



*The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Board Chair

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Lieutenant Governor

LOUIS GUTIERREZ
Executive Director

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

Minutes

Friday, February 2, 2018
12:30 PM to 2:00 PM

State House
24 Beacon Street,
Boston, MA 02113
Room 373, Conference Room

Attendees, Members: Marylou Sudders, Dimitry Petion, Celia Wcislo, Elizabeth Denniston (who was sitting by designation on behalf of Secretary Michael Heffernan), Louis Gutierrez, and Rina Vertes participated via telephone.

Non Members: Kari Miller, Edith Calvao, Ed DeAngelo, Nupur Gupta, Michael Carritte, Dom DiVito, Lauren Peters, Shawn Warren.

The meeting was called to order at 12:31 PM.

- I. Minutes:** The minutes of the May 16, 2017 meeting unanimously approved.
- II. FY2018 and FY2019 Health Connector Financial Update:** The PowerPoint presentation “FY2018 and FY2019 Health Connector Financial Update” was presented by Kari Miller, Edith Calvao, and Nupur Gupta. Ms. Miller began the presentation by providing an overview of the Health Connector’s (CCA) administrative and programmatic financial state and noted that the financial data included in this presentation was submitted to the Office of Administration and Finance as part of the Governor’s fiscal year 2019 (FY19) budget process. She highlighted that CCA anticipates meeting the fiscal year 2018 (FY18) administrative budget approved by the Board and is projecting the FY18 ConnectorCare expenses to be in line with the budget. She

recommended that any net gain be contributed to the Health Connector reserves. She then reviewed the assumptions factored into the FY19 budgets. Ms. Miller commented that per member per month (PMPM) costs are decreasing as a result of efficiencies, but that they would not likely return to pre-ACA levels. In response to a question from Ms. Wcislo, as to whether this was in part due to increased carrier contributions, Ms. Miller confirmed that carriers and the Commonwealth Care Trust Fund (CCTF) are the primary contributors. In response to a question from Ms. Vertes regarding the reason behind increased carrier contribution, Ms. Miller noted that it is due to increased membership and the relationship between higher premiums and carrier fees.

Ms. Gupta then provided an update on the FY18 budget, noting that compared to July, there was an increase in the projected net position. She noted that the budget also increased, mainly due to the HIX project, but it has not outpaced the revenue and was offset by other changes. In response to a question from Ms. Wcislo regarding the cost of HIX, it was noted that there has been significant progress in reducing the number of technical defects, with less than a quarter of the original number of defects remaining in the HIX system. In response to a question from Ms. Vertes, Ms. Miller confirmed that the projections account for the loss of unsubsidized membership moving off-Exchange. Mr. Gutierrez commented that membership stands at 250,000 members and CCA is prepared for significant net loss, with final figures not being available until the process of terminating members for non-payment of premiums is completed. Ms. Vertes remarked on her surprise that members are choosing to stay on the Exchange and in some cases in the silver tier. Mr. Gutierrez recalled a similar scenario in the previous Open Enrollment that also revealed surprising member behavior and noted that a fuller report would be prepared for the Board in the future. Ms. Calvao noted that a large number of members did not remain in the unsubsidized silver plans and described the composition of the unsubsidized members that do remain.

Ms. Calvao continued with a review of the FY18 Programmatic Budget notes, highlighting that despite the conversations surrounding immigration this year, it has not yet deterred this population from enrolling. She then reviewed additional circumstances that may need to be taken into consideration as the year continues. She stated that the FY18 programmatic budget has improved since presented in May 2017. She continued with review of the projected enrollments for FY18 and noted that an obvious January 2018 enrollment dip was similar to a dip that occurred at the end of the last fiscal year. There was then discussion about the projected enrollment figures and factors to consider, including increased premiums impacting unsubsidized members as a cause for the January dip in enrollments. Ms. Calvao also noted that the population receiving advanced premium tax credits (APTCs) without any other state subsidies is higher than in previous years, due to the higher premiums, and drew attention to the increase in dental enrollments contributing to overall enrollment figures. In response to a question from Ms. Vertes regarding the placement of non-group unsubsidized members by metallic tier, Ms. Calvao confirmed that more of these members are enrolled in bronze plans but there are still silver enrollments that are expected to decrease for NPP. In response to a question from Mr. Petion regarding the composition of the 14,000 members currently in arrears, Mr. Gutierrez provided an explanation and Ms. Calvao confirmed that the majority are in silver plans but a number did actively switch to bronze plans. The conversation surrounding the lack of member movement off-Exchange continued and Mr. Gutierrez reminded the Subcommittee members that CCA has been tracking a cohort of 80,000 downgraded and unsubsidized members that had been provided with a number of clear communications relaying the options available to them. Mr. Gutierrez agreed with Ms. Wcislo's

comment that members may be hesitant to move off-Exchange if they have circumstances that may impact their eligibility over the course of the year, because staying on- Exchange makes it easier to adjust to changing circumstances. In response to a question from Ms. Peters about the slow increase in projected enrollment at the end of the fiscal year, Ms. Calvao stated that there are still uninsured people who are coming into CCA. In response to a question from Secretary Sudders regarding small group growth projections, Mr. Gutierrez noted that additional projections for the small group will be provided.

Ms. Gupta then provided a review of the FY19 administrative budget recommendation, which assumes level-funded expenses and increased revenue, noting that the assumptions do not include expenses for the rebid of the customer experience vendor. Mr. Gutierrez elaborated on the magnitude of the rebid. In response to a question from Ms. Vertes regarding the projected increase in revenue in comparison to smaller growth in enrollment, Ms. Calvao explained that a large number of members remained in their CSR loaded silver plan which is increasing the average premium per member and the carrier fees. In response to a question from Ms. Vertes regarding potential financial impacts of this approach, Ms. Calvao noted that consumers and the state will not see an increase in costs since most of the cost is absorbed by APTC.

Ms. Wcislo stated that in recent years CCA had increased the number of non-standard plans but noted that it is good for our consumers that we are returning to standard plans. She also commented on the growth in reserves close to previous levels, should there be a need to rely on them in the future. Ms. Wcislo then asked if there were any objections from the subcommittee to recommending that the FY19 administrative budget go to the full Health Connector Board; there were no objections.

Continuing with the presentation, there was then a review of the FY19 Programmatic Budget and the assumptions made in projections. In response to Ms. Wcislo's question regarding a possible transfer of individuals to ConnectorCare, Secretary Sudders responded that there would be over 140,000 people transferred. In response to a question from Mr. Petion regarding a timeline for the transfer, Secretary Sudders stated that it requires state and federal approval, and Ms. Peters added that this would be based on a January 1, 2019 effective date. When reviewing the FY19 projected enrollment figures, Ms. Miller noted that these numbers do not reflect a transfer of individuals from MassHealth and Ms. Wcislo estimated the enrollment number should the transfer occur. Mr. Gutierrez noted that in the small group market there has been modest new group uptake and reviewed certain dynamics of the small group market. Ms. Miller then continued with a review of the Commonwealth Care Trust Fund (CCTF) and its line items, which is managed by the Executive Office of Administration and Finance (ANF).

The Subcommittee members were then reminded of the requirements for CCA to conduct an annual financial audit. There was an overview of the requirements and the timeline for the planning of the FY18 audit. At that time, the Subcommittee members were informed that Shawn Warren from KPMG, the audit firm for CCA, was present to provide the Subcommittee with the results of the FY2017 Audit. At that time, all senior management present, including: Louis Gutierrez, Ed DeAngelo, Dom Divito, Michael Carritte, Nupur Gupta, Edith Calvao, and Kari Miller left the room.

III. FY2017 Audit Results: Once all senior staff had left the room, the meeting continued, without Connector management present, in order to have an unfettered and open dialogue without management present. Mr. Warren began his presentation. Mr. Warren outlined the objective for the financial and federal programmatic audits. He commented that this year, the financial process itself went extremely well. He also noted that the audit of the federal programs also went very well and there were no findings.

Mr. Warren stated that the financial audit is very detailed and focuses on compliance. He stated previous years' findings had been remediated immediately. He noted that the lack of findings for the 2017 audit demonstrated internal control over compliance. He stated that there is a continuation of prior year's practices and significant growth in the relationship between CCA and vendor, NTT. Mr. Warren continued noting that he has spoken with Mr. Gutierrez about the re-procurement of customer services and the risk associated with such a large undertaking. He stated that the two of them have discussed what should go into the bid, including a requirement that the vendor conduct a SOC-1 audit. Mr. Warren continued, noting the importance of a report of internal controls and requiring that a vendor complies with the same standards as the organization. In response to questions from members regarding SOC-1 report and resolution of vendor compliance issues, Secretary Sudders recognized that the NTT contract has been a challenging relationship, but that there has been careful review of the contract and the contract history and a SOC-1 will be included as part of the new procurement to provide management with more tools. In response to a question from Ms. Denniston regarding the risks of going to bid, Mr. Warren noted that CCA could receive few or no bids during a procurement, leaving the agency vulnerable to negotiate with a vendor that it was not interested in. He stated that there are also risks in transitioning to a new vendor and losing all good will and negotiations that were established with previous vendor. Mr. Warren noted the upgrades in processes by NTT and cited the progress that has been made in the last three years. In response to a question from Ms. Denniston regarding the potential pool of vendors, Secretary Sudders confirmed that this is a relatively small world and Mr. Warren noted that there is a potential to be partnered with a system that operates less efficiently than the current system.

Secretary Sudders noted her appreciation for the work that has been done. In conclusion, it was noted that the audit was very positive and revealed no findings. CCA was very cooperative and it was easy to meet with the General Counsel and Executive Director as needed throughout the audit process. Mr. Warren noted that he is very comfortable that operations are working as they should.

IV. Personnel Review:

Mr. Warren then left the room and the Subcommittee members continued with review of the next item of business, which was personnel review, including review of senior staff compensation, request for COLA for coming year, no changes to vacation policies, and the Executive Director's evaluation. The Subcommittee members reviewed the requests and compared them to common practices within state government. The figures were also considered in comparison to other organizations, quasi-agencies and industry standards. It was noted that Executive Director Louis Gutierrez exempted himself from any COLA increase requests. The members reviewed previous budgets and noted that this has been a challenging year. It was taken into consideration that other

State employees are in the middle of negotiations. After careful deliberations and recognizing the opportunity to revisit increases for senior management it was decided that there would be a two percent COLA for staff with the exception of senior management. The subcommittee members then accepted Mr. Gutierrez's self-assessment. It was noted that the assessment was an understatement of Mr. Gutierrez's performance and noted again that there would be an opportunity to revisit management salaries in the future.

The meeting adjourned at 1:57 PM.

Respectfully submitted,

Erin E. Ryan