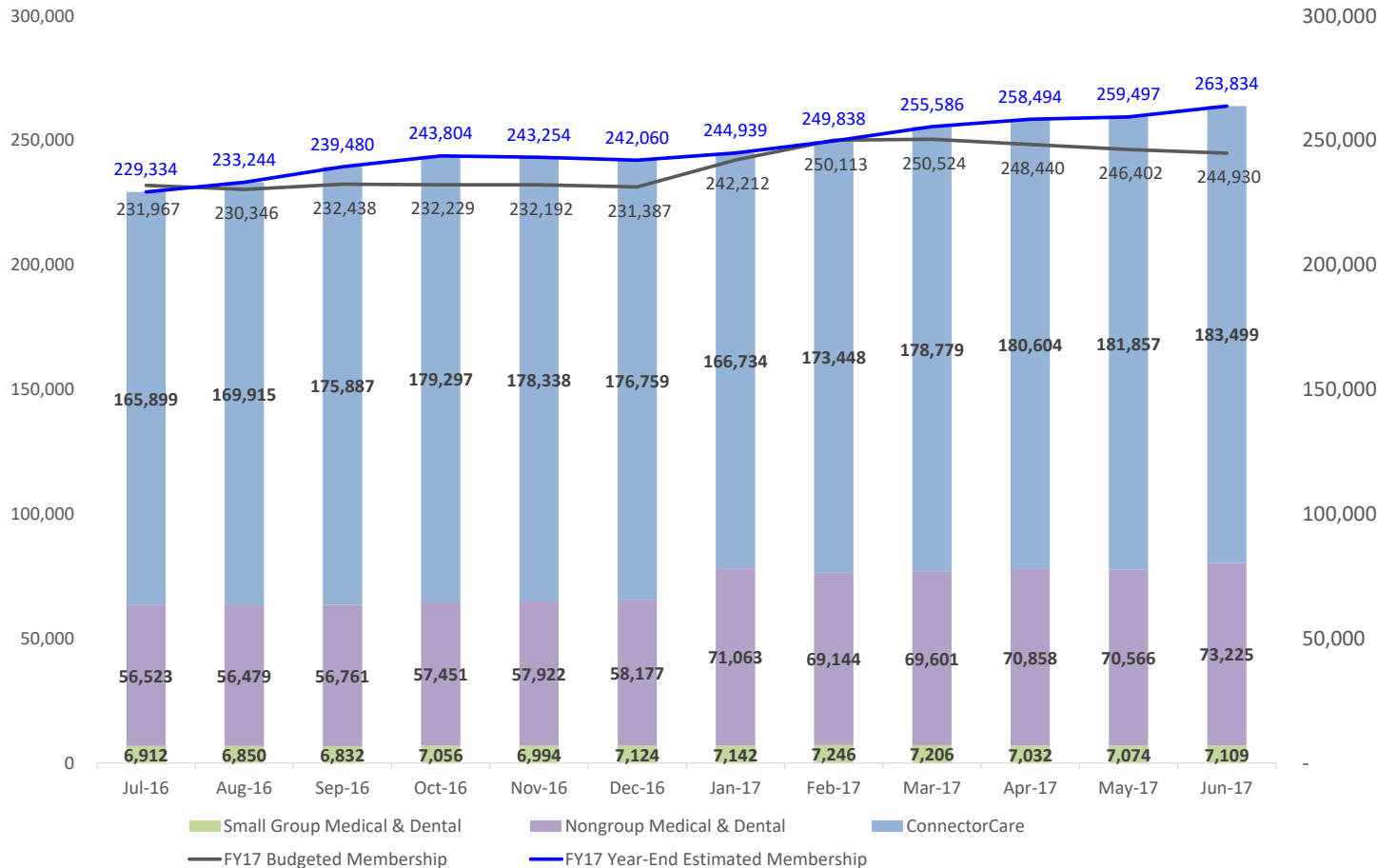
- Revenue increased by \$1.0M
 - The primary driver is a \$1.2M increase in carrier collections largely due to a 3% variance in overall membership as compared to budget and higher average premiums for small group membership
- Expenses increased by \$0.8M, offsetting revenue increases
 - The primary driver is a \$4.4M increase for call center and premium processing expenses, and continued repairs and mitigations relating to NTT's premium processing system
 - Offsetting this increase are decreased expenses for HIX operations and maintenance, personnel, consulting, outreach, and other administrative costs
 - Reported decrease in HIX operations and maintenance expenses relayed from MassIT
 - Decrease in outreach and education expense is due to timing

FY17 Projected Enrollment



FY17 projected member months are 3% higher than budget, in part due to an 8% positive variance for the unsubsidized nongroup population.

FY17 Membership Projection as of July 2017



- The 8% positive variance for unsubsidized nongroup member months (17K net member increase) is driven by eligibility redeterminations from ConnectorCare, enrollment from the eligible but unenrolled population, and outreach efforts targeted at uninsured individuals
- ConnectorCare member months were higher than budget by 1% (18K net member increase)
- Small group member months were higher than budget by 15%
- Membership projections are inclusive of retroactivity



Administrative Finance Update

FY18 Administrative Budget Recommendation

FY18 Administrative Budget Recommendation



The Health Connector is pleased to recommend a breakeven FY18 budget.

Health Connector Administrative Budget	FY17 Year-End Estimate	FY2018 Recommendation	Variance	
Total Member Months	2,963,363	3,340,180	376,817	13%
Revenue:				
Carrier Assessments	\$26,753,535	\$28,985,778	\$2,232,243	8%
Federal Grants	\$10,258,575	\$1,780,224	-\$8,478,350	-83%
CCTF	\$38,159,648	\$45,000,000	\$6,840,352	18%
Risk Adjustment Audit User Fee	\$699,281	\$729,986	\$30,705	4%
Student Health	\$154,312	\$175,000	\$20,688	13%
Miscellaneous/Investment	\$631,303	\$352,244	-\$279,059	-44%
Total Revenue	\$76,656,653	\$77,023,232	\$366,579	0%
Expense:				
Call Center, Enrollment and Premium Processing	\$45,432,210	\$46,092,503	\$660,293	1%
HIX Operations and Maintenance	\$6,445,803	\$8,574,903	\$2,129,100	33%
Outreach and Education	\$2,137,881	\$2,282,642	\$144,761	7%
Navigator Program	\$1,607,582	\$1,649,995	\$42,413	3%
Appeals Program	\$255,257	\$266,530	\$11,272	4%
Small Business Wellness Subsidies	\$245,056	\$250,000	\$4,944	2%
Personnel	\$7,564,254	\$8,311,286	\$747,032	10%
OPEB Obligation	\$772,353	\$840,321	\$67,968	9%
IT (non-HIX)/Facility/Administrative	\$2,194,011	\$2,703,153	\$509,142	23%
Consulting and Professional Support	\$4,230,549	\$3,701,764	-\$528,785	-12%
Consulting and Professional Support - CCA (FED)	\$4,981,682	\$1,600,224	-\$3,381,458	-68%
Consulting and Professional Support - HIX (FED)	\$5,004,632	\$0	-\$5,004,632	-100%
Total Expense	\$80,871,270	\$76,273,321	-\$4,597,949	-6%
Net Position	-\$4,214,617	\$749,911	\$4,964,528	118%
Health Connector Reserves	\$15,413,019	\$16,162,930	\$749,911	5%
Operating Costs	\$70,884,956	\$74,673,096	\$3,788,140	5%
ACA Transition	\$9,986,314	\$1,600,224	-\$8,386,090	-84%

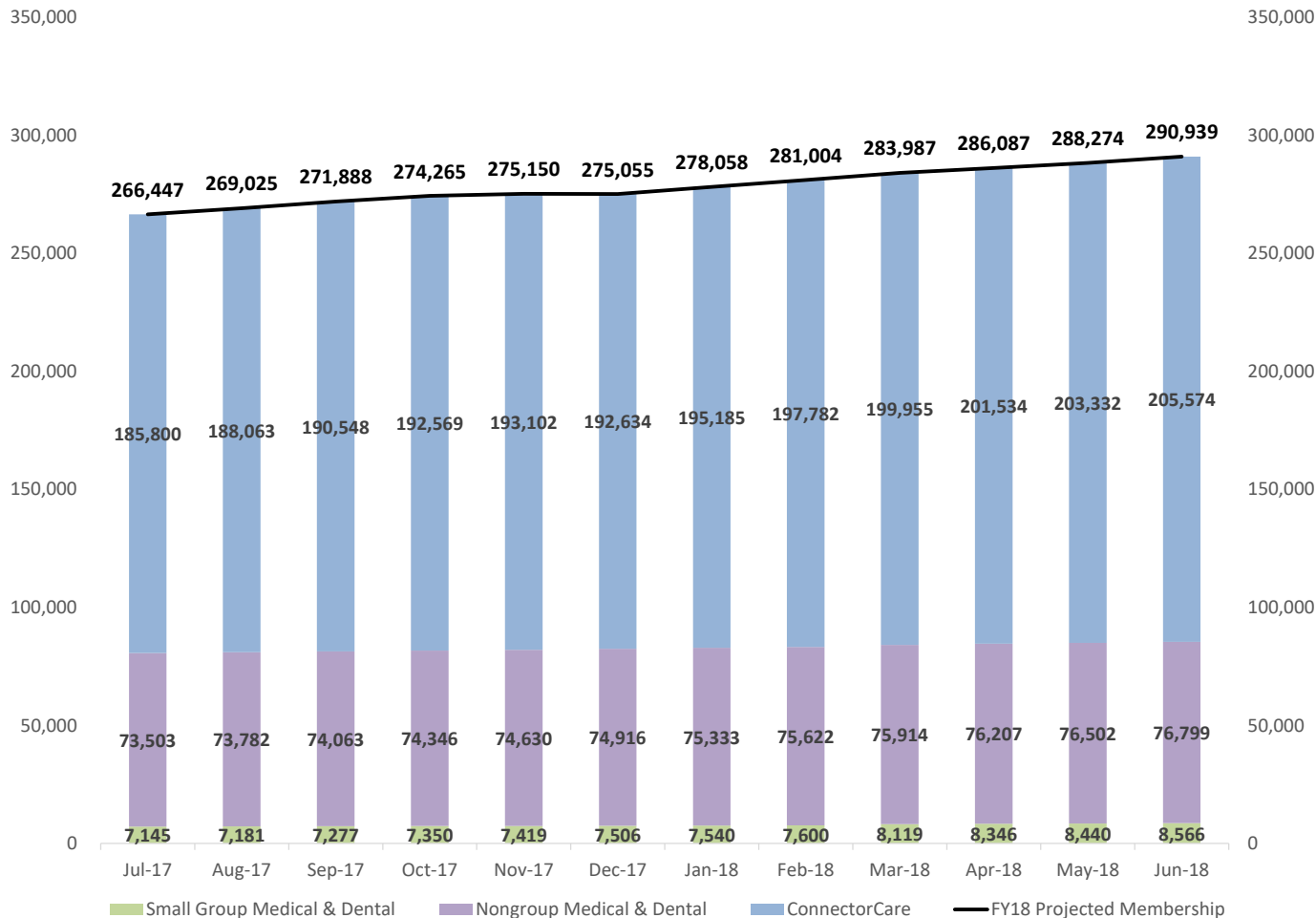
- Enrollment is projected to continue to increase in FY18
- Revenue reflects an increase in CCTF funding and enrollment-driven carrier assessments offset by federal grant revenue
- The estimated increase in HIX operations and maintenance costs is due to timing and an updated cost allocation methodology
 - Please note this figure is subject to revision
- The estimated \$0.7M increase for call center and premium processing is attributable to enrollment, but is offset by reductions for work orders
- The estimated \$0.7M increase for personnel is partially offset by the \$0.5M decrease for consulting due to the replacement of contractors to support continued HIX development
- Non-HIX IT costs are estimated to increase by \$0.5M largely due to FY18 planned implementation of decision support functionality

FY18 Projected Enrollment



Enrollment is projected to continue to increase in FY18.

FY18 Membership Projection as of July 2017



- The FY18 administrative budget reflects 291,000 members by June 2018, an estimated increase of 25,000 members and an average membership of over 278,000
- FY18 projected ConnectorCare enrollment (~20K net member increase) reflects moderate growth as membership has not yet plateaued, in part due to Medicaid eligibility redeterminations
- Projected ConnectorCare enrollment reflects increases due to annual eligibility redeterminations and 2018 Open Enrollment
- Projected ConnectorCare decreases are due to eligibility verifications and terminations (voluntary and non-payment of premium)

FY18 Administrative Budget Revenue and Net Position Summary



The Health Connector is focused on financial sustainability.

- The cost of operating a state-based Marketplace requires financial support from both the CCTF and carriers
 - FY18 administrative budget assumes \$45M from the CCTF as reflected in the Legislature’s conference committee report
 - Based on current enrollment projections and current assessment levels, carrier administrative collections are estimated to be \$29M in FY18, \$2.2M higher than FY17
 - ConnectorCare comprises 70% of membership
- The Health Connector is fortunate to have reserves to rely on and hopes to modestly increase reserves over time given future uncertainties
 - Currently, the plan is that any year-end positive net position will be allocated to Health Connector reserves

Average Premiums	% of CCA Membership	Carrier Assessment
ConnectorCare	70.2%	3.0%
APTC only	3.6%	2.5%
Unsubsidized nongroup	18.6%	2.5%
Small group non-broker	1.8%	2.5%
Small group broker	0.6%	2.5%
Nongroup dental only	4.8%	3.0%
Small group dental broker	0.1%	3.0%
Small group dental non-broker	0.4%	3.0%

Revenue	FY2017 Year-End Est.	FY2018 Recommendation
Federal	\$10,258,575	\$1,780,224
CCTF	\$38,159,648	\$45,000,000
Carriers	\$26,753,535	\$28,985,778
Other	\$1,484,896	\$1,257,230
Total Revenue	\$76,656,653	\$77,023,232
Expense	\$80,871,270	\$76,273,321
Net Position	(\$4,214,617)	\$749,911
Reserves	\$15,413,019	\$16,162,930

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Vote

VOTE



Health Connector staff recommend that the Health Connector Board of Directors vote to approve the FY18 administrative budget recommendation.