



Covered California Annual Report

Covered California's Combined Annual Report to the Governor
and Legislature and Annual Fiscal Year 2019-20 Budget

FINAL

FISCAL YEAR 2019-20

June 26, 2019

Each year Covered California prepares an annual budget and report that is subject to board review and approval, informs the public on the way funds were expended and details the planned spending for the upcoming fiscal year. The budget is comprehensive and sets out the most cost-effective and efficient level of resources that the organization needs to carry out its mission and goals. The budget process is based on established budget principles, processes and procedures to provide the highest levels of fiscal integrity, accountability, transparency and accuracy.

Covered California is also required, pursuant to Section 100503 of the government code, to prepare an annual report to the governor and the Legislature which focuses on the implementation and performance of the agency's functions during the preceding fiscal year, including, at a minimum, how funds were expended, and the progress toward and achievement of the program requirements.

In this approved Covered California Annual Report: Fiscal Year 2019-20, both the annual report to the governor and Legislature and the annual budget book are merged into one document, which reflects the summary of final actual expenditures for fiscal year 2017-18, a detailed summary of the results of the open enrollment for the 2018 coverage year, preliminary financial reporting for fiscal year 2018-19, details on programmatic activities, and the annual approved budget.



July 1, 2019

Governor Gavin Newsom and Members of the California Legislature:

On behalf of the governing board of Covered California, and pursuant to Government Code Section 100503, I am pleased to present this report to the Governor and the Legislature which details Covered California's achievements and activities during fiscal year (FY) 2018-19 and lays out the budget for FY 2019-20 as adopted by the board at its June 26, 2019 meeting.

As we look to the future, California is building on the success of the Affordable Care Act by taking actions at the state level to counter federal actions that have contributed to market instability and uncertainty. These state actions include reinstating the requirement for those who can afford coverage to get it; increasing the amount of financial support for low-income consumers; and, making history by offering subsidies to many middle-income consumers who were previously ineligible for assistance. As a result of these bold actions by state leaders, California is protecting and building on a law that has benefitted millions of people and bringing quality care and coverage within reach of even more consumers.

In the just completed fiscal year, FY 2018-19, Covered California continued its history of service by putting consumers first and giving them broad choice of health plans and benefits that were there for them when they needed them. We maintained Covered California's stability and financial strength – with no expenditure of state general funds – while reducing the assessment fee on health plan premiums and continuing to invest more than \$100 million in marketing and outreach to promote enrollment.

For the coming fiscal year, FY 2019-20, Covered California's budget reflects its ongoing commitment to holding health plans accountable, promoting enrollment, and making the market work for California's consumers. The new state initiatives will mean that hundreds of thousands more Californians will benefit from having insurance.

Covered California remains committed to improving access to quality and affordable care and looks forward to working with the Governor, the Legislature and many others throughout the state to both protect and improve upon the Affordable Care Act and continue to strive toward universal coverage.

Sincerely,

A handwritten signature in blue ink, appearing to read "Peter V. Lee", is written over a light blue horizontal line.

Peter V. Lee
Executive Director

Covered California Board and Senior Executive Management

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Colleen Stevens
Marketing
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Covered California Annual Report: Fiscal Year 2019-20

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I. Executive Summary

Covered California enters fiscal year (FY) 2019-20 on solid financial footing with an eye toward the future, and a new state subsidy program that will provide new financial help to people hit hardest by rising health care prices, including many middle-class Californians who earned too much to qualify for assistance before.

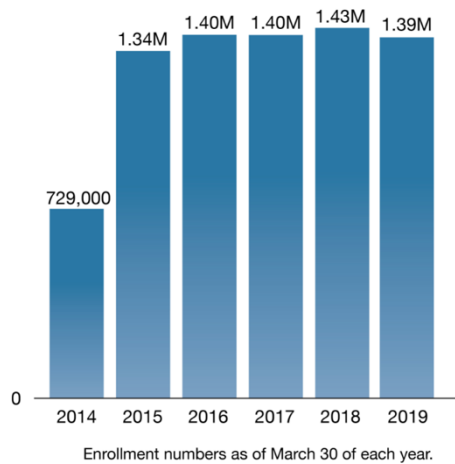
Since first opening its doors in 2014, Covered California has worked with Medi-Cal to dramatically improve access to quality health care in the state. More than 4 million people have been insured for at least one month directly through Covered California and more than 3.8 million people are currently enrolled in Medi-Cal due to the Patient Protection and Affordable Care Act expansion.¹ Millions more have purchased identical coverage directly from Covered California’s 11 carriers on the “off-exchange” individual market.



While the agency remains well situated to continue its mission to increase the number of insured Californians, improve health care quality, lower costs and reduce health disparities across California, the combination of uncertainty and questionable policy decisions at the federal level have had clear negative impacts on California.

Specifically, the federal decision to remove the individual mandate penalty as of the 2019 coverage year likely contributed to a 23.8 percent drop in the number of new consumers signing up with Covered California and potentially hurting the risk mix.

Figure 1: Covered California Active Enrollment



As a result, after watching its growth nearly double, from 728,730 in March 2014 to 1.43 million in March 2018, Covered California’s active enrollment dipped to 1.39 million in March of 2019 (See *Figure 1: Covered California Active Enrollment*).

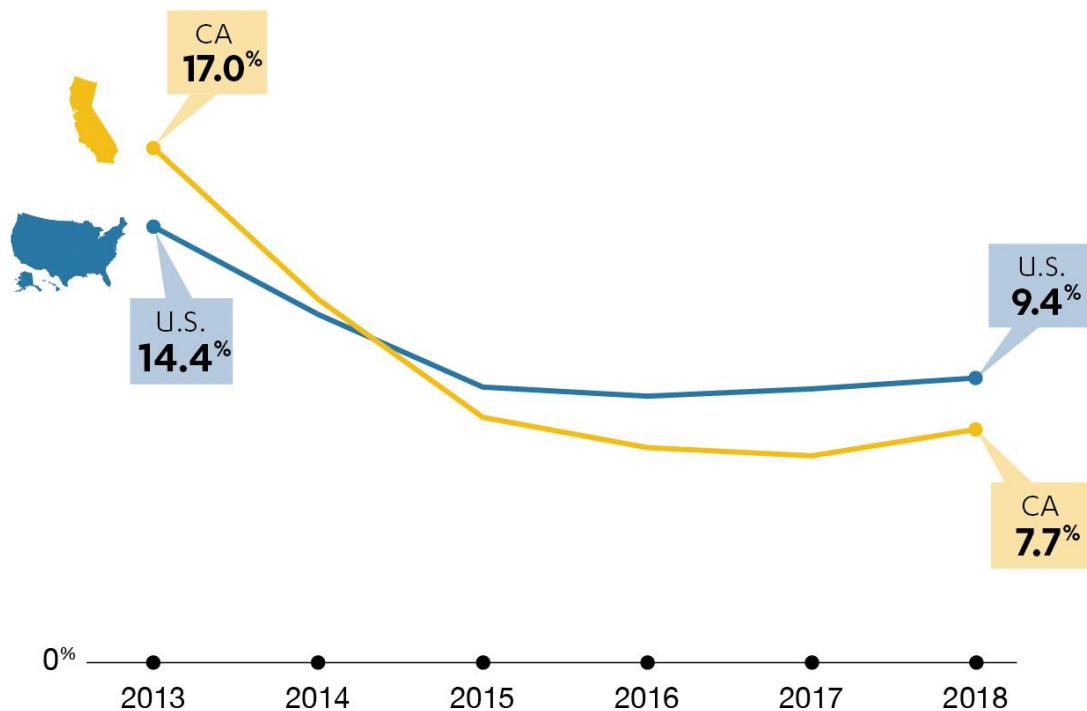
In addition, after reaching a historic low, the Centers for Disease Control and Prevention found that California’s uninsured rate jumped from 6.8 percent in 2017 to 7.7 percent in 2018², meaning that thousands more Californians are now at risk of putting off

¹ Medi-Cal at a Glance, Nov. 2018 - https://www.dhcs.ca.gov/dataandstats/statistics/Documents/Medi-Cal_at_a_Glance_Nov2018.pdf

² Centers for Disease Control, May 2019 - <https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201905.pdf>

needed health treatments, and risking significant medical bills or even personal bankruptcy if they get sick or injured (See *Figure 2: Comparing California's Uninsured Rate to the Nation*).

Figure 2: Comparing California's Uninsured Rate to the Nation



As we look ahead to the balance of 2019 and beyond, the decisions at the federal level continue to present challenges to the individual market in California and across the country. Consumers have already been negatively affected by the removal of the penalty, particularly those in the middle class who do not receive any financial help. For plan year 2019 alone, carriers increased their premiums by 2.5 to 6 percent. Covered California believes the higher than necessary premiums will lead to consumers paying an estimated \$400 million more on their health care coverage in 2019.

In marked contrast to the federal uncertainty and retreat from core protections of the Affordable Care Act, California is once again leading the way to make health care coverage more available and affordable. Governor Gavin Newsom and the state legislature have agreed to provide new state subsidies to eligible Californians, particularly those in the middle class who are currently just above the federal cutoff for financial help, and institute a state-level mandate that would encourage people to get covered for the 2020 coverage year. These new policy initiatives provide the context as Covered California enters a new fiscal year.

Covered California's Operating Budget

Covered California's operating budget for FY 2019-20 provides \$379.1 million to carry out its mission which represents an increase of \$38.9 million, or 11.4 percent, over the amount budgeted for the previous fiscal year (see *Table 1: Covered California's Multi-Year Financial Forecast Base Enrollment Estimate*).

Table 1
Covered California's Multi-Year Financial Forecast Base Enrollment Estimate
(Dollars in Millions)

<i>Dollars in Millions</i>	<i>FY 2018-19</i> <i>Approved</i> <i>Budget</i>	<i>FY 2018-19</i> <i>Projected</i> <i>Actuals</i>	<i>FY 2019-20</i> <i>Projected</i>	<i>FY 2020-21</i> <i>Projected</i>	<i>FY 2021-22</i> <i>Projected</i>
Effectuated Enrollment (fiscal year end)	1,201,447	1,362,052	1,595,887	1,646,057	1,676,695
Opening Reserve Balance	\$313.6	\$325.6	\$347.2	\$343.0	\$360.1
Plan Assessments-Cash Basis	\$351.1	\$371.7	\$394.9	\$435.2	\$441.7
Projected Operating Expenditures	(\$340.2)	(\$320.0)	(\$379.1)	(\$398.1)	(\$418.0)
Margin Contribution - Cash Basis	\$10.9	\$51.7	\$15.8	\$37.1	\$23.8
Capital Projects Reserve	(\$10.0)	(\$30.0)	(\$20.0)	(\$20.0)	(\$20.0)
Year-End Operating Reserve	\$314.5	\$347.2	\$343.0	\$360.1	\$363.9
<i>Number of months of reserve</i>	<i>10.9</i>	<i>11.0</i>	<i>10.3</i>	<i>10.3</i>	<i>10.4</i>

In addition, Covered California's budget reflects the projected enrollment and revenue impact of the new state initiatives. In conjunction with experts, Covered California projects 1.6 million Californians will be enrolled for coverage through Covered California at the "Base level" at the end of FY 2019-20, with high retention and the increase due to affordable coverage options, the new state subsidies, and the restoration of the individual mandate.

Covered California stands ready to protect consumers going forward and, as always, is operationally funded entirely by the fees it collects from health plans. Covered California will continue to stand on its own, with enough cash reserves to allow it to remain nimble, quickly adapt to any potential challenges and make prudent investments that serve California's consumers.

Accomplishments of FY 2018-19

Covered California successfully navigated a fiscal year where the budget, individual market enrollment and revenue projections were all developed in a climate of considerable uncertainty at the federal level. Congress passed the Tax Cuts and Jobs Act of 2017, which zeroed out the individual mandate penalty, led to higher premiums for 2019, and moved to promote the sale of association and short-term limited duration health plans, which did not comply with the Affordable Care Act and threatened to weaken the individual market.

While California's state leaders banned short-term plans, Covered California responded with aggressive and targeted investments in marketing and outreach to promote enrollment and retain consumers. The Covered California board approved a budget of

\$350.2 million for FY 2018-19, including an operating budget of \$340.2 million which contained \$107 million for Marketing, Outreach/Sales and Other and \$105 million for our Service Center and the establishment of a new Customer Care Division.

The budget also called for 1,399 positions to enroll Californians in coverage, provide a better consumer experience to applicants and enrollees, retain current enrollees and provide the tools to deliver on our mission.

In addition, the agency invested in its future by earmarking \$10 million for a Capital Projects Reserve fund. FY 2018-19 is projected to end with \$320 million in expenditures, compared to the approved operating budget of \$340.2 million. The remaining \$20.2 million in unspent funds of the operating budget will be transferred to the capital projects reserve.

Major investments for the approved FY 2019-20 budget include:

- **Supporting new California initiatives:** Covered California has been deeply engaged with providing technical assistance to the governor and the Legislature to develop and implement new state initiatives including new subsidies for many middle-class Californians and enacting a state penalty for consumers opting out of coverage. In the coming year, Covered California will be operationalizing these policy initiatives requiring significant technology, training and outreach investments.

- **Marketing and outreach:** Covered California will continue its extensive marketing and outreach investments which have helped it achieve one of the best take-up rates and lowest risk scores in the nation. The budget for FY 2019-20 includes \$121 million for marketing and outreach, which includes a \$6.5 million navigator program and \$55 million for paid media efforts. The budget also includes \$115.4 million for our Service Center and Consumer Experience divisions.



Examples of Covered California's marketing investments.

- **Holding health plans accountable and promoting better care:** Each year, Covered California negotiates with its contracted health plans and holds them accountable for having the lowest possible premiums, delivering the right care at the right time and promoting changes in health care delivery. These efforts benefit both those who enroll through Covered California and approximately 700,000 Californians who purchase directly from these carriers on the individual

market. In the coming year, Covered California will complete a refresh of its contractual requirements on health plans – to take effect in 2021 – which will include a national review of evidence, an assessment of other purchasers’ strategies, engagement with stakeholders and a review of quality and performance measures.

- **Building on Covered California’s patient-centered benefit designs:** Health plans in California offer common patient-centered benefit designs that mean they are competing for consumers based on factors well understood by consumers, such as cost, plans’ philosophies and which doctors and hospitals are included. In addition, these designs mean that services such as physician visits, lab tests and prescription drugs are not subject to a deductible for most consumers. In the coming year, Covered California plans to build on these designs to promote coverage for consumers with chronic conditions through advanced “value-based insurance designs” that include no or lower deductibles to promote their adherence to treatment plans.
- **Data analytics: assuring quality and equity:** Covered California continues to build its infrastructure to identify and develop strategies to assess the quality of care provided to all consumers, with a focus on assessing the extent to which some consumers may receive differences in care or health outcomes based on their race, ethnicity, gender, income or other factors. Covered California’s Healthcare Evidence Initiative has data encompassing all care and services provided to its enrollees since 2014 which is increasingly generating actionable information.
- **New internal investments to promote efficiency:** Covered California is investing in a range of information technology solutions to make its operations more efficient, including a Human Capital Management Solution to automate manual and paper-based Human Resources processes that are time consuming and prone to errors, causing incorrect and inefficient distribution of information and costly rework. In addition, Covered California is doing a major review of its lease and space planning to ensure that it is making appropriate long-term decisions.

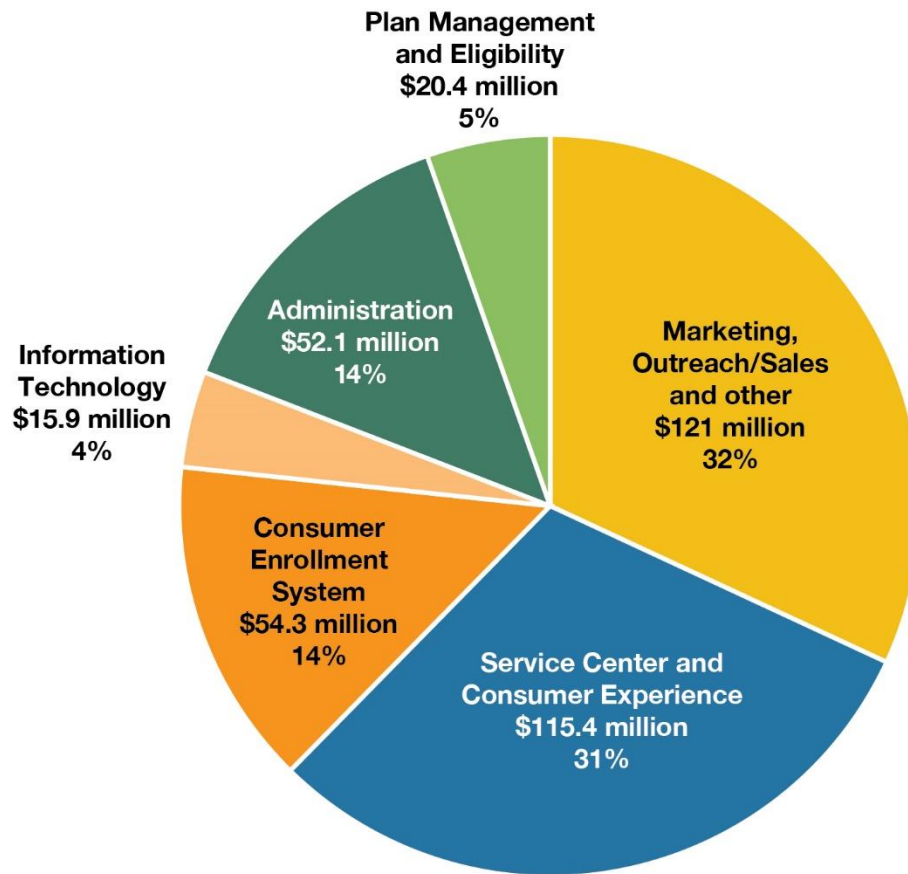
Financial highlights for the approved FY 2019-20 budget include:

- **Operating budget:** Covered California’s \$379.1 million budget will fund investments in marketing, outreach and customer service that are needed to promote a stable market with a good risk mix to keep premiums as low as possible. Doing so reduces the cost of coverage for all Californians, especially those who do not receive subsidies (see *Figure 3: Covered California’s Approved FY 2019-20 Operating Budget*).
- **Financial stability:** Covered California expects to begin FY 2019-20 with approximately \$350 million in reserves, the equivalent of 11 months of planned

operating expenditures. These reserves give Covered California capacity to adapt to new program requirements should there be significant changes in federal or state policy. In addition, Covered California projects it will end the current fiscal year with \$40 million in its capital reserve account to fund future facility needs.

- **Enrollment and revenue projections:** The enrollment and revenue projections that support this budget are informed by the analyses of health insurance experts. In addition to providing estimates of the impact to enrollment of California's recently enacted healthcare affordability programs that created a state individual mandate penalty and improve affordability for low – and middle-income Californians, they also assessed the impact of California's rising minimum wage and population.
- **Self-funded organization:** Covered California is funded entirely by a percentage assessment on health plan premiums. The budget for FY 2019-20 reflects the assessment fee rate for plan year 2020 being reduced to 3.5 percent of premiums from the 3.75 percent assessment levied in 2019. Since the cost of these assessments is spread across the entire individual market — both on-exchange enrollment and the off-exchange enrollment into mirrored products that consumers purchase directly from Covered California's 11 carriers — this assessment fee rate will equate to an assessment of about 2.3 percent on all premiums in the individual market in 2020. This assessment reflects far lower costs to health insurers than they previously spent to enroll and retain members prior to Covered California, which fosters lower premiums and contributes to a healthier risk mix.

Figure 3:
Covered California's Approved FY 2019-20 \$379.1 Million Operating Budget



This budget details how Covered California's policies put consumers first, focusing on ensuring that they have good products that will provide high-quality care when they need it. Covered California will continue to make significant investments in marketing and outreach, recognizing that health insurance is a product that needs to be actively sold to consumers.

II. Covered California’s Vision and Strategic Pillars that frame Budget Priorities

California’s mission is to 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.

Vision:

To improve the health of all Californians by assuring their access to affordable, high-quality care.

Mission:

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.

The budget reflects Covered California’s strategic plan and priorities for the upcoming year. It is based on established budget principles and procedures that provide the highest levels of fiscal integrity, accountability, transparency and accuracy to allow Covered California to meet its goals and carry out its mission.

The budget is built on a comprehensive planning process, which is guided by a set of strategic pillars, to determine the most effective way to improve the health of all Californians by ensuring their access to affordable, high-quality care.

Covered California’s strategic pillars were designed by the agency’s management team and reviewed by the board to guide the organization while making decisions, setting priorities, determining initiatives and preparing annual budgets.

Programmatic examples of how the budget and work plan reflects a focus on the five areas of strategic focus and the three cross-cutting priorities that guide Covered California’s work, are detailed in the pages that follow.

Covered California 2019-20 Strategic Pillars and Cross-Cutting Initiatives

AFFORDABLE PLANS	NEEDED CARE	EFFECTIVE OUTREACH AND EDUCATION	POSITIVE CONSUMER EXPERIENCE	ORGANIZATIONAL EXCELLENCE
Consumers purchase and keep Covered California products based on their perception that this is a good value for them.	Consumers receive the right care at the right time.	Consumers understand what we offer and have a positive attitude about Covered California.	Consumers have a positive experience from initial enrollment to keeping their coverage.	Covered California has the right tools, processes, and resources to support our team to deliver on our mission.

CROSS-CUTTING AREAS OF ATTENTION

Innovating for the long term and being nimble in the present.

Using Covered California's experience to inform policy in California and nationally.

Working with others to promote changes in care delivery that benefits all Californians.

- **Affordable Plans:** Consumers purchase and keep Covered California products based on their understanding of how their coverage is a good value for them.

Broad Strategy

- Actively negotiate rates and benefits with carriers to provide consumers with the best value.
- Invest in marketing and outreach to promote the value of coverage and maintain a healthy risk mix.
- Offer patient-centered benefit designs to make care more affordable by increasing a consumer's understanding of benefits that maximize access to appropriate care.

Enhancements for Fiscal Year 2019-20:

- Utilization of an analytical database tool, which reflects five years' worth of experience, that will help prevent and quickly identify fraud, waste and abuse and protect consumers, reduce costs resulting from fraudulent activities and promote Covered California as a trusted source of access to health care.
- Additional resources within the Outreach and Sales Division will go toward ensuring consumers are properly educated on plan selections and are

provided effective enrollment assistance. This helps support Covered California's goal of creating a brand that consumers can identify with and grow to trust in order to increase enrollment and retain consumers once enrolled.

- Additional resources will go toward combining the functions and services of Covered California for Small Business (CCSB) and the Agent Service Center with the goal of CCSB achieving financial sustainability by FY 2021-22, as well as the ongoing development of CCSB's employer, agent and general agent portals to provide better customer service.
- **Staying Healthy and Getting Needed Care:** Consumers receive the right care at the right time.

Broad Strategy

- Work with all contracted qualified health plan issuers, in every corner of the state, to ensure consumers have ready access to doctors, hospitals and care.
- Hold health insurance companies accountable for improving the care delivered, addressing disparities of care and moving to a patient-centered system that rewards quality and value, rather than being rewarded for quantity only.

Enhancements for Fiscal Year 2019-20:

- Expand efforts to promote improvements in care delivery through clinical, enrollment and qualitative survey data to identify opportunities to promote change.
- Additional resources within the Plan Management Division to operationalize a more detailed and proactive performance-monitoring function. The function will enable development of new standards that incorporate the latest understanding of successful approaches to improve cost and quality, with greater alignment and coordination with other purchasers and the provider community.
- **Effective Outreach and Education:** Consumers understand what we offer and have a positive attitude about Covered California.

Broad Strategy

- Make significant investments in marketing and outreach to motivate consumers to enroll and maintain their insurance coverage.
- Educate and support Covered California's 20,000 sales partners in order to promote enrollment and increase the number of insured Californians.

Enhancements for Fiscal Year 2019-20:

- The budget includes \$121 million for marketing and outreach and focuses on increasing capacity in the Marketing Division to maintain and improve Covered California's social media presence and effectiveness and maximize our investment in digital platforms.
- Focuses on sales strategies, direct support to the sales channels and strategic partnerships in diverse communities throughout the state to develop new and innovative ways to connect consumers to coverage. Oversee the administration, system and analytic operation functions to ensure sales channels are equipped to assist and enroll consumers while meeting their contractual requirements.
- **Positive Consumer Experience:** Consumers have a positive experience from initial enrollment to keeping their coverage.

Broad Strategy

- Operate and staff service centers and work with 20,000 Certified Insurance Agents, enrollers and navigators to assist consumers in a variety of languages.
- Ombuds Office established to help consumers as needed.

Enhancements for Fiscal Year 2019-20:

- Investing in information technology to stay on the cutting edge of technologies that benefit consumers. Mobile website design allows consumers to use all features on any device.
- Conducting consumer journey mapping as the first stage of a customer-centric service-improvement process from a customer's point of view and experience.
- Continued investments in workforce management and quality assurance solutions to ensure the Service Center is aligned with industry best practices, with the necessary tools to ensure that the consumer's needs are being met.
- **Organizational Excellence:** Covered California has the right tools, processes and resources to support its team to deliver on our mission.

Broad Strategy

- Operate as a nimble enterprise that responds quickly to the changing environment in health care.
- Implement and support Healthier U, a program designed to improve the health and wellbeing of state employees; an employee recognition

program to create a culture of acknowledgement; and a career development program to help staff prepare for career advancement at Covered California.

Enhancements for Fiscal Year 2019-20:

- Adding resources in Business Services Branch for lease space planning services, which will allow Covered California to be more agile with space needs and design.
- Automation software to streamline budgeting and planning efforts and management reporting needs while providing a transparency solution on financial data to the rest of the department.
- Implementation of a human-capital management solution to reduce costs through the automation of manual paper processes that are time consuming, an inefficient distribution of information and costly.

These five pillars are supported and complemented by the following crosscutting initiatives:

- **Innovating for the long term and being nimble in the present.**
 - Consumer journey mapping will inform efforts to continue to build consumer trust and loyalty, increase consumer growth and retention, elevate Covered California’s brand and facilitate a transparent and aligned model of operational excellence.
 - A consolidated enterprise information technology backup and disaster recovery solution will be easier to manage and meet business continuity objectives in the event of a disaster.
- **Using Covered California’s experience to inform policy in California and nationally.**
 - Covered California has worked with stakeholders and economists to develop options to improve affordability for low- and middle-income consumers and increase the number of people insured in the state. Covered California will build on the work reflected in the report, [“Options to Improve Affordability in California’s Individual Health Insurance Market,”](#) to examine how consumers would benefit from different approaches, as well as the costs required and their impact on the individual market.
 - Covered California actively seeks opportunities to contribute to the policy-making discussions in California and Washington D.C. by sharing our experiences and analysis of how policy issues could affect the individual market and health care costs and quality more broadly.

- Covered California learns from and shares its experiences with other state-based marketplaces, academic institutions and private and public partners to practice evidence-based policy development.
- **Working in partnership with others to promote changes in care delivery that benefit all Californians.**
 - Expanding program oversight of quality standards and increasing engagement with carriers to develop programs that will improve the delivery and quality of health care to our consumers.
 - Covered California has interviewed national and state purchasers to consider how its contractual expectations of carriers can be aligned with others to promote more rapid and targeted changes in the delivery system to foster quality improvement and cost reductions.

III. Covered California's FY 2018-19 Budget Highlights and Projected Year-end

The Covered California board-approved budget for FY 2018-19 of \$350.2 million included an operating budget of \$340.2 million and 1,399 positions, as well as \$10 million to fund the Capital Projects Reserve, to enroll Californians in coverage, provide a better consumer experience to applicants and enrollees, retain current enrollees and provide the tools to deliver on our mission.

The budget featured the following activities:

- Aggressive investments in marketing and outreach to promote enrollment and retain consumers, which included \$107 million for Marketing, Outreach/Sales and Other, and \$105 million for our Service Center and the establishment of a new Customer Care Division.
- Continued funding for the consumer enrollment system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) — the information technology platform to enroll consumers shared with the California Department of Health Care Services — to support the FY 2018-19 program requirements of the CalHEERS road map.
- Continued investments in the capital projects reserve, intended for capital assets that are facility related.

FY 2018-19 is projected to end with \$320 million in expenditures, compared to the approved operating budget of \$340.2 million. The remaining \$20.2 million in unspent funds of the operating budget are approved to be transferred to the capital projects reserve (see *Section VIII: Covered California's FY 2019-20 Capital Projects Budget for more details*).

Table 2
FY 2018-19 Approved Budget Versus Projected Actuals – With Revenue

	FY 2018-19 Approved Budget	FY 2018-19 Projected Actuals
Effectuated Enrollment (fiscal year end)	1,201,447	1,362,052
Opening Reserve Balance	\$313.6	\$325.6
Plan Assessments-Cash Basis	\$351.1	\$371.7
Projected Operating Expenditures	(\$340.2)	(\$320.0)
Margin Contribution - Cash Basis	\$10.9	\$51.7
Transfer to the Capital Projects Reserve	(\$10.0)	(\$30.0)
Year-End Operating Reserve	\$314.5	\$347.2
Number of months of reserve	10.9	11.0

For FY 2018-19 Covered California is projected to collect \$371.7 million in revenue from individual medical, dental and Covered California for Small Business assessment fees compared to \$351.1 million projected in the Base Enrollment estimate from the budget. Due to strong enrollment at the end of the prior year, the 2018-19 fiscal year began with individual medical enrollment that was 26,000 higher than budgeted. In addition, the December reenrollment rate was higher than anticipated as more consumers stayed with their existing plans. This more than offset the reduction of new enrollment during open enrollment for 2019. Covered California for Small Business enrollment and revenue also exceeded budget throughout the year (see *Table 2: FY 2018-19 Approved Budget Versus Projected Actuals- With Revenue*).

Table 3
FY 2018-19 Approved Budget Versus Projected Actual Expenditures by Major Area

	Budget	Projection	Variance
Marketing, Outreach/ Sales & Other	107.4	96.6	(10.8)
Service Center & Consumer Experience	102.0	95.8	(6.2)
Technology	70.1	68.9	(1.2)
Administration	44.2	42.5	(1.7)
Plan Management & Eligibility	16.5	16.1	(.4)
Total	\$340.2	\$320.0	(\$20.2)

Marketing, Outreach/Sales and Other: Projected expenditures of \$96.6 million for these programs in FY 2018-19 are \$10.8 million lower than budgeted, primarily due to lower than expected contract expenditures.

Service Center and Consumer Experience: Projected expenditures of \$95.8 million for FY 2018-19 are \$6.2 million lower than originally budgeted, primarily due to the cost

savings associated with appeals adjudication workload and salary savings in the Service Center and Customer Care Division.

Technology: FY 2018-19 projected expenditures of \$68.9 million are \$1.2 million lower than budgeted. While expenditures for CalHEERS, including the Statewide Automated Welfare System (SAWS) interface, are expected to come in at budget, expenditures for the Information Technology Division are projected to be \$1.2 million lower primarily due to savings associated with the transition from the Oracle to Salesforce Customer Relationship Management (CRM).

Administration: Projected expenditures of \$42.5 million are \$1.7 million lower than the FY 2018-19 budget largely due to contract savings in the Office of Legal Affairs, Financial Management Division, and the Administrative Services Division. Areas of savings include litigation support, premium accounting services, facility operations and legal consulting and administrative hearing services.

Plan Management and Eligibility: FY 2018-19 projected expenditures of \$16.1 million are \$400,000 lower than budgeted. Leveraged savings in the Policy, Eligibility, and Research Division in personal services and consulting services helped to fund continued work on health plan quality improvement strategies in the Plan Management Division.

IV. Covered California’s Enrollment and Revenue Forecast

“Covered California’s FY 2018-19 individual market enrollment and revenue projections were developed in a climate of considerable uncertainty.”

— Covered California Fiscal Year 2018-19 Budget

The enrollment and revenue projections for Covered California’s FY 2019-20 budget reflect the recently enacted health care affordability programs. These programs create a state individual mandate and penalty and improve affordability for low- and middle-income Californians. Notable outside experts have provided extensive analysis of the likely effect that these will have on individual health care coverage, which inform Covered California projections.

In the 2019-2020 legislative session, Governor Newsom and the Legislature enacted subsidies and the individual shared responsibility mandate. These will result in lower premium increases for all Californians in the individual market and will make premiums more affordable for most enrollees who are currently eligible for federal premium tax credits and for many people whose income falls between 400 and 600 percent of the federal poverty level (FPL). Households with incomes above 400 percent of FPL do not qualify for any federal premium subsidies under current law. The affordability plan adopted by California will fully subsidize the cost of the standard premium for eligible enrollees below 138 percent of FPL and will cap benchmark premium contributions on a sliding percentage of income scale for eligible Californians above 200 percent of FPL. This change extends the tax credit and provides assistance to consumers up to 600 percent of FPL. It lowers the premium contribution cap for a benchmark plan for consumers who currently qualify for federal advance premium tax credits, thereby inducing new enrollment among the uninsured and improving affordability for consumers. These policies will make coverage more affordable for a larger segment of Californians and will reduce the size of the uninsured population.

The estimated impact of the individual shared responsibility mandate and expanded financial assistance is that more Californians will get insurance, and there will be an increase in on-exchange enrollment, including a switch of some currently insured “off-exchange” enrollees to Covered California. It is estimated that there will be a moderation of the expected increase in premiums.

To continue making progress in making health care more affordable, the enacted State Budget creates subsidies for individuals with incomes below 138 percent FPL and those between 200 and 400 percent of the FPL. It also provides subsidies to many individuals with incomes between 400 and 600 percent of FPL, effective January 1, 2020.

The individual shared responsibility mandate is a requirement for California residents to obtain comprehensive health care coverage for each month beginning on or after January 1, 2020 or pay a penalty consistent with the federal penalties originally outlined under the federal Affordable Care Act.

The Franchise Tax Board (FTB) will implement and collect the revenues associated with the state individual mandate, and Covered California will administer the new state subsidies in accordance with the approved program design. Covered California will grant exemptions from the state mandate for reason of hardship or religious conscience based on established processes for determining eligibility for an exemption. Covered California will notify the enrollee and FTB of the determination.

The subsidy payments for consumers would be funded through annual state General Fund appropriations of \$428.6 million in FY 2019-20, \$479.8 million in FY 2020-21 and \$547.2 million in FY 2021-22. The appropriation for subsidy payments for consumers does not increase Covered California's operating budget, augment the California Health Trust Fund, change the agency's status as an independent public entity, or impede the board's authority to authorize expenditures from the California Health Trust Fund to pay program expenses to administer operations.

The appropriations will support approximately \$5 million per year for state subsidies to individuals below 138 percent of FPL, which will fully cover the cost of the standard premium for this group of individuals. Approximately \$80 million will augment federal subsidies for individuals between 200 and 400 percent of FPL. The remaining funding will be used to provide additional subsidies to individuals between 400 and 600 percent of the FPL who do not currently receive federal subsidies.

Covered California Forecast Enrollment Projections

Covered California's FY 2019-20 Base budget enrollment and revenue forecast is informed by analyses completed by economists Wesley Yin, University of California at Los Angeles, and Nicholas Tilipman, University of Illinois at Chicago, along with Covered California staff. Using a microsimulation model to estimate how changes in premiums and subsidies affect consumer enrollment and plan choice decisions, they have estimated the potential impacts of these subsidies and the mandate penalty on both Covered California's enrollment and the cost to the state of providing these subsidies.

These estimated gains in enrollment are the dominate factor in near-term enrollment projections. The Base enrollment forecast reflects an incremental gain of 300,000 new enrollees as estimated by Yin and Tilipman’s analyses. Their estimates conclude that in 2020, the subsidies and the mandate penalty could lead up to 188,000 currently uninsured Californians to obtain coverage. About 900,000 Californians would be eligible for state subsidies. Additionally, as many as 118,000 who are currently covered by off-exchange policies would transition to on-exchange policies. In 2020, subsidies worth over \$420 million would be paid. The average monthly subsidy would be \$10 for eligible enrollees earning between 200 and 400 percent of the FPL, \$19 for those earning less than 138 percent of the FPL, and \$119 for those earning between 400 and 600 percent of the FPL.

In contrast, the high, or optimistic, alternative enrollment forecast assumes a slightly better (5 percent) incremental gain from the new programs. It further assumes that the improvement in the monthly disenrollment and annual nonrenewal rates seen in recent years continues into 2020.

The low, or pessimistic, enrollment alternative reflects an assumption that only two-thirds, or 200,000 of the estimated enrollment gains materialize in 2020. In addition, it assumes that, rather than improving, the monthly disenrollment and annual nonrenewal rates revert back to the lowest levels experienced in recent years.

Covered California Forecast Premium Projections

Premium trends for policies sold through Covered California have a direct impact on its revenues. The premium projections used in this forecast consider a number of factors, including medical cost trends, expected enrollment and policy and law changes.

All three alternatives assume that future premiums will escalate in line with long-run medical cost trends — 7 percent per year on average — along with a 1.6 percent increase in 2020 from the imposition of the Health Insurance Providers Fee. Congress approved a one-year moratorium on collecting the Health Insurance Providers Fee for 2019. It is scheduled to be levied in 2020, which would boost premiums 1.6 percent. The base scenario assumes that the expected incremental enrollment gain from the new subsidies and the mandate penalty will dampen premium increase by 4 percentage points. The estimated enrollment impact of the high and low scenarios slow premium growth by 6 and 2 percentage points respectively (*see Table 4: Projected Premium Growth Rates*).

Table 4
Projected Premium Growth Rates³

Scenario	2019	2020	2021	2022
	Actual	Projected	Projected	Projected
High	7.7%	2.6%	7.0%	7.0%
Base	7.7%	4.6%	7.0%	7.0%
Low	7.7%	6.6%	7.0%	7.0%

Table 5
Individual Market Enrollment and Revenue Forecasts

Effectuated Enrollment
(Fiscal Year End)

Scenario	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
High	1,370,413	1,678,880	1,797,510	1,887,563
Base	1,362,052	1,595,887	1,646,057	1,676,695
Low	1,361,251	1,460,054	1,408,488	1,373,395

Plan Assessments-Cash Basis
(Dollars in Millions)

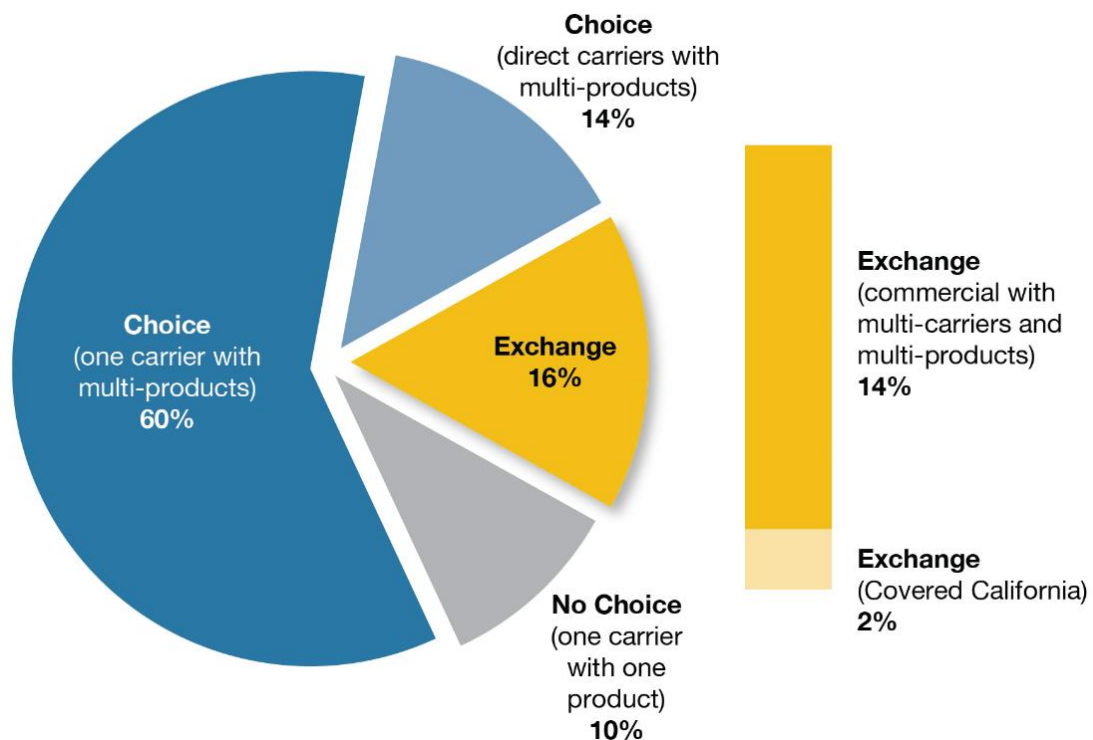
Scenario	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
High	\$357.1	\$385.1	\$435.6	\$455.7
Base	\$357.0	\$377.6	\$415.0	\$418.5
Low	\$357.0	\$367.6	\$374.7	\$357.0

³ These forecasts project that premiums would grow at these average rates across all carriers. These “average” increases would likely reflect a range of increases among Covered California’s contracted health plans — with individual carriers likely varying from the estimate by plus or minus 2 to 5 percentage points. These assumptions reflect premiums for policies sold in California and are not indicative of growth rates expected in other states.

Covered California for Small Business Forecast

The FY 2019-20 enrollment and revenue forecast for Covered California for Small Business (CCSB) considers both market conditions and current and future product mix offerings. Approximately 2.4 million Californians are covered in the small-group health insurance market. Nearly 90 percent of them have access to some form of plan choice because either the employers offer one carrier with a choice of products or they offer more than one carrier with a choice of products. The choice of products category that reflects multiple carriers is further split into purchases directly from more than one carrier and purchases from an exchange. Currently the “exchange market” accounts for 16 percent of the overall small-group market share and of that market CCSB now represents 12.5 percent. Having five carriers, two of them among the largest in the state, CCSB accounts for more than 2 percent of the overall California small business market (see *Figure 4: Share of Enrollment in the California Small Group Market in 2018*).

Figure 4
Share of Enrollment in the California Small Group Market in 2018



December 2018 CCSB enrollment reached over 50,000 consumers and is projected to reach 60,000 consumers by the end of FY 2019-20 as per the Base forecast discussed below.

Covered California for Small Business Forecast Assumptions

The **Base** scenario assumes that enrollment in the small group market will remain flat in FY 2019-20, but within the small group market companies that offer multi-carrier with multi-products segment will continue to grow. The exchange market is forecasted to grow to about 25 percent in new sales in the small group segment by 2022 and CCSB expects to garner a fair share of growth by continuously improving the selection of products offered, carrier choices and improvements to distribution and administration processes.

The **High** enrollment scenario assumes the small-group market will grow at a rate of 1.5 percent to 2 percent through 2022. This is comparable to the growth rate achieved over the past few years, driven by California’s new business growth and some groups moving from large group plans to the small group market (reflecting the expansion of CCSB to include employers with 51 to 100 employees). CCSB will continue to increase the product mix and services to achieve a larger share of the small-business exchange market.

The **Low** enrollment scenario assumes that the small group market declines by 1 percent per year due to adverse economic conditions. The scenario assumes the sales for exchange products will make up 5 to 7 percent of new sales and the CCSB share of the small business exchange market will drop to 11 percent by 2022 (*see Table 6: Covered California for Small Business Enrollment and Revenue Forecasts*).

Table 6
Covered California for Small Business Enrollment and Revenue Forecasts

Effectuated Enrollment				
(Fiscal Year End)				
Scenario	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
High	54,194	63,565	74,681	86,794
Base	53,984	60,818	67,096	73,171
Low	53,577	56,896	58,248	58,546

Plan Assessments-Cash Basis				
(Dollars in Millions)				
Scenario	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
High	\$14.6	\$17.7	\$21.8	\$26.8
Base	\$14.6	\$17.3	\$20.2	\$23.2
Low	\$14.6	\$16.6	\$18.1	\$19.3

Revenue Summary

The Base revenue estimate that is used for this budget is illustrated below (see *Table 7: Assessment Fee Revenue – Cash Basis*).

Table 7
Assessment Fee Revenue – Cash Basis
(Dollars in Millions)

Medical Market	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
On-Exchange Individual Market	357.0	377.6	415.0	418.5
Covered California for Small Business	14.6	17.3	20.2	23.2
Total Assessment Fee Revenue	\$371.6	\$394.9	\$435.2	\$441.7

V. Multi-Year Forecast and Reserves

Covered California's budget development for FY 2019-20 is one component of an annual planning process that ensures the organization's efforts are focused on meeting our mission and strategic objectives, with appropriate revenues, expenditures and reserve levels over a multi-year period.

The planning process is steered by Covered California's guiding financial principles and ensures that the organization is both well positioned to fund its strategic objectives and to provide time to react should any adverse changes in the business environment occur.

Covered California's Guiding Financial Principles:

- The budget is a manifestation of Covered California's strategic plan for the upcoming year — based on established budget principles and procedures, providing the highest levels of fiscal integrity, accountability, transparency and accuracy — to meet its goals and carry out its mission.
- Develop a budget that directly supports growth and retention of membership.
- Ensure the assessment fee places the smallest possible burden on consumers' premiums, has a path for decreasing over time and reflects savings to health plans compared to prior acquisition costs.
- Continue to build infrastructure that can support talent, succession plans, business continuity and legal compliance, and reduce future costs.
- Continue to review programs to identify opportunities for efficiencies.
- The budget should enable Covered California to serve as an effective example of how marketplaces can improve the cost and quality of health care.
- Maintain a reserve that is sufficient to cover financial obligations and allows time to adjust revenue and expenditures in the event of unanticipated events.
- Remain financially nimble to assure the ability to transition should significant changes occur.

Covered California expects that it will begin FY 2019-20 with an operating reserve of approximately \$350 million, together with a reserve for capital projects of approximately \$40 million.

The multi-year forecast prepared in conjunction with the FY 2019-20 planning process reflects the results of Covered California's sixth open enrollment for plan year 2019. Although most expert analyses previously predicted significant decreases in enrollment from the impact of the federal removal of the mandate penalty, Covered California completed its 2019 open enrollment with total enrollment estimated at 1.4 million, higher than expected and only modestly decreasing from the previous open enrollment. While plan selections by new consumers during open enrollment were significantly lower than a year ago, the number of existing consumers staying enrolled in their health plan and renewing their coverage for 2019 increased over last year.

The approved budget for FY 2019-20 uses the Base enrollment estimate. Revenues, which include both the individual and CCSB markets, are calculated on a cash basis that reflects the actual timing of the collection of revenue (see *Table 8: Covered California Multi-Year Financial Forecast Base Enrollment Estimate*).

The Covered California: Multi-Year Financial Forecast Base Enrollment Estimate reflects the approved plan assessment of 3.5 percent of premium for 2020, which is subject to board adoption, and is a reduction from the current 3.75 percent of premium. The subsequent years reflect Covered California's plan to continue to reduce the plan assessment rate as a percentage of premium to 3 percent. These amounts are tentative and would be reviewed as part of the budget development and approval process for those years.

The multi-year financial forecast shows the estimate of how the plan assessment rate equates to a cost on a per-member per-month basis. This measure is an insurance industry standard that takes the assessment revenue projected for the year divided by the projected member months. By doing so, it provides a picture of Covered California's cost as part of the total premium dollars that is independent of the rising costs of health care. On a per-member, per-month basis, Covered California's plan assessment for FY 2019-20 equates to about \$14 when spread across both on-exchange policies and mirrored off-exchange policies, and \$21 if spread only across the on-exchange enrollment. Using the per-member, per-month basis, the multi-year forecast also reflects the annual change in the per-member, per-month costs on a year-over-year basis — projecting a decrease of 3.4 percent plan year 2019 and an increase of .47 percent for plan year 2020.

Table 8
Covered California
Multi-Year Financial Forecast Base Enrollment Estimate
(Dollars in Millions)

<i>Dollars in Millions</i>	<i>FY 2018-19</i>	<i>FY 2018-19</i>	<i>FY 2019-20</i>	<i>FY 2020-21</i>	<i>FY 2021-22</i>
	<i>Approved</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	<i>Budget</i>	<i>Actuals</i>			
Effectuated Enrollment (fiscal year end)	1,201,447	1,362,052	1,595,887	1,646,057	1,676,695
Opening Reserve Balance	\$313.6	\$325.6	\$347.2	\$343.0	\$360.1
Plan Assessments-Cash Basis	\$351.1	\$371.7	\$394.9	\$435.2	\$441.7
Projected Operating Expenditures	(\$340.2)	(\$320.0)	(\$379.1)	(\$398.1)	(\$418.0)
Margin Contribution - Cash Basis	\$10.9	\$51.7	\$15.8	\$37.1	\$23.8
Capital Projects Reserve	(\$10.0)	(\$30.0)	(\$20.0)	(\$20.0)	(\$20.0)
Year-End Operating Reserve	\$314.5	\$347.2	\$343.0	\$360.1	\$363.9
<i>Number of months of reserve</i>	<i>10.9</i>	<i>11.0</i>	<i>10.3</i>	<i>10.3</i>	<i>10.4</i>

Plan Year	2018	2019	2020	2021	2022
<i>Individual Market</i>			<i>Proposed</i>	<i>Tentative</i>	<i>Tentative</i>
Total Annual Individual Market Premium (\$ millions)	\$13,679	\$14,566	\$17,876	\$19,702	\$21,466
Plan Assessment Rate - Percentage <i>On Exchange</i>	4.00%	3.75%	3.50%	3.25%	3.00%
Plan Assessment Rate - Percentage <i>On/Off Exchange</i>	2.6%	2.4%	2.3%	2.1%	2.0%
Average Monthly Gross Premium	\$544	\$586	\$613	\$656	\$702
Premium Growth Assumptions	19.3%	7.7%	4.6%	7.0%	7.0%
Plan Assessment Estimated Per Member/Per Month <i>On Exchange</i>	\$21.44	\$21.96	\$21.23	\$21.33	\$21.32
Plan Assessment Estimated Per Member/Per Month <i>On/Off Exchange</i>	\$13.98	\$14.32	\$13.84	\$13.91	\$13.90
Plan Assessment Estimated PMPM Year-over-Year Change		2.47%	-3.35%	0.47%	-0.04%

Base Enrollment Estimate

The estimated impact of the new mandate and state subsidy programs is an incremental 300,000-member increase in 2020, of which over 180,000 would otherwise have been uninsured. Additionally, it reflects projections of increases in average premiums, including the growth in medical costs, of 4.6 percent in 2020 and 7 percent in 2021 and 2022. Consequently, the multi-year forecast projects assessment revenues of \$394.9 million in FY 2019-20, \$435.2 million in FY 2020-21 and \$441.7 million in FY 2021-22. The forecast reflects a \$379.1 million operating budget in FY 2019-20, and assumes operating budgets increase 5 percent annually to \$398.1 million in FY 2020-21 and \$418 million in FY 2021-22.

Revenues from plan assessments are projected to be higher than operating expenditures in FY 2019-20. Due to the need to continue to budget for initiatives that maximize the enrollment opportunity (conducting more-focused marketing, maintaining a favorable risk mix, improving the consumer experience and reducing health care costs), the plan reflects operating expenditures that approximate revenues over the multi-year period. The plan provides an operating reserve of approximately 10 months over the multi-year period.

The plan assessment rate reflects the approved reduction to 3.5 percent of premium for 2020, with possible reductions to 3.25 percent in 2021 and 3 percent in 2022. Covered California for Small Business plan assessments are at a level of 5.2 percent of premium for the duration of the forecast. The forecast does include revenue from family dental

coverage, which is assessed at the same rates as the medical coverage offered on the individual and CCSB markets. To the extent enrollment varies from the Base estimate forecast, Covered California would be able to adjust its revenue by increasing or decreasing the plan assessment, or by adjusting its operating expenditures.

It is important to note that each year a new multi-year forecast will be completed based on the most current information.

Budgeting to Retain Prudent Reserve Position

Covered California is expected to end FY 2018-19 with a reserve of approximately \$350 million, representing 11 months of the approved FY 2019-20 operating expenditure budget. These amounts are consistent with the direction provided by the Covered California board to identify the appropriate level of reserves necessary to provide sufficient time to make fiscal adjustments in the event of a decline in enrollment.

The board's direction has been that given the ability to adjust revenue by increasing the assessment, or to reduce contractual and personnel expenditures (the latter primarily through attrition), Covered California should implement a reserve strategy that maintains reserves at a level of 9 to 12 months in the near term, while also building a prudent Capital Projects Reserve.

Given the uncertainties facing Covered California's enrollment outlook, this reserve strategy has provided Covered California with the opportunity to approve an operating budget in FY 2019-20 that will allow it to execute its core strategies and make appropriate adjustments to revenues and expenditures in future years.

Alternative Enrollment and Financial Forecasts

In addition to the Base enrollment estimate scenario, Covered California has also developed financial scenarios that consider the impact of alternative low and high enrollment scenarios on its multi-year outlook.

Low Enrollment Alternative

The low scenario reflects the uncertainty inherent in the start-up of the new programs by assuming that they lead to 200,000 incremental gains compared to the 300,000 in the Base scenario. In addition, it assumes that renewal and retention rates return to previous levels. The scenario includes increases in average premiums, including the growth in medical costs, of 6.6 percent in 2020 and 7 percent in 2021 and 2022. The plan assessment rate reflects the approved reduction to 3.5 percent of premium for 2020, with possible reductions to 3.25 percent in 2021 and 3 percent in 2022. In the low enrollment scenario, the multi-year forecast projects assessment revenues of \$384.2 million in FY 2019-20, \$392.9 million in FY 2020-21, and \$376.3 million in FY 2021-22. Although not reflected in Table 12, should enrollment fall to levels portrayed in the low scenario, it would be necessary to decrease operating expenditures to adjust to appropriate funding for operations.

The impact of the low enrollment alternative on the multi-year forecast is illustrated below (see *Table 9: Covered California Multi-Year Financial Forecast Low Enrollment Estimate*).

Table 9
Covered California
Multi-Year Financial Forecast Low Enrollment Estimate
(Dollars in Millions)

<i>Dollars in Millions</i>	<i>FY 2018-19</i> <i>Approved</i> <i>Budget</i>	<i>FY 2018-19</i> <i>Projected</i> <i>Actuals</i>	<i>FY 2019-20</i> <i>Projected</i>	<i>FY 2020-21</i> <i>Projected</i>	<i>FY 2021-22</i> <i>Projected</i>
Effectuated Enrollment (fiscal year end)	1,201,447	1,361,251	1,460,054	1,408,488	1,373,395
Opening Reserve Balance	\$313.6	\$325.6	\$347.2	\$332.3	\$307.1
Plan Assessments-Cash Basis	\$351.1	\$371.6	\$384.2	\$392.9	\$376.3
Projected Operating Expenditures	(\$340.2)	(\$320.0)	(\$379.1)	(\$398.1)	(\$418.0)
Margin Contribution - Cash Basis	\$10.9	\$51.6	\$5.1	(\$5.2)	(\$41.7)
Capital Projects Reserve	(\$10.0)	(\$30.0)	(\$20.0)	(\$20.0)	(\$20.0)
Year-End Operating Reserve	\$314.5	\$347.2	\$332.3	\$307.1	\$245.4
Number of months of reserve	10.9	11.0	10.0	8.8 *	7.0 *

Plan Year	2018	2019	2020	2021	2022
Individual Market			Proposed	Tentative	Tentative
Total Annual Individual Market Premium (\$ millions)	\$13,679	\$14,557	\$16,641	\$17,166	\$17,889
Plan Assessment Rate - Percentage <i>On Exchange</i>	4.00%	3.75%	3.50%	3.25%	3.00%
Plan Assessment Rate - Percentage <i>On/Off Exchange</i>	2.6%	2.4%	2.3%	2.1%	2.0%
Average Monthly Gross Premium	\$544	\$586	\$625	\$669	\$715
Premium Growth Assumptions	19.3%	7.7%	6.6%	7.0%	7.0%
Plan Assessment Estimated Per Member/Per Month <i>On Exchange</i>	\$21.44	\$21.97	\$21.78	\$21.84	\$21.79
Plan Assessment Estimated Per Member/Per Month <i>On/Off Exchange</i>	\$13.98	\$14.32	\$14.20	\$14.24	\$14.21
Plan Assessment Estimated PMPM Year-over-Year Change		2.48%	-0.84%	0.25%	-0.22%

*Estimated reserves are below the recommended 9 - 12 months. Appropriate adjustments would be made if necessary.

High Enrollment Alternative

The high scenario assumes that the new programs lead to gains slightly better than estimated—315,000 additional enrollees. The scenario includes increases in average premiums, including the growth in medical costs, of 2.6 percent in 2020 and 7 percent in 2021 and 2022. The plan assessment rate reflects the approved reduction to 3.5 percent of premium for 2020, with possible reductions to 3.25 percent in 2021 and 3 percent in 2022. In the high enrollment scenario, the multi-year forecast projects assessment revenues of \$402.8 million in FY 2019-20, \$457.4 million in FY 2020-21 and \$482.5 million in FY 2021-22. In this scenario, no adjustments were made to operating expenditures for the increased enrollment.

The impact of the high alternative on the multi-year forecast is illustrated below (see *Table 10: Covered California Multi-Year Financial Forecast High Enrollment Estimate*).

Table 10
Covered California
Multi-Year Financial Forecast High Enrollment Estimate
(Dollars in Millions)

<i>Dollars in Millions</i>	<i>FY 2018-19</i> <i>Approved</i> <i>Budget</i>	<i>FY 2018-19</i> <i>Projected</i> <i>Actuals</i>	<i>FY 2019-20</i> <i>Projected</i>	<i>FY 2020-21</i> <i>Projected</i>	<i>FY 2021-22</i> <i>Projected</i>
Effectuated Enrollment (fiscal year end)	1,201,447	1,370,413	1,678,880	1,797,510	1,887,563
Opening Reserve Balance	\$313.6	\$325.6	\$347.3	\$351.0	\$390.4
Plan Assessments-Cash Basis	\$351.1	\$371.8	\$402.8	\$457.4	\$482.5
Projected Operating Expenditures	(\$340.2)	(\$320.0)	(\$379.1)	(\$398.1)	(\$418.0)
Margin Contribution - Cash Basis	\$10.9	\$51.8	\$23.7	\$59.3	\$64.5
Capital Projects Reserve	(\$10.0)	(\$30.0)	(\$20.0)	(\$20.0)	(\$20.0)
Year-End Operating Reserve	\$314.5	\$347.3	\$351.0	\$390.4	\$434.9
Number of months of reserve	10.9	11.0	10.6	11.2	12.4 *

Plan Year	2018	2019	2020	2021	2022
<i>Individual Market</i>			Proposed	Tentative	Tentative
Total Annual Individual Market Premium (\$ millions)	\$13,679	\$14,692	\$18,467	\$21,156	\$23,768
Plan Assessment Rate - Percentage <i>On Exchange</i>	4.00%	3.75%	3.50%	3.25%	3.00%
Plan Assessment Rate - Percentage <i>On/Off Exchange</i>	2.6%	2.4%	2.3%	2.1%	2.0%
Average Monthly Gross Premium	\$544	\$586	\$601	\$643	\$689
Premium Growth Assumptions	19.3%	7.7%	2.6%	7.0%	7.0%
Plan Assessment Estimated Per Member/Per Month <i>On Exchange</i>	\$21.44	\$21.92	\$20.79	\$20.85	\$20.84
Plan Assessment Estimated Per Member/Per Month <i>On/Off Exchange</i>	\$13.98	\$14.29	\$13.55	\$13.59	\$13.59
Plan Assessment Estimated PMPM Year-over-Year Change		2.28%	-5.18%	0.29%	-0.04%

* Estimated reserves exceed 12 months. Appropriate adjustments would be made if necessary.

VI. Covered California’s FY 2018-19 Operating Budget Compared to FY 2019-20

The FY 2019-20 operating budget provides \$379.1 million to carry out Covered California’s mission. In addition to general salary increases, supplemental pension payments and Pro Rata, changes include increases to the areas of Marketing, Outreach/Sales and Other, Service Center and the Consumer Experience, Plan Management and Eligibility, Administration, and Technology (see *Table 11: Covered California’s FY 2018-19 vs FY 2019-20 Operating Budget*).

Table 11
Covered California’s FY 2018-19 vs FY 2019-20 Operating Budget
(Dollars in Millions)

	2017-18	2018-19	2019-20	
	Budget	Budget	Budget	Difference
Marketing, Outreach/ Sales & Other	107.3	107.4	121.0	13.6
Service Center & Consumer Experience	92.3	102.0	115.4	13.4
Technology	62.6	70.1	70.2	.1
Administration	41.8	44.2	52.1	7.9
Plan Management & Eligibility	15.6	16.5	20.4	3.9
Total Operating Budget	\$319.6	\$340.2	\$379.1	\$38.9

What follows is a brief overview of the funding changes for each program area between the FY 2018-19 operating budget of \$340.2 million and the FY 2019-20 operating budget of \$379.1 million. A realignment of Information Technology (IT) investments has been made in FY 2019-20, which allocates costs directly to the supported program area.

Marketing, Outreach/Sales and Other: The FY 2019-20 budget includes \$121 million for outreach and marketing efforts to inform Californians about Covered California’s products and retain those who are already enrolled. The budget includes a \$6.5 million navigator program and \$55 million for paid media, which aid in informing Californians about the value of insurance and the availability for many of financial assistance, encouraging retention of those who have enrolled, and maintaining a favorable risk mix. Of that \$55 million, \$10 million was added to the originally proposed budget for the development and implementation of new creative media that will target audiences and advance the effort in educating consumers about the new state subsidy and individual mandate.

Service Center and Consumer Experience: The FY 2019-20 budget of \$115.4 million includes \$1.6 million for the Ombuds Office, and \$1.4 million for the Customer Care Division and reflects an increase of \$13.4 million from the FY 2018-19 Service Center budget. The increase reflects the attribution of existing IT investments, including vendor-supported customer relationship management and workforce management solutions previously budgeted within Technology to provide transparency as to the program costs; in addition to increased funding for the Surge Vendor.

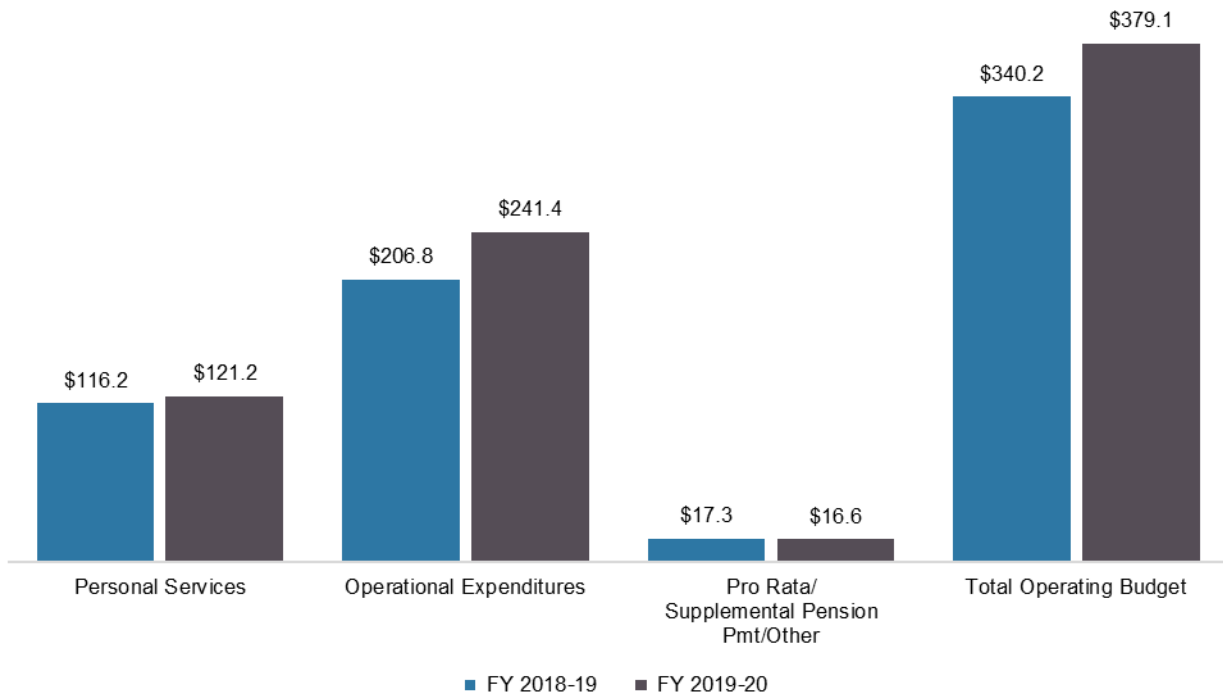
Technology: The FY 2019-20 budget of \$70.2 million includes \$15.9 million in Information Technology (IT) infrastructure, including enterprise project management oversight and \$54.3 million for the consumer enrollment system. This includes \$14M for one-time costs associated with modifying the eligibility and enrollment system to implement the new state subsidy and individual mandate, an increase from the originally proposed budget.

Administration: The FY 2019-20 budget includes \$26.5 million for personal services and \$20.5 million for contracts, which includes \$2.2 million for the implementation of a human-capital management solution, and \$525,000 for automation efforts and ongoing support for the department's transition into Fi\$Cal.

Plan Management and Eligibility: The FY 2019-20 budget includes \$10 million for personal services and \$8.4 million for contracts and other expenses. Additional resources will enable Covered California to increase data science and analytics efforts, as well as engagement and quality measures, through effective management and coordination of activities between Covered California and its health plans.

A brief overview of funding changes by expense category compares the operating budgets of FY 2018-19 and FY 2019-20 as follows (see *Figure 5: Expense Category: FY 2018-19 Compared to FY 2019-20*).

Figure 5
Expense Category: FY 2018-19 Compared to FY 2019-20
 (Dollars in Millions)



Personal Services: FY 2019-20 costs for personal services are approximately \$5 million higher than FY 2018-19, which is attributed to a combination of position adjustments, bargained general salary increases and an adjustment to benefits costs.

Operational Expenditures: The FY 2019-20 budget of \$241.4 million includes all contract and operational expenditures spending, such as paid media, CalHEERS, IT infrastructure, Service Center surge vendor, navigators and CCSB sales and administrative support.

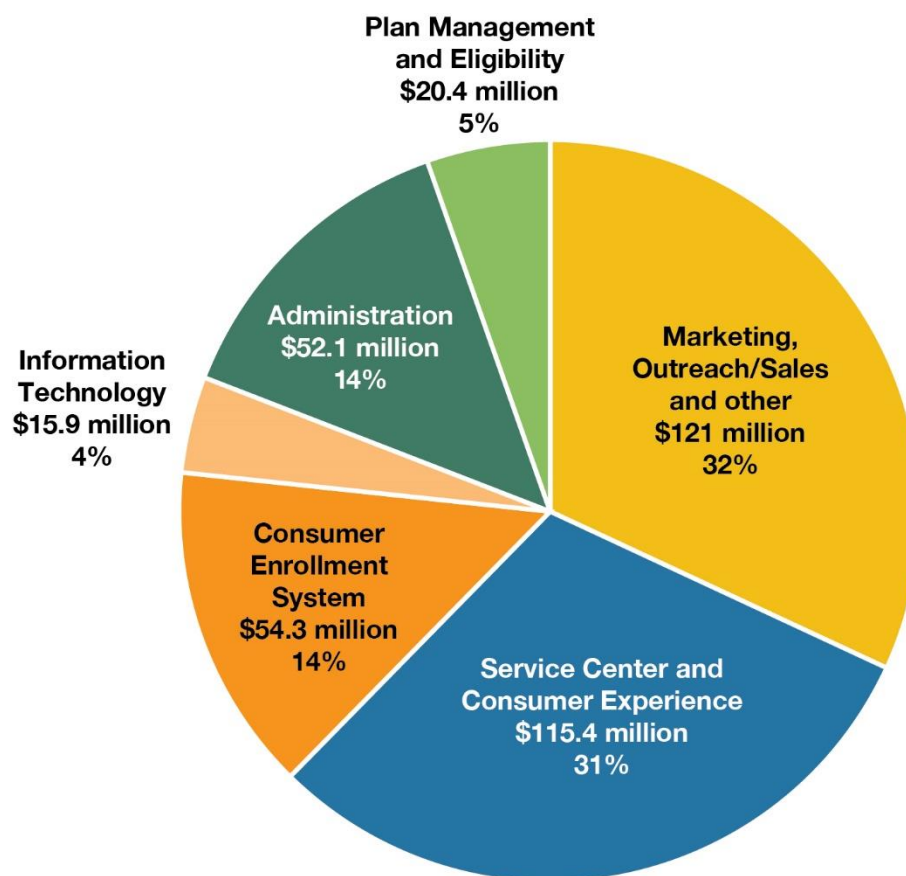
Pro Rata, Supplemental Pension Payment and Other: The FY 2019-20 budget includes \$12.8 million for Pro Rata, a decrease of \$1.9 million from FY 2018-19. In addition, an obligation which requires all General Fund, special and non-governmental cost funds to pay their proportionate share of the state’s unfunded pension liability resulted in a \$3.2 million assessment to the California Health Trust Fund.

VII. Covered California's Approved FY 2019-20 Operating Budget

The FY 2019-20 Covered California operating budget provides the resources to support Covered California's efforts to expand coverage options and promote an affordable and competitive individual insurance market while providing adequate funding to allow the organization to navigate through the uncertainty caused by federal decisions.

The budget framework is informed by Covered California's financial guiding principles and strategic pillars, the FY 2018-19 projected expenditures, the 2019 enrollment and revenue forecast and the multi-year forecast. The approved budget provides 1,386 positions and \$379.1 million to fund program operations that is divided among Covered California's major functional areas (see *Figure 6: Covered California's Approved FY 2019-20 Operating Budget: \$379.1 million*).

Figure 6
Covered California's Approved FY 2019-20 Operating Budget: \$379.1 million



This approved budget funds the delivery of critical programs and allows Covered California to continue to address its strategic priorities in the context of a multi-year plan

under which revenues exceed expenditures in FY 2019-20 and reserves are maintained at a level sufficient to address changes in enrollment and are in alignment with guidance provided by our board.

Fiscal Strategy

In strict accordance with the financial mandates set forth under Government Code section 100503, Covered California maintains its fund reserves at a level that is sufficient to assure an adequate balance to allow for timing lags needed to adjust revenue and expenditures, including adjustments in plan assessments.

Consistent with its strategy of making health care more affordable, Covered California will lower its assessment from 3.75 percent of premiums to 3.5 percent of premiums in the 2020 plan year. This revised rate is consistent with Covered California's multi-year strategy and provides sufficient assessment revenues to cover the costs associated with attracting, retaining and supporting enrollees in FY 2019-20.

VIII. Covered California's FY 2019-20 Capital Projects Budget

Covered California established a Capital Projects Reserve in FY 2017-18 intended for the payment of capital projects. A capital project is a long-term capital investment with a purpose to build upon, add to or improve a capital asset. A capital project is one in which the cost of the product is capitalized or depreciated, such as new facilities, building improvements, infrastructure assets and ancillary items.

To accommodate its headquarters, service centers and some field operations, Covered California currently leases space in numerous locations. In anticipation of significant facilities costs associated with the impending expiration of some of these lease agreements beginning in 2019, and to lessen fiscal year budget fluctuations, Covered California established a Capital Projects Reserve.

The Covered California board adopted the following principles that guide the organization's management of the Capital Projects Reserve which will:

- Adhere to established Covered California contracting procedures.
- Be funded via an annual allocation.
- Be used for specific facility projects, subject to board review and approval. This includes costs to build, renovate, or buy equipment, property, facilities and associated infrastructure and information technology.
- Be included in the annual budget with an accounting of amounts added and expended each fiscal year.
- Fluctuate as any prior and current fiscal year unexpended funds are carried over for use in future fiscal years.

The budget for the Capital Projects Reserve is displayed separately from the operating budget. Distinguishing operating expenditures from capital expenditures follows generally accepted accounting principles. The capital projects reserve and projected expenditures over the multi-year period are below (see *Table 13: Covered California Capital Projects Reserve: Budget and Expenditures*).

In FY 2018-19, Covered California engaged in multiple planning processes to support facility-related improvement projects. While relatively small tenant improvements have been conducted during FY 2018-19, no expenses are planned to be charged to the Capital Projects Reserve. Larger scale capital projects are anticipated beginning in FY 2019-20.

Covered California leases office space for its headquarters and service centers. The lease terms vary, with the first lease term expiring in October 2019 and the longest-term lease expiring in April 2026. Covered California’s capital project priorities in FY 2019-20 will revolve around lease and workspace issues for the Fresno and Rancho Cordova Service Centers, as well as additional space for the Exposition location (see *Table 12: Covered California Facility Leases*).

**Table 12
Covered California Facility Leases**

Location	Lease Term
Service Center - Fresno	9/9/2013 - 10/31/2019
Service Center - Rancho Cordova	8/1/2013 - 7/31/2020
Oakland Office	3/1/2014 - 2/28/2022
Exposition Office- Sacramento	5/1/2014 - 4/30/2022
Response Office- Sacramento	5/1/2018 - 4/30/2026

Budget Highlights and Key Changes

In FY 2018-19, the opening balance of the Capital Projects Reserve was \$10 million. In addition to a \$10 million budget authorized for FY 2018-19, approximately \$20 million in unspent funds will be transferred from the operating budget, with a FY 2018-19 ending balance of \$40 million. There were no expenditures from the Capital Projects Reserve in FY 2018-19. Covered California anticipates spending approximately \$12 million in lease and workspace improvements for Fresno and Rancho Cordova service centers in FY 2019-20 (see *Table 13: Covered California Capital Projects Reserve: Budget and Expenditures*).

**Table 13
Covered California Capital Projects Reserve: Budget and Expenditures
(Dollars in Millions)**

Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22
Opening Balance	.0	10.0	40.0	48.0	63.0
Capital Projects Budget	10.0	10.0	20.0	20.0	20.0
Transfer Savings from Operating Budget	.0	20.0	.0	.0	.0
Projected Capital Expenditures	.0	.0	(12.0)	(5.0)	(5.0)
Year-End Capital Projects Balance	\$10.0	\$40.0	\$48.0	\$63.0	\$78.0

IX. Covered California’s Operating Budget Program Details

The following section includes a three-year view of each program’s operating budget and associated key activities that support Covered California’s Goals, Strategic Pillars and Initiatives.

Plan Management and Eligibility	38
Marketing, Outreach/Sales and Other.....	47
Service Center and Consumer Experience.....	66
Technology	80
Administration	88

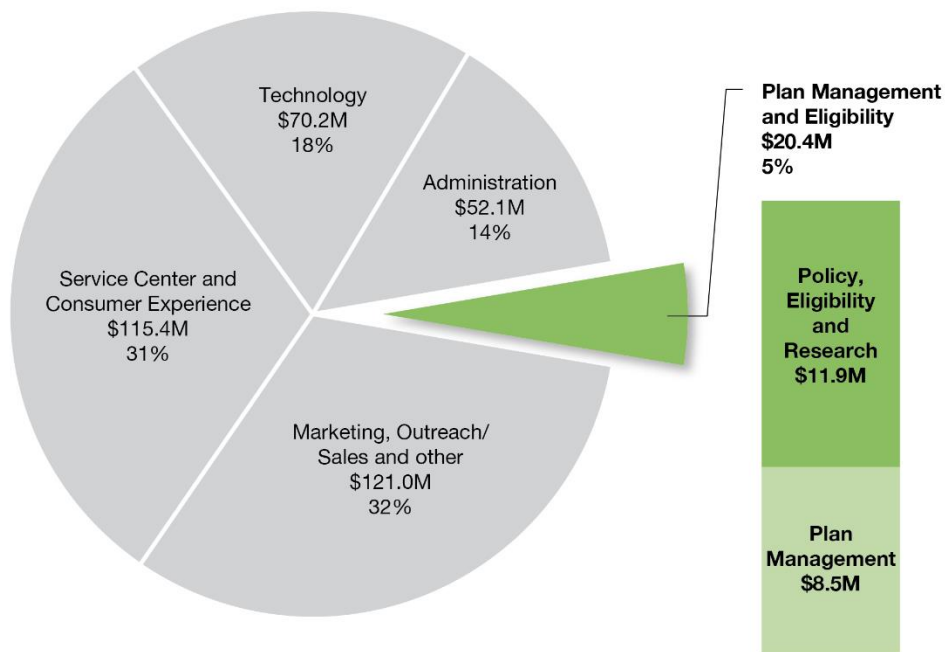
Plan Management and Eligibility

Plan Management and Eligibility includes the Plan Management Division and the Policy, Eligibility and Research Division and has a total budget for FY 2019-20 of \$20.4 million.

Plan Management and Eligibility– Multi-Year View

Fiscal Year	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	63	75	87
Personal Services	5,949,247	8,059,380	10,019,900
Operating Expenses	4,893,223	7,489,207	8,406,840
Total Expenses	\$10,842,470	\$15,548,587	\$18,426,740
Information Technology Support			909,526
ProRata / Sup. Pension Pay./ Other	638,918	925,513	1,040,838
Total Operating Costs	\$11,481,387	\$16,474,101	\$20,377,104

Plan Management and Eligibility FY 2019-20 Budget



Plan Management Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	30	34	41
Personal Services	3,243,071	3,952,995	5,107,007
Operating Expenses	1,143,298	2,038,022	2,484,522
Total Expenses	\$4,386,369	\$5,991,017	\$7,591,529
Information Technology Support	-	-	428,627
ProRata / Sup. Pension Pay./ Other	304,246	419,566	490,510
Total Operating Costs	\$4,690,615	\$6,410,583	\$8,510,666

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes exempt positions:

- Director of Plan Management; authority per code 100503(m) at a monthly salary of \$13,250.
- Senior Medical Advisor; authority per code 100503(m) at a monthly salary of \$29,189.

This budget includes seven new positions, one Physician, one Pharmaceutical Consultant, three Health Program Specialist II's, one Health Program Manager III, and one Executive Assistant to improve quality standards, program oversight, and increase engagement with qualified health and dental plans.

This budget includes:

- \$1,507,460 for consulting services.
- \$522,000 for actuarial services.
- \$138,000 for other operational expenses, which include general training, travel and office supplies.
- \$85,500 for project management.
- \$81,562 for medical advisor services.
- \$75,000 for quality assurance services.
- \$75,000 for professional memberships.

Division Description

The Plan Management Division's (PMD) purpose is to improve the cost, quality and accessibility of health care delivered to consumers through its contracted health plan issuers and to enable Covered California's goals through the effective management and coordination of activities between Covered California and its health plan issuers.

Supporting Covered California's Goals, Strategic Pillars and Initiatives

- Annually certifies and recertifies health and dental plan issuers that promote rate moderation and meaningful plan options.
- Updates and develops new patient-centered benefit designs.
- Works closely with issuers to ensure contract compliance and effective partnerships with regulators.
- Holds health plan issuers accountable for executing quality-improvement strategies promoting delivery system reform and assuring enrollees get timely high-quality care.
- Ensures enrollee access to primary care by providing support to navigate the health care system through patient-centered benefit designs and by requiring all health plan issuers to match a primary care clinician to every enrollee.
- Reviews division performance, sharing information and ideas and ultimately improving the products and services provided to enrollees through regular engagement, including in-person quarterly business review meetings with health plan issuers.
- Validates Systems for Electronic Rate and Form Filing (SERFF) templates submitted by carriers on health plan rates, plan benefit designs, provider networks, service areas and pharmaceutical formularies.

Key Objectives for FY 2018-19

- Negotiated premiums and service area changes and certified 11 health plan issuers for the 2019 plan year. For 2019, 96 percent of consumers could choose from two or more issuers, and 82 percent from three or more. The average 2019 premium rate increase was limited to 8.7 percent, despite the loss of the individual mandate penalty. Without the federal decision to eliminate the federal individual mandate penalty, which added between 2.5 and 6 percentage points to premium rates, consumers would have seen an average rate increase of 2 to 6 percent.
- Negotiated premiums and service area changes and certified seven dental plan issuers for the 2019 plan year, with a total dental enrollment of 220,459. All consumers could choose from two or more issuers, with 96 percent of consumers having a choice of six or seven issuers. Successfully negotiated an average dental plan premium-rate reduction of 1.7 percent for 2019.
- Executed contracts for 11 qualified health plan issuers and 7 qualified dental plan issuers, and in partnership with plan issuers and stakeholder advocates, established the 2020 standard benefit designs for health and dental benefits.

- Provided an early public look at the results of Covered California’s work to improve health care by promoting better quality while reducing costs.
 - For 2018, all Covered California health plans received at least three stars under the quality rating system (QRS), with five receiving four or five stars. In 2016, most plans received only two stars. QRS is a national system that incorporates 42 measures to track the quality of care provided by health plans offered through public exchanges.
 - Ninety-nine percent of enrollees were matched with a primary care physician or clinician.
 - Early results found that Covered California’s plans have a higher rate of diabetes medication adherence and a higher rate of controlling high blood pressure than the national average, with its best-performing plan scoring higher than the 90th percentile when compared to national marketplace plans.
 - Ninety-nine percent of enrollees have access to an online tool with cost information.
 - Working through Smart Care California (co-chaired by the Department of Health Care Services, California Public Employees’ Retirement System and Covered California), an honor roll was established and announced by the Secretary of the California Health and Human Services Agency for hospitals to reduce low-risk, first-birth cesarean section rates. Nearly 4,500 fewer unnecessary caesarean sections were performed for low-risk pregnancies in 2017. Most hospitals have now achieved or exceeded the target rate while improvement continues.
- Contracted with two vendors to conduct evidence reviews in areas that purchasers can use to improve value in health care, improve and align measurement standards and benchmarks, and solicit input from employers and other large health purchasers on current initiatives to assure quality care and effective care delivery. The findings from these reports will inform and guide the development of the 2021-2023 Model Contract.
- Oversaw the development of a legislative report on issues to consider regarding the option to combine California’s individual and small-group markets into a single risk pool. The report examined advantages and disadvantages, including the impact on premium rates for both markets.

Key Accomplishments for FY 2017-18

- Negotiated premiums and service area changes and certified 11 health plan issuers for 2018, during which, 95 percent of consumers could choose from two or more issuers, and 82 percent from three or more.
- In the absence of a federal commitment to continue funding cost-sharing reduction reimbursements, worked with qualified health plan issuers to add a surcharge to on-exchange Silver-tier products in 2018. This provided higher tax credits to consumers who were eligible to receive them, while allowing those who did not to enroll in Silver plans without the surcharge.
- Ensured continuous coverage for 153,000 Anthem enrollees who lost access to their health plan due to Antheims withdrawal from some regions of California, including those who did not actively choose a new plan. Worked with all carriers to organize and share data to support continuity of care for Anthem patients who lost access to their plan.
- Launched an integrated provider directory on CoveredCA.com, making it easier for consumers to understand which providers are available in each plan as they consider their health plan options.

Policy, Eligibility and Research Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	33	41	46
Personal Services	2,706,176	4,106,385	4,912,893
Operating Expenses	3,749,925	5,451,185	5,922,318
Total Expenses	\$6,456,101	\$9,557,570	\$10,835,211
Information Technology Support	-	-	480,899
ProRata / Sup. Pension Pay./ Other	334,671	505,947	550,328
Total Operating Costs	\$6,790,772	\$10,063,517	\$11,866,438

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes five new positions, one Staff Services Manager II and two Associate Governmental Program Analysts to establish a quality monitoring team to add eligibility compliance to the Eligibility Branch, and one Research Scientist III and one Research Data Specialist II to create added data science capacity in the Eligibility and Research Branch.

This budget includes:

- \$3,603,185 for data analytics that supports the Health Care Evidence Initiative. (Available at <https://hbex.coveredca.com/resources/>)
- \$900,000 for consulting services.
- \$750,000 for readability and translation services.
- \$500,000 for collateral and printing of advertising materials.
- \$79,133 for other operational expenses, which include general training, travel and office supplies.
- \$50,000 for professional memberships
- \$40,000 for student assistants.

Division Description

The Policy, Eligibility and Research Division provides accurate, complete and timely policy and data analysis to support evidence-based decision-making. Through its Eligibility Branch, the Policy, Eligibility and Research Division ensures appropriate implementation of program-eligibility rules.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Acts as an advisor and resource to management on the development, implementation and evaluation of program policies, including the coordination of the provision of input on federal and state exchange policy, rules and regulations.

- Designs and provides advisory support on manual and automated eligibility processes, procedures and verifications.
- Creates and maintains Covered California individual market applications and consumer communications regarding eligibility and enrollment.
- Directs the Covered California Healthcare Evidence Initiative that analyzes consumer access to care through clinical, enrollment and qualitative survey data and identifies opportunities for improvements and organization-wide governance of high-priority, high-visibility research efforts.
- Under the Healthcare Evidence Initiative, analyzes consumer access to care through clinical, enrollment and qualitative survey data and identifies opportunities for improvements.
- Manages Covered California’s consumer surveys.
- Coordinates with state departments to improve transitions of consumers between coverage through Medi-Cal and Covered California.
- Develops reports on critical issues to inform policy development and strategies.
- In partnership with the Plan Management Division and the chief actuary, provides data and models to describe the consumer response to the prior year’s products and price in support of rate negotiations.
- Continues to refine eligibility processes to ensure compliance and provide a simple and positive consumer experience, including consumers transitioning between coverage through Medi-Cal and Covered California.

Key Objectives for FY 2018-19

- Organized and implemented the AB 1810 stakeholder workgroup process, which led to completing and submitting the AB 1810 Affordability Report to the governor and Legislature, “Options to Improve Affordability in California’s Individual Health Insurance Market.” (Available at https://hbex.coveredca.com/data-research/library/CoveredCA_Options_To_Improve_Affordability.pdf)
- Fielded 2019 Consumer Survey with a focus on timely policy concerns such as the federal change that reduced to zero the individual mandate penalty.
- Developed and implemented several policy changes to increase positive consumer experiences, including revising the returned mail policies and procedures, revising consumer income reporting Frequently Asked Questions and fact sheets and updating authentication and consent guidance.

- Led efforts through the Healthcare Evidence Initiative to inform policy on implications to the risk pool of marketing, chronic conditions and benefit-design analysis.
- Provided in-house program evaluation and analytics to assist in continuous improvement of consumer outreach and optimal customer service.
- Created and launched new predictive modeling and agile analytics infrastructure to assist in “funnel outreach” – encouraging consumers who start an inquiry to complete an application and enroll.
- Led multi-divisional and multi-agency changes to CalHEERS including:
 - User experience updates that led to improvements in income reporting, sending notices and reporting changes to a consumer’s account.
 - Support with the implementation of a Document Imaging Verification Service (DIVS) that streamlines the intake of verification documents.
 - Major product update to increase the usability of the during open enrollment portal (Get Insured/Account Transfer).
 - Reduce consumer’s burden to provide documentation of lawful presence, by updating and enhancing our electronic verification.
 - Updates to the notice of eligibility language to improve comprehension and readability, such as updates to the fax cover page, which includes a list of acceptable documents. This will enhance consumer’s understanding and lead to greater compliance.
 - Updates to the cover letter for IRS Form 1095A, including readability and comprehension language changes to improve the consumer’s understanding of the tax credit and reconciliation process.

Key Accomplishments for FY 2017-18

- Published various issue briefs and analyses for federal and state health care proposals, earning a PR News Platinum Award. (Available at <http://hbex.coveredca.com/data-research/>)
- Coordinated with internal and external partners to develop an outreach strategy for consumers transitioning from Medi-Cal to Covered California.
- Fielded Covered California’s 2018-consumer survey, including oversampling of key demographics and a study of survey invitation strategies to maximize representative responses.

- Refreshed approach to CalSIM model of insurance markets, including the launch of CalSIM 2.0 and subsequent improvements to model policy changes, such as the zeroing out of the federal individual mandate penalty.
- Refreshed support for the California Health Interview Survey, including funding new questions related to coverage and care for Californians.
- Collaborated with Harvard and UC Berkeley on a survey of insurance markets in California, leading to publication in Health Affairs providing insight into policy-relevant issues like the individual mandate.
- Worked to educate and inform leadership regarding the impact of impending federal rules that sought to expand the reach of short-term and associated health plans.
- Managed a large effort to update consumer notices, including increasing comprehension and readability, updating flow of messaging, revisions for regulatory changes and modified triggering attributes.
- Led multi-divisional and multi-agency changes to CalHEERS including:
 - An overhaul to the user experience of the online application.
 - Align with eligibility rules and regulations such as reasonable opportunity period enhancements.
 - Dynamically display a minimum number of questions based on possible program eligibility to enhance the consumer experience and streamline the application process.
 - Generate consumer's notice of eligibility in 12 threshold languages.

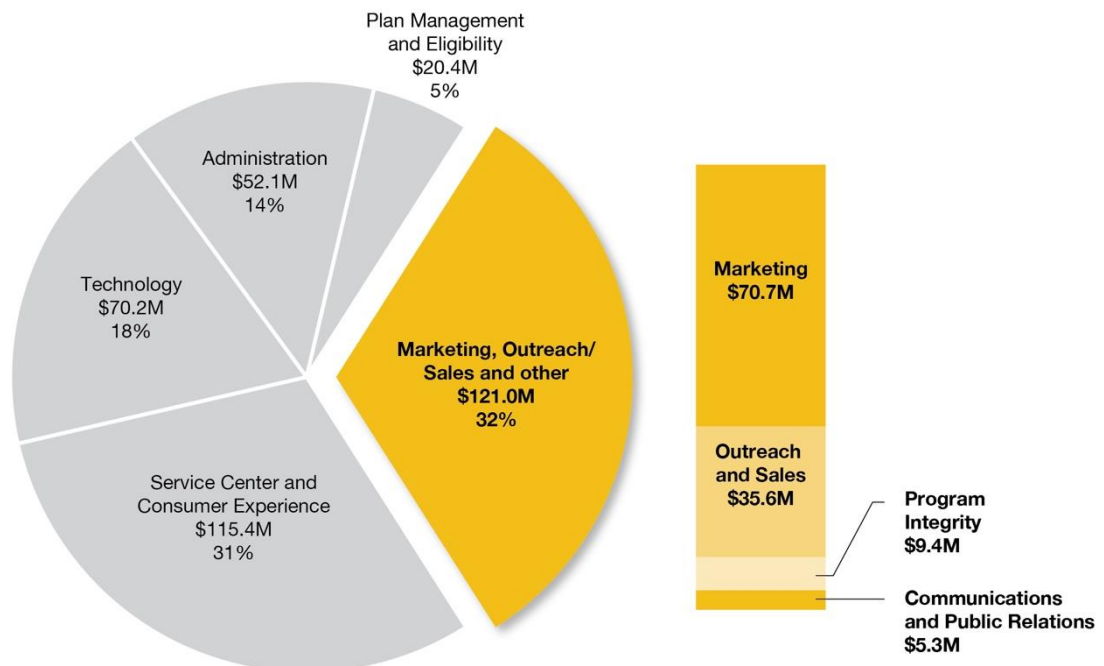
Marketing, Outreach/Sales and Other

Marketing, Outreach/Sales and Other includes the following divisions: Marketing, Outreach and Sales, Program Integrity, Communications and Public Relations. The total budget for FY 2019-20 is \$121.0 million.

Marketing, Outreach/Sales, Communications and Program Integrity – Multi-Year View

Fiscal Year	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	168	167	172
Personal Services	14,712,056	16,737,228	17,807,598
Operating Expenses	87,815,073	88,638,500	98,341,077
Total Expenses	\$102,527,128	\$105,375,728	\$116,148,675
Information Technology Support			2,808,414
ProRata / Sup. Pension Pay./ Other	1,703,780	2,060,809	2,057,748
Total Operating Costs	\$104,230,908	\$107,436,537	\$121,014,837

Marketing, Outreach/Sales and Other FY 2019-20 Budget



Marketing Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	26	26	27
Personal Services	2,439,209	2,804,216	3,147,948
Operating Expenses	61,094,290	58,617,000	66,960,040
Total Expenses	\$63,533,499	\$61,421,216	\$70,107,988
Information Technology Support	-	-	282,267
ProRata / Sup. Pension Pay./ Other	263,680	320,845	323,019
Total Operating Costs	\$63,797,180	\$61,742,061	\$70,713,273

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of Marketing; authority per code 100503(m) at a monthly salary of \$12,923.

This budget includes one new bilingual Marketing Specialist position to lead the Spanish-language social media efforts, including in-language customer service.

This budget also includes an additional \$10 million for the development and implementation of new creative media that will target audiences and advance the effort in educating consumers about the new state subsidy and individual mandate.

This budget also includes:

- \$55,000,000 for marketing contracts.
- \$4,727,369 for collateral, fulfillment and printing.
- \$2,500,000 for market research.
- \$2,292,631 for voter registration.
- \$2,000,000 for strategic initiatives.
- \$440,040 for other operational expenses, which include general training, travel and office supplies.

Division Description

Covered California’s marketing, outreach and education efforts are anchored in and responsive to California’s ethnic, cultural, regional and language diversity. Covered California implemented a comprehensive marketing campaign strategy to reach and motivate Californians to enroll in or renew health insurance through Covered California.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

Covered California’s marketing campaigns are designed to:

- Build brand awareness and engagement by emphasizing the value and benefits of health insurance.
- Position Covered California as the place to get quality health coverage, financial assistance and free in-person enrollment assistance.
- Drive enrollment in Covered California by engaging with consumers at key decision points in the enrollment journey.
- Drive retention and renewal of existing membership through timely and relevant communications.
- Covered California’s marketing campaigns continue to leverage the brand platform “It’s more than just health care; it’s life care” and highlighted everyday relatable moments when “life can change in an instant.” Each scenario reinforces the message that “Life can change in an instant; be covered when it does.” In addition, the campaigns expanded on coverage affordability and financial help availability with the more tangible “Enrollees pay an average of \$5 per day” message.
- General market (multi-segment) campaign: launched to reach English-speaking, subsidy-eligible Californians from multiple ethnic and cultural backgrounds through brand TV, direct response TV, radio, digital/mobile, social media, out-of-home and direct-mail channels.
- Latino segment campaign: included Spanish-language brand TV, direct response TV, radio, digital, mobile, direct mail and social media statewide. In addition, print publications and out-of-home ads were used in select areas with high concentrations of Latinos.
- African-American segment campaign: leveraged general market TV, radio, digital and social media, local radio stations, DJs, print publications and out-of-home media placements in Los Angeles, San Francisco/Oakland, San Diego and Sacramento.
- Asian/Pacific Islander segment campaign: launched in Los Angeles, San Francisco, Sacramento, Fresno and San Diego in Chinese (Cantonese and Mandarin), Vietnamese and Korean, using TV, radio, print and digital. Print advertising targeting Filipinos and radio advertising reaching Hmong, Cambodian and Laotian communities were also included in select markets.
- LGBTQ segment campaign: targeted Los Angeles and San Francisco markets via print publications and out-of-home outlets such as bus shelters and bike shares. The LGBTQ audience was also reached statewide via TV, digital and social media.

- Retention/renewal campaign: continued to provide information to consumers about how to renew coverage, deadlines, plan changes, paying premiums, tax preparation, 1095-A tax forms and how to report changes. Other educational topics such as “Using Your Plan,” “Health Care Terms Explained” and “Understanding Deductibles, Copays and Coinsurance” were also communicated.
- Lead-nurturing campaign: reached consumers at various stages of the application process via lead nurturing, text messaging and email marketing campaigns to provide information about deadlines and reminders to submit their application or pick a plan.
- Special enrollment campaign: informs consumers about opportunities to enroll in a health plan through Covered California outside of the open enrollment period if they experience a qualifying event. The special enrollment marketing campaign uses radio, digital and social media.

Key Objectives for FY 2018-19

- Conducted extensive consumer research to inform the open enrollment marketing campaign, including quantitative and qualitative studies across population segments and in multiple languages.
- Implemented a successful marketing campaign grounded in research learnings that contributed to 295,980 new sign-ups during open enrollment, with dedicated efforts tailored by segment.
- The lead-capturing program via data automation encouraged prospects to shop and enroll in coverage, contributing to 6,119 new sign-ups during open enrollment.
- The retention and renewal program effectively targeted existing consumers, using email and direct mail, contributing to nearly 1.22 million enrollees renewing their membership for 2019.
- Conducted a social media campaign, which established a highly visible presence on Facebook, Twitter, Instagram and YouTube to engage directly with Californians and functioned as a successful customer service platform. Consumers who posted comments and questions were provided a response within two hours from Covered California within 90 percent of the time (English) and 75 percent of the time (Spanish).
- Promoted dental plan offerings, contributing to 220,459 dental plan selections during the open enrollment and renewal periods.

Key Accomplishments for FY 2017-18

- Conducted an extensive consumer research effort to inform the open enrollment marketing campaign, including quantitative and qualitative studies across segments and in multiple languages.
- Implemented a successful marketing campaign grounded in research learnings that contributed to 423,484 new plan selections during open enrollment, with dedicated efforts tailored by segment.
- In collaboration with the Policy, Eligibility and Research Division, Information Technology Division and Accenture, conducted a pilot lead-capture campaign that included “data automation” (data automatically flowing from CalHEERS to Eloqua, Covered California’s email platform) to enable more real-time conversations with prospects and produce better enrollment results.
- The retention and renewal program effectively targeted existing consumers, using email and direct mail, contributing to nearly 1.1 million enrollees renewing their membership for 2018.
- Conducted the social media campaign, which established a highly visible presence on Facebook, Twitter, Instagram and YouTube to engage directly with Californians and functioned as a successful customer service platform. Consumers who posted comments were provided a response from Covered California within two hours 87 percent of the time.
- Promoted dental plan offerings, contributing to 334,369 dental plan selections during the open enrollment and renewal periods.

Outreach and Sales Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	59	58	62
Personal Services	5,538,152	5,896,992	6,338,698
Operating Expenses	23,182,580	26,193,000	26,957,037
Total Expenses	\$28,720,732	\$32,089,992	\$33,295,735
Information Technology Support	-	-	1,606,168
ProRata / Sup. Pension Pay./ Other	598,351	715,730	741,746
Total Operating Costs	\$29,319,083	\$32,805,723	\$35,643,649

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of Outreach and Sales; authority per Government Code 100503(m) at a monthly salary of \$16,878.

This budget includes four new positions, one Staff Service Manager III and two Associate Governmental Program Analysts to support Covered California Small Business, and one Staff Services Manager II for the Distribution Services unit.

This budget includes:

- \$16,539,037 for Covered California for Small Business program administration and agent support.
- \$6,500,000 for the navigator and in-person assistance program.
- \$1,478,000 for other operational expenses, which include ground efforts, general training, travel and office supplies.
- \$1,300,000 for Covered California for Small Business marketing activities.
- \$565,000 for consulting services.
- \$485,000 for infrastructure projects.
- \$85,000 for student assistants.
- \$5,000 for background checks and fingerprinting

Division Description

The purpose of the Outreach and Sales Division is to educate and support the individual and small business exchange sales channels to increase the number of insured Californians.

Individual Market

The individual market sales channels are Certified Insurance Agents, Navigator Certified Enrollment Counselors, Certified Application Counselors, Plan-Based Enrollers

and Medi-Cal managed-care plan enrollers. Sales channels enrolled 58 percent of new and renewed consumers in Covered California during open enrollment for 2019.

The Outreach and Sales Division individual market consists of two operation branches:

The Sales Operations Branch oversees the administration, system and analytic operation functions to ensure sales channels have met contractual requirements to collaborate with Covered California, have access to the application portal and are equipped with resources to assist and enroll consumers. The branch is supported by these areas:

- Agent administration: oversees policy, contracts and compliance for more than 13,000 Certified Insurance Agents.
- Distribution services: develops communications and conducts training. Manages storefronts, the events program, portals, the “Help on Demand” consumer-referral program, the sales service center and CalHEERS in support of sales-channel partners.
- Business analytics: monthly sales reporting, support of the Salesforce Customer Relationship Management sales system and maintaining “hot spot” maps using geographic information software.

The Sales Distribution Channels Branch focuses on sales strategies, direct support to the sales channels and strategic partnerships in communities throughout the state to develop new and innovative ways to connect consumers to coverage. The branch works closely with the sales partners to enroll and retain consumers and diverse populations. The branch is supported by these areas:

- Certification services: certification of all non-insurance agent enrollers, including 500 certified enrollment entities and more than 5,000 Certified Enrollment Counselors.
- Account services: regulates the navigator grant program and oversees policy, contracts and compliance, as applicable, for navigators, Plan-Based Enrollers and Certified Application Entities.
- Business development: a field operations team is embedded in the region they support to execute the Outreach and Sales Division strategic goals through support and assistance to all certified enrollers. Provides marketplace feedback to Covered California.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Manages the navigator program. Awards grant funds to eligible organizations based on the results of a competitive application process, measuring performance against targets and adjusting awards based on performance within the grant year.

- Develops and implements the sales strategy for the individual and small business exchanges.
- Enhances the Covered California agent administration into alignment with the agency and agent business model used by the insurance industry in California.
- Builds and manages productive relationships with sales-channel partners to promote community-level outreach and enrollment throughout California.
- Oversees sales-channel training, communication, support, contracting and compliance.
- Develops and oversees client-management tools and technology.
- Develops and manages online sales-channel partner toolkits.
- Manages ongoing development of certified enroller and agent portals in CalHEERS.
- Maintains a high-performing Sales Service Center.
- Maintains the sales “find local help” initiatives: Help on Demand, storefronts and events.
- Maintains “hot spot” heat maps to identify pockets of uninsured and returning consumers and inform outreach strategies.
- Provides access to enrollment marketing materials.

Key Outreach and Sales Objectives for FY 2018-19

- Developed and implemented the Covered California approved administrative staff role into CalHEERS and operations for agencies. This effort included the joint application design sessions (JADs), user acceptance testing and defect management with CalHEERS. The team developed the training content (including job aids and quick guides) with Covered California University. They trained agencies on the application process, onboarding and management of this new role.
- Facilitated four special enrollment conferences with more than 1,000 attendees to celebrate the accomplishments and contributions of sales partners and stakeholders. Conducted 16 regional special enrollment educational workshops. Facilitated nine in-person trainings across California, preparing the over 1,300 sales channels for the 2019 open enrollment period.
- Revamped the Covered California Marketing, Outreach and Enrollment Assistance Advisory Group with new consumers and launched the first meeting on November 1, 2018. The purpose is to collect perspectives from key experts

and stakeholders, provide advice and recommendations, and serve as a sounding board to Covered California staff to assist in the continual refinement of outreach, marketing and enrollment assistance efforts.

- Significantly streamlined the mandatory annual Certified Enrollment Counselor (CEC) Re-Certification Training from nine hours to two and a half hours, which was met with resounding positive support and comments from the CECs.
- Implemented the navigator management Salesforce CRM build and enhancements, including contract compliance, monitoring and audit functions.
- Developed the new performance-based model funding and outreach activity goals for the 2019-2022 navigator program, which include effectuated enrollment and outreach and earned media activities. Launched the request for application announcement for the 2019-2022 navigator program.
- Designed, developed and managed the vendor contract to upgrade Sales CRM platform capability and agility to support program distribution strategy, campaigns and initiatives.
- Launched the Covered California churn-rate map for new consumers for the last five open- and special enrollment periods (2015 through 2019). These maps will replace the previous subsidy-eligible maps. The goal is to give the OSD strategies to reach and enroll subsidy-eligible uninsured consumers and to open storefronts and plan outreach and enrollment activities with Certified Enrollment Partners.
- Conducted a statewide outreach and open enrollment campaign that included partner communication and training, community events and grassroots marketing activities to reach 20,000 sales partners.

Key Outreach and Sales Accomplishments for FY 2017-18

- Updated Covered California's heat maps, informing strategies to reach and enroll consumers across all communities, including the underserved. The maps, powered by geographic information software, identify race and ethnicity demographics. Heat maps identify hot spots with large numbers of subsidy-eligible, uninsured consumers. They are used by health insurers, insurance agents and the Outreach and Sales Division to plan enrollment efforts.
- Managed the Help on Demand tool, a consumer-oriented, web-based assistance program through which consumers grant Covered California authorization to share their contact information with pre-selected certified enrollers. The tool connects consumers, within 30 minutes, with a certified enroller who can evaluate consumers' needs and complete the enrollment process. Metrics for 2017 included 103,930 website visits from November 17, 2016, through

November 15, 2017, with 45,526 referrals received. On “normal days,” 43.8 percent of website views become referrals and 60 percent do so on “peak days.” During the fifth open enrollment period, the program had more than 770 participating certified enrollers from all 58 counties.

- Managed the 43 grantees in the navigator grant program, which assisted more than 35,000 consumers with enrollment and renewal.
- Led 32 special enrollment and open enrollment kickoff events and meetings to promote and train Covered California’s certified enrollers.
- Established partnerships with trusted community leaders to educate consumers about Covered California’s health care options. Partnerships included those with Medi-Cal representatives, colleges and retail stores such as Walgreens and CVS. Continued partnerships with local Employment Development Department Work Investment Boards.
- The division’s field representatives conducted more than 6,000 field activities with Certified Insurance Agents and community leaders that included agent site visits, agent opportunities, meetings and storefront and events support.

Covered California for Small Business (CCSB)

Covered California for Small Business is advancing the mission of Covered California by offering small businesses and their employees a competitive, not-for-profit marketplace. This enables employees to choose the health plan, coverage and providers that offer them the best value.

- The Outreach and Sales Division is responsible for overseeing all aspects of Covered California for Small Business, including strategy, finance, sales, marketing, plan management, regulations, policy and operations.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Issued a request for proposal (RFP) for all CCSB operational components and the Agent Service Center. These functions and services are currently provided by Pinnacle Claims Management, Inc and Financial Management Division. This RFP enables CCSB to seek the best in class enrollment and financial partners that are crucial to CCSB’s ability to achieve financial sustainability by FY 2021-22.
- Continued development of CCSB’s employer, agent and general agent portals to provide consumers the ability to perform all account maintenance transactions online. Adding this self-service feature will improve the accuracy, monitoring and expediting of these transactions with the carrier partners.

- Created Application Programming Interfaces with certain channel partners (Gusto, EASE) that will allow them to link with CCSB’s enrollment and account-maintenance portals. Doing so will enable CCSB products to be sold through these channel partners. It will also let the agents expedite and digitize all enrollment documents and allow them to perform account-maintenance transactions on the channel partner portals.
- Conducted a comprehensive review of CCSB’s benefit plan portfolio to assess its competitive rate position relative to off-exchange plans. The purpose of this effort was to determine if the current approach of offering “standard benefit designs” should be revised and if a new plan-offering strategy is required to remain competitive with off-exchange plan offerings.
- Launched a targeted marketing campaign at employers who purchase CCSB products at a significantly higher volume than other employer segments. Targeted marketing dollars and tailored messages to media channels such as trade journals, social media and other communication channels these employer segments use.
- Assessed the feasibility to amend CCSB’s current eligibility regulations to allow for more flexibility to enroll small business employers in California.
- Reviewed CCSB’s website. Currently, content is out of date and inaccurate. Website must undergo a complete overhaul for it to become a destination for CCSB consumers to obtain information, forms and educational materials. Engage web development experts on website design and refresh all material currently contained on the website.

Key Small Business Objectives for FY 2018-19

- Completed a comprehensive review of California’s small business market and CCSB’s role in that marketplace. The outcome of that review led Covered California’s board to approve issuance of an RFP for CCSB’s operating functions. This will enable CCSB to seek best-in-class enrollment and financial partnerships that will be needed to achieve its financial sustainability target.
- Positive year-over-year program net membership growth resulting in a total of 53,330 through March 2019. This key membership milestone keeps CCSB on track to achieve its sustainability target of 73,171 consumers by FY 2021-22.
- Developed a comprehensive consumer-retention strategy plan that improved consumer retention from 75 to 87 percent over the past fiscal period.
- Developed an online employer-direct enrollment portal that provided employers the opportunity to purchase coverage directly from Covered California for Small Business without the aid of an agent or general agent. Covered California for

Small Business's employer-direct sales channel reduces distribution costs for the carrier partners.

- Created an online application and database for Covered California for Small Business-only agents. Business Analytics acquired the online application software and created the same data fields and functionalities featured in CalHEERS for applicants who are interested in selling Covered California for Small Business only. Business Analytics currently maintains the database for these applications.
- Covered California for Small Business added additional alternative benefit plans to the current portfolio of plans to address consumer and agent requests for more rate-competitive plan offerings.
- Developed an additional sales channel with EaseCentral that expanded Covered California for Small Business's channel-partner portfolio to assist in driving the growth needed to achieve financial sustainability. This channel also provided the agent and general agent partners a means to submit new group enrollments electronically that will expedite the processing and effectuation of coverage.
- Covered California for Small Business eligibility and enrollment regulations were accepted into law, effective September 30, 2018.
- Covered California for Small Business revised its marketing messages and images to highlight that today's diverse workforce no longer accepts a one-size-fits-all approach to offering employer-based health insurance. The messaging and call to action was that today's workforce demands that individuals are provided the choice of plan, coverage and health care provider that give them the best value and affordability.

Key Small Business Accomplishments in FY 2017-18

- Covered California for Small Business developed and launched the 2018 agent and general agent incentive program for new group enrollment that directly competes with and addresses incentive programs announced by competitive small-group exchanges.
- Positive year-over-year program growth with current total membership of 44,330 through February 2018 and moving toward Covered California for Small Business's sustainability target of 58,000 consumers.
- Covered California for Small Business launched EaseCentral, an integrated software platform, to give small businesses and their employees access to Covered California for Small Business's plan choices, which will lead to better access to care.

Program Integrity Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	63	63	63
Personal Services	4,640,889	5,647,546	6,244,534
Operating Expenses	739,566	1,238,500	1,734,000
Total Expenses	\$5,380,455	\$6,886,046	\$7,978,534
Information Technology Support	-	-	658,622
ProRata / Sup. Pension Pay./ Other	638,918	777,431	753,710
Total Operating Costs	\$6,019,372	\$7,663,477	\$9,390,866

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes one new Career Executive Assignment, created using existing position authority to establish a Deputy Director position to assist the Director by providing broad oversight and management over the day-to-day operations of the Division, implementation activities of special projects and initiatives, and monitoring of performance goals.

This budget includes:

- \$888,000 for external audit services.
- \$371,000 for other operational expenses, which include general training, travel and office supplies.
- \$300,000 for analytics efforts.
- \$100,000 for specialized training services.
- \$75,000 for audit-specific software licenses.

Division Description

The Program Integrity Division identifies opportunities to help internal and external partners continuously improve Covered California’s consumer-focused operations. The division encourages accountability, transparency, effectiveness, efficiency and risk management by independently reviewing key business areas to help ensure compliance with federal and state laws, regulations and policies.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Manages, monitors and oversees all data-integrity initiatives to preserve data consistency, and accuracy within the core systems of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and with external entities.

- Improves data accuracy and reliability to support Covered California as a data-driven, evidence-based organization for its policy advancements, operational improvements, and strategic vision.
- Manages and oversees the user acceptance testing process by testing CalHEERS enhancements prior to implementation and resolving critical issues which may negatively affect consumers when they apply for and enroll in a Covered California plan.
- Conducts post-implementation review of the CalHEERS system functionalities to improve operational efficiencies and program compliance.
- Oversees and monitors an enterprise-wide risk-management reporting process to assist all divisions in their risk analysis and evaluation of organizational operations, internal controls, policies and procedures.
- Establishes safeguards by monitoring and overseeing an integrated and enterprise-wide fraud-management program, which requires collaboration and partnership with various internal and external entities.
- Manages and performs independent external and internal audit services to improve Covered California's operational efficiencies, effectiveness and program oversight.
- Improves compliance with federal and state regulations and mandates.

Key Objectives for FY 2018-19

- Maintained an enrollment information data accuracy rate above 99 percent between CalHEERS and carrier systems.
- Refined and enhanced monitoring tools to further support data integrity standards for the CalHEERS core systems, which achieved an accuracy rate above 99.9 percent.
- Enhanced the post-implementation review process, following CalHEERS system changes, to have a stronger emphasis on the consumer experience by analyzing over 2,800 consumer cases.
- Identified and prioritized issues, of which 91 percent were resolved and implemented into CalHEERS.
- Developed a comprehensive risk management plan and implemented an enterprise-wide risk-management software and reporting dashboard.
- Developed a fraud analytic tool to proactively identify fraud trends for early detection and prevention.

- Performed internal audits and issued audit reports with recommendations to improve operational effectiveness and efficiencies, while promoting compliance with regulations.

Key Accomplishments for FY 2017-18

- Enhanced the existing process of using key performance indicators to monitor each health and dental plan's performance of reconciliation efforts. This effort resulted in significant increases to the frequency and quality of carrier participation throughout the year.
- Enhanced the monthly enrollment reconciliation process between CalHEERS and external systems to include a standard dispute process. The dispute process is used to identify opportunities for improvement within technology and business operations.
- Performed user acceptance testing on every CalHEERS release to validate the performance of key system functionalities and identify system issues. These activities helped improve the consumer experience and journey.
- Enhanced the existing process for enterprise-wide risk management, which identified, documented, tracked, monitored and prioritized risks that may affect Covered California's goals and objectives.
- Implemented improvements to the integrated enterprise-wide fraud management program to help detect, prevent and deter potential fraud, waste and abuse.
- Performed internal audits and issued audit reports with recommendations to divisions to improve operational effectiveness and efficiencies, while promoting compliance with regulations.
- Coordinated several external audits performed by external entities.

Communications and Public Relations Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	20	20	20
Personal Services	2,093,806	2,388,473	2,076,417
Operating Expenses	2,798,637	2,590,000	2,690,000
Total Expenses	\$4,892,443	\$4,978,473	\$4,766,417
Information Technology Support	-	-	261,358
ProRata / Sup. Pension Pay./ Other	202,831	246,804	239,273
Total Operating Costs	\$5,095,274	\$5,225,277	\$5,267,048

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of Communication and Public Relations; authority per code 100503(m) at a monthly salary of \$16,543.

This budget includes:

- \$2,500,000 for public relations services.
- \$148,000 for other operational expenses, which include general training, travel and office supplies.
- \$42,000 for student assistants.

Division Description

The Communications and Public Relations Division is responsible for the ongoing public information and public relations functions of Covered California. These functions include developing, coordinating and executing an extensive proactive program of media relations and public communications.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Provides regularly updated information to the media and develops messaging. Staff respond daily to complex and sensitive media inquiries. Creates a strategic approach for general press, as well as target-audience media tailored to their specific needs and formats.
- Provides spokesperson services in English, Spanish and other languages and executes communication plans to reach specific ethnic groups.
- Coordinates large-scale open enrollment launch efforts.
- Holds press conferences.

- Creates press releases, op-eds and speeches.
- Analyzes data, identifies potential newsworthy stories and helps in the creation of award-winning issue briefs.
- Updates and enhances open enrollment campaigns to reach audiences on social media platforms and traditional news media outlets.
- Builds capacity for video and visual content development to meet changing information consumption habits.
- Produces and publishes a monthly employee newsletter.
- Coordinates the speakers' bureau.
- Provides communication expertise and support to other divisions to further their goals, including writing and graphic design services for several major agency publications like the rate booklet, annual report and external presentations.
- Strengthens the Communications and Public Relations Division within Covered California, identifying functions, skills and training with a special focus on tools to inform social listening and audience identification, as well as media monitoring and content creation.
- Develops an overarching strategy for Covered California's public-facing website content, which includes CoveredCA.com and HBEX.coveredca.com. Spearheads the website's design and updates its content.
- Enhances CoveredCA.com using user testing to ensure consumers find the information they need as they apply for coverage.

Key Objectives for FY 2018-19

- Conducted a two-stage bus tour for the sixth open enrollment period that generated substantial media coverage across multiple platforms: print, TV, radio and online. The "In an Instant" bus tour featured the Covered California bus wrapped with an image of a cyclist falling off his bicycle and landing on crutches to depict the theme that "Life can change in an instant." At stops throughout the state, local hip-hop and contemporary dance crews met the bus to illustrate the theme in a medium that resonates with Californians. The tour generated hundreds of news stories in media markets statewide and 191.6 million media impressions.
- Conducted a new effort to capture and distribute visual content from the bus tour on social media platforms, including the Facebook, Twitter and Instagram platforms as well as account posts by event participants (dancers, choreographers, elected officials and staff). The video and photography posts

broke new ground, with 55 Instagram Stories getting nearly 10,000 views and attracting 107 new followers.

- Planned and coordinated more than a dozen press conferences and teleconference calls with state and national media, issued more than 30 news releases (in English and Spanish) and continued answering questions from national and state media outlets.
- Conducted more than a dozen enrollment phone banks on local Spanish-language television and radio stations during open enrollment to maximize enrollment. The phone banks were hosted by local television personalities and featured representatives from Covered California.
- Participated in Facebook Live videos in Spanish to promote special enrollment.
- Hosted a Spanish-media roundtable to raise awareness of Covered California and promote enrollment.
- Participated in a town hall meeting with members of Congress that focused on the future of health care in California, which aired live on KCRA-TV throughout the Sacramento region.
- Helped produce, design and distribute a series of issue briefs that won a national PR News Platinum Award in the “external publications” category.
- Developed and implemented target segment outreach efforts that were nominated for a national award in the category of “multicultural campaign.”
- Conducted industry research in 2018-19 in advance of writing a request for proposal for public relations services amid extraordinary disruption in the public relations industry affecting how organizations communicate and the development of new tools and practices for reaching mass audiences. The selection process for a new firm will continue through FY 2018-19.

Key Accomplishments for FY 2017-18

- Conducted a three-stage bus tour for the fifth open enrollment period that generated substantial media coverage across multiple platforms: print, TV, radio and online. Dubbed “Covered in Art,” the bus tour featured local artists who painted permanent murals at community clinics and other locations across the state to promote health and attract attention to places where Californians can enroll. The tour generated coverage in every major media market in California, including hundreds of stories in media outlets statewide. Covered California generated more than 235 million media impressions nationwide during the open enrollment period in FY 2017-18, including national coverage associated with the effort to repeal and replace the Affordable Care Act. The bus also made a special

appearance in Los Angeles in January for the annual Kingdom Day Parade in honor of Martin Luther King Jr.

- Planned and coordinated more than a dozen press conferences and teleconference calls with state and national media, issued more than 50 news releases (in English and Spanish), conducted five phone banks in partnership with Spanish-language media and two in partnership with English-language media. Answered hundreds of calls from media outlets during the effort to repeal and replace the Affordable Care Act, including national outlets such as the New York Times, the Washington Post, CNN, Associated Press, Bloomberg, Politico and Kaiser Health News as well as every significant newspaper, television and radio station in the state.
- Upgraded the CoveredCA.com website in October 2017 to enable easier navigation on mobile devices.
- Developed new “Real Stories” videos, depicting first-person accounts of Californians sharing their experiences as enrollees and the impact health insurance has had on their lives.
- Planned and coordinated successful targeted-segment outreach and media activities to reach Latinos, African Americans, Asian/Pacific Islanders and LGBTQ communities, including TV and radio interviews on ethnic broadcast stations, Spanish TV phone banks, ethnic media roundtables, print-ready articles to ethnic publications, faith-based outreach and participation in special community events.
- Planned and coordinated “added value” interview segments at television and radio stations across the state, in both English and Spanish, to highlight the open enrollment period and answer consumer questions.
- Brought media attention to 15 studies, reports and analyses — some produced by Covered California — to inform the public and policy makers on the pros and cons of ongoing legislative and administrative policies affecting the Affordable Care Act.
- Maintained the @CoveredCAnews Twitter handle, earning more than 294,000 impressions and adding 109 new followers.

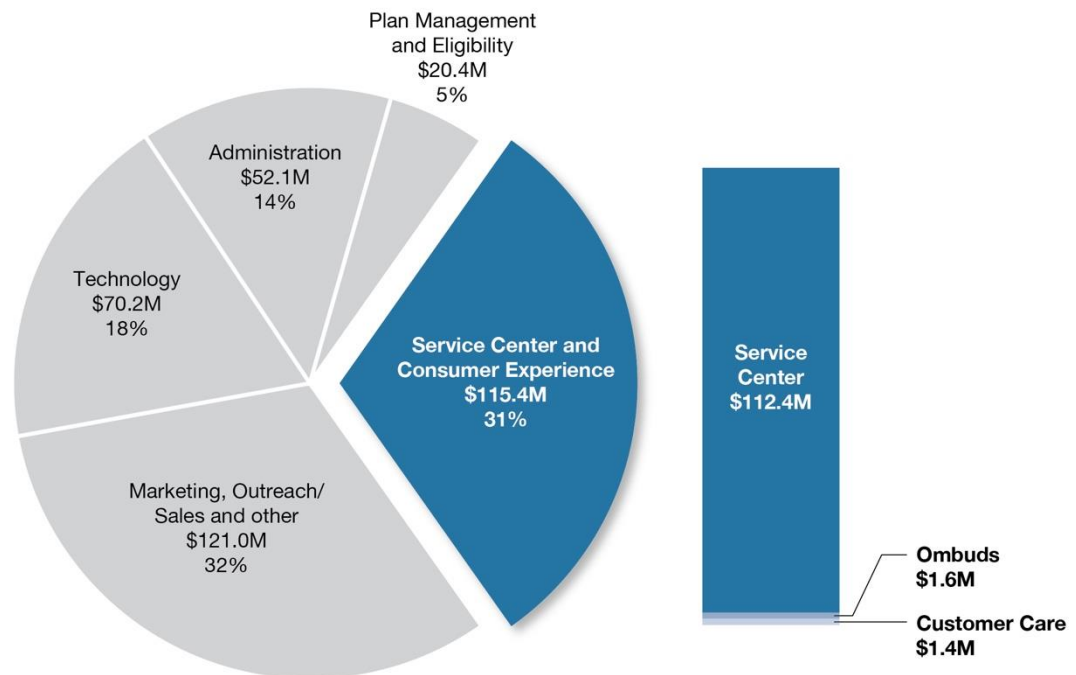
Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office and Customer Care. The total budget for FY 2019-20 is \$115.4 million.

Service Center and Consumer Experience– Multi-Year View

Fiscal Year	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	850	858	818
Personal Services	50,858,358	57,071,243	55,803,825
Operating Expenses	37,956,815	34,328,366	32,272,943
Total Expenses	\$88,815,173	\$91,399,609	\$88,076,768
Information Technology Support			17,551,631
ProRata / Sup. Pension Pay./ Other	8,620,316	10,587,871	9,786,267
Total Operating Costs	\$97,435,488	\$101,987,480	\$115,414,666

Service Center and Consumer Experience FY 2019-20 Budget



Service Center

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	837	838	798
Personal Services	50,127,633	55,256,331	53,782,585
Operating Expenses	37,916,071	34,099,366	31,766,943
Total Expenses	\$88,043,704	\$89,355,697	\$85,549,528
Information Technology Support	-	-	17,342,545
ProRata / Sup. Pension Pay./ Other	8,488,475	10,341,067	9,546,994
Total Operating Costs	\$96,532,180	\$99,696,765	\$112,439,066

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes the conversion of a portion of the Permanent Intermittent positions to 45 Permanent Full-Time positions to assist in the recruitment and retention of quality staff to support the ongoing operations of the Service Centers.

This budget removes one-time funding for the Covered California share of the Appeals Case Management System (ACMS).

This budget also includes:

- \$20,725,000 for call center support.
- \$9,053,443 for an agreement with CDSS for administrative law judge services to adjudicate appeals support.
- \$774,000 for other operational expenses, which include general training, travel and office supplies.
- \$500,000 for consulting services.
- \$432,000 for training services.
- \$275,000 for project management.
- \$7,500 for mailing and courier services.

Division Description

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans and promptly resolving challenges that prevent them from receiving health and dental benefits. These efforts ensure consumers receive the right care at the right time at an affordable price, retain coverage and are satisfied with Covered California products and services.

The Service Center consists of the following five operational branches.

Contact Center Operations Branch

Provides Tier 1 support for consumer assistance in application enrollment. Primary work completed is inbound calls through the Interactive Voice Response (IVR).

- Rancho Cordova and Fresno Operations
 - Inbound calls.
 - Manual work stream.
 - Surge assistance and health plan/county helpline (specialty team).
- Surge Vendor Operations
 - Provides between 200 and 600 staff depending upon call and chat volumes and time of year.
 - Inbound calls.
 - Manual work stream.
 - Chat (specialty team).
 - Bilingual teams.

Internal Compliance and Support Branch

Provides Tier 2 and Tier 3 support on complex or escalated consumer requests. Evaluates quality of inbound and outbound phone calls and keys paper applications.

- Priority Support Unit
 - Handles escalated issues from Service Center staff.
 - Provides social media support.
 - Resolves 1095-A disputes.
 - Works with qualified health plans issuers to address issues.
 - Handles Service Center CalHEERS tickets.
- Quality Assurance Unit
 - Monitors and evaluates incoming and outgoing phone calls.
 - Monitors and evaluates paper application keying.
 - Works on developing a process to evaluate additional work areas throughout the service centers.

Consumer Relations and Resolution Branch

Responsible for researching and resolving formal appeals that Covered California consumers file through the California Department of Social Services (CDSS).

- Appeals
 - Researches and handles appeals with a focus on informally resolving the issue.
 - Creates statement of positions and ensures all documentation is provided to the consumer and CDSS prior to scheduled hearing.
 - Attends formal hearings with administrative law judges (ALJ) from CDSS.
 - Implements the ALJ decisions.
 - Transfers cases to the Department of Managed Health Care (DMHC) when it is determined appropriate.
 - Works closely with the Office of Legal Affairs on second-level appeals submitted to the Center for Medicare and Medicaid Services (CMS).
 - Manages the CDSS contract for appeals-related activities.

- Escalations Unit
 - Resolves urgent and non-urgent access-to-care issues.
 - Works closely with all health plans to ensure they resolve access-to-care issues.
 - Responds to formal written complaints filed by consumers.
 - Resolves complex consumer cases, working with CalHEERS to submit help desk tickets requesting data fixes.
 - Provides primary program liaison assistance for DMHC and the Health Care Alliance (HCA).
 - Resolves complex system-error cases, working with the Program Integrity Division and Plan Management Division.
 - Aids the Ombuds Office, External Affairs and other areas.
 - Works closely with the Plan Management Division on concerns related to the health and dental plan issuers.
 - Manages the Medi-Cal Eligibility Database System (MEDS) contract and licensing distribution for the department.

Resource Planning and Management Branch

Schedules Service Center staff in an efficient and cost-effective manner while ensuring the Service Center meets consumers' needs.

- Administrative Support Unit
 - Provides liaison assistance for the Service Center with the following areas:
 - Human Resources: timekeeping and payroll processing.
 - Business Services.

- Workforce Management Unit

- Coordinates the various work streams to maintain a balanced workload and optimize productivity.
- Identifies and communicates trends that affect performance and makes recommendations.
- Forecasts and schedules Service Center operation staff.

Strategic Innovation and Implementation Branch

Focuses on efficiencies and improving the consumer experience as it pertains to vendor and contract management, budget oversight, IT and interactive voice response (IVR) projects and Service Center provisioning.

- Identifies trends that affect performance.
- Provides data analytics to support leadership decisions.
- Provides oversight and management of the budget.
- Provides project support for the entire lifecycle of IT projects for the Service Center.
- Handles vendor and contract management.
- Acts as IT liaison for onboarding and off boarding.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives, Service Center

- Processes consumer inquiries and assists consumers with enrollment.
- Provides warm transfers to counties via the “Quick Sort” process for individuals who are eligible for other programs.
- Provides support for enrollment assisters, agents and health plans.
- Conducts outgoing workload, such as incoming and outgoing mail operations, data entry for submitted paper applications and manual verifications, and offline work.
- Manages and oversees the IRS Form 1095-A process, including the processing of 1095-A disputes.
- Provides Help Desk ticket backlog support.
- Appeals staff work to informally resolve appeals when possible and within regulations. If an informal resolution cannot be reached with the appellant, or if the appellant prefers a formal hearing, Appeals staff represent Covered California’s position at an administrative hearing.

- Controls operational costs to deliver products and services that offer a high value to our consumers.
- Identifies and implements new technology and Service Center tools to effect operational efficiencies to better serve consumers.
- Invests in staff training and development to maximize workforce performance.
- Streamlines business processes to seek operational efficiencies and increase quality of work.

Key Objectives for FY 2018-19

- Handled 1.8 million consumer calls from July 2018 through March 2019, with more than 900,000 of these during open enrollment.
- Completed more than 540,000 manual work streams from July 2018 through March 2019 and continued to plan for ongoing workflow.
- Closed more than 14,000 escalations and formal complaints from July 2018 through March 2019.
- Closed more than 8,000 consumer appeals from July 2018 through March 2019.
- Resolved informally more than 5,700 appeals from July 2018 through March 2019.
- Increased informal resolution rate for the appeals workload.
- Collaborated with Policy, Eligibility and Research Division during open enrollment on outbound contact campaign for over 52,000 consumers.
- Processed and resolved more than 7,000 IRS Form 1095-A disputes from July 2018 through March 2019.
- Procured and initiated work with vendor Dimension Data to complete the service center assessment for improvements in:
 - Customer focus: contact handling, customer experience and voice of the customer.
 - People: recruiting and hiring, organization structure, climate and engagement, staff and leader training and development.
 - Support processes: quality assurance and WFM, reporting and analytics, key metrics and agent support.
 - Work and performance: work processes, service center performance and cost.

- Technology: hardware components, software components, infrastructure and automation.
- Worked with Information Technology Division on implementing:
 - Chatbot “CiCi” to assist consumers 24/7.
 - Post-call survey to solicit consumer feedback.
 - Call Whisper.
 - Implementation of new customer-relationship management system, Salesforce.
- Provided continued assistance with Certified Insurance Agent overflow calls.
- Extended business hours: during the sixth open enrollment period, the Service Center, in partnership with the surge vendor, extended the business hours past the standard open enrollment hours of 8 a.m. to 8 p.m., Monday through Friday, to assist consumers:
 - Extended business hours until 10 p.m.: December 10, 11, 12, 17, 18, 19 and 20; January 14, 16, 17 and 18.
 - Extended business hours until midnight: December 13, 14, 15, and 21; January 15.
- Implemented process to proactively handle retro terminations and non-payment terminations by having the liaisons on the phone with the consumer contacting the health insurance company to handle the issue.

Key Accomplishments for FY 2017-18

- Handled more than 2.5 million consumer calls from July 2017 through June 2018.
- Completed more than 611,000 manual work streams from July 2017 through June 2018.
- Increased the service level of Asian-language inbound calls by 18 percent, and decreased abandonment by 12 percent.
- Collaborated with internal and external stakeholders to improve the consumer experience.
- Worked with the Information Technology Division for successful transition of Service Center technology.
- Processed and resolved 11,377 IRS Form 1095-A disputes from July 2017 through June 2018.

- Continued assistance with Certified Insurance Agent overflow calls.
- Extended business hours during the fifth open enrollment period to assist consumers on key dates.
- Recruited, hired and trained all available phone staff to ensure Service Center was fully operational at the beginning of open enrollment, ultimately reducing overall Service Center vacancy rate to 6 percent.
- Implemented “BetterIf” suggestion box for employee feedback.
- Increased overall appeals efficiencies and consistency of processes and procedures by collaborating with internal and external stakeholders.
 - Closed more than 16,300 escalations and formal complaints from July 2017 through June 2018.
 - Closed 14,477 consumer appeals from July 2017 through June 2018.
 - Informally resolved more than 8,200 appeals from July 2017 through June 2018.
 - Increased the informal resolution rate.

Ombuds Office

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	13	13	13
Personal Services	730,725	1,090,055	1,181,027
Operating Expenses	40,744	215,000	117,000
Total Expenses	\$771,469	\$1,305,055	\$1,298,027
Information Technology Support	-	-	135,906
ProRata / Sup. Pension Pay./ Other	131,840	160,422	155,527
Total Operating Costs	\$903,309	\$1,465,477	\$1,589,461

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes:

- \$75,000 for specialized training.
- \$42,000 for other operational expenses, which include general training, travel and office supplies.

Division Description

The Ombuds Office serves as an objective, unbiased and accessible resource to Covered California consumers when other resolution or customer service channels have been exhausted. The Ombuds Office also identifies systemic challenges affecting consumers and promotes solutions to prevent issues from recurring.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Clarifies and explains Covered California’s divisions and policies to consumers who have sought assistance from the Ombuds Office.
- Assists consumers in understanding the outcome of their case.
- Serves as an objective resource in implementing eligibility appeals decisions for Covered California as a result of administrative law judge orders.
- Works directly with the consumer, and the county if applicable, to make requested changes to the consumer’s coverage as a result of an appeal decision.
- Works closely with Covered California consumer advocates, health insurers, the California Department of Health Care Services, regulators and others to manage Covered California consumer resolutions.
- Conducts evidence-based research to assist Covered California divisions in determining case resolutions.

- Analyzes data from the Ombuds Office, other Covered California divisions and external partners that understand Covered California consumers to identify potential Covered California divisional changes.
- Shares objective findings and operational recommendations to Covered California and stakeholder groups and monitors the progress of each recommendation.
- Identifies systemic issues and solutions to decrease enrollment barriers and enhance the overall consumer experience.
- Assists consumers with proper and timely customer service through several customer service channels.
- Ensures the organization remains in compliance with state law by implementing appeals decisions within the required timeframe.

Key Objectives for FY 2018-19

- Handled 1,854 calls through the toll-free Ombuds Office phone line from July 2018 to March 2019.
- Assisted 472 consumers with complex cases and an additional 572 consumers by providing information, answering inquiries or referring them to an appropriate service channel from July 2018 to March 2019.
- Implemented 2,606 final appeal decisions ordered by an administrative law judge from July 2018 to March 2019.
- Reduced the staff vacancy rate by 23 percent to the current rate of 8 percent.
- Worked with the Information Technology Division to implement call-recording software to record incoming and outgoing calls for all Ombuds Office staff.
- Enhanced the current procedures by streamlining the application-disclaimer process resulting in a reduced call time with consumers.
- Implemented Customer Relationship Manager data reports for the Ombuds Affairs Unit and the Appeals Fulfillment Unit to help monitor workload and identify areas of improvement for the organization.

Key Accomplishments for FY 2017-18

- Established an Appeals Fulfillment Unit to ensure appeals decisions are implemented timely and in compliance with state law.
- Developed an Ombuds Affairs Unit to handle consumer inquiries, conduct root-cause analysis to understand consumer issues and recommend operations changes to fix those issues.

- Hired two managers and six analysts.
- Created more than 25 Ombuds-specific task guides and procedural documents.
- Set up consumer-friendly contact resources such as toll-free phone and fax lines, an informational page on CoveredCA.com, an email address and a downloadable PDF contact form.
- Created and implemented an Ombuds portion of the Covered California CRM tool to help track and identify consumer issues.
- Implemented 1,936 final appeal decisions ordered by an administrative law judge from November 2017 to June 2018.
- Handled 1,480 calls through the toll-free Ombuds Office phone line from January to June 2018.
- Assisted 192 consumers with complex cases and an additional 321 consumers by providing information, answering inquiries or referring them to an appropriate service channel from January to June 2018.

Customer Care Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	0	7	7
Personal Services	-	724,856	840,213
Operating Expenses	-	14,000	389,000
Total Expenses	\$0	\$738,856	\$1,229,213
Information Technology Support	-	-	73,180
ProRata / Sup. Pension Pay./ Other	-	86,381	83,746
Total Operating Costs	\$0	\$825,237	\$1,386,138

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes:

- \$375,000 for consulting services.
- \$14,000 for other operational expenses, which include general training, travel and office supplies.

Division Description

In the ongoing effort to optimize the consumer experience, Covered California created a Customer Care Division to coordinate work across the organization to improve the consumer's experience purchasing and accessing health care. This effort is fundamental to Covered California's purpose of making health insurance more affordable and easier to purchase for individuals and small businesses.

The division was established in FY 2018-19 to develop, implement and refine an organization-wide multidisciplinary consumer-experience strategic approach.

Supporting Covered California's Goals, Strategic Pillars and Initiatives

- Establishes and maintains department-wide relationships and creates cross-functional policies to facilitate a consistent and connected experience for Covered California consumers.
- Creates and maintains a consumer-centric culture across the organization.
- Elevates and centralizes policy formulation directed at improving the experience of its consumers.
- Develops external engagement and communication policies to engage external stakeholders, consumers, advocates and health plan issuers in the development and implementation of Covered California's consumer-experience strategic plan.

Key Objectives for FY 2018-19

- Developed the Customer Care Division with Covered California leadership through personalized meet-and-greet sessions to ensure alignment, partnership and collaboration for consumer-focused projects and programs.
- Under the guidance of the newly appointed division director, recruited and hired the following staff:
 - Senior manager, operations: high-level accountability that includes driving organizational effectiveness for key efforts, managing and coaching division staff and developing consumer-experience recommendations via internal and external subject-matter experts, including health plan issuers, other state-based exchanges, academics and literature.
 - Lead performance and reporting analyst: accountable for gathering and monitoring data analytics to measure and improve the consumer experience, including the development of an enterprise-wide consumer-satisfaction dashboard.
 - Lead customer insight specialist: focused on gathering information from a variety of internal resources, including the Service Center, Outreach and Sales and Marketing Divisions to identify opportunities to improve the consumer experience. This “anecdata” will be used in conjunction with research data (e.g., survey instruments, consumer focus groups and consumer testing) to tease out experience trend and innovation opportunities.
- Developed governance model to prioritize consumer-experience initiatives. This model, in the pilot stage, will enable Covered California to analyze initiatives that will improve the consumer experience by using an enterprise-wide view of projects and initiatives.
- Led and supported various projects to resolve issues and improve experience:
 - Developed and managed ongoing accountability of content for Covered California’s newly launched “chatbot,” CiCi.
 - Continuously researched and discussed consumer-choice architecture, including technology and health literacy improvements, to be implemented for open enrollment 2021.
 - Launched an integrated workgroup for CalHEERS change requests to improve Certified Insurance Agents’ experience, including commission-reconciliation improvement and agent of record accuracy.

- Actively participated in the GetInsured account transfer work, taking into account the consumer and issuer perspective to ensure we build a stronger core infrastructure for Covered California's online application.
- Participated in Salesforce discussions with an enterprise-wide view of consumer-experience reporting and process efficiencies to deliver efficient and accurate service support to consumers.
- Joined in Service Center initiatives, including the Platinum Performance Project, that focused on key findings needed to refine and further develop Covered California's consumer-experience strategy.
- Launched Covered California's Creative Café to bring innovation to the forefront and encourage collaboration throughout the organization. This project has five primary objectives:
 - Improve external and internal Covered California experience(s).
 - Build on the good work that has already been done.
 - Promote innovative thinking among staff.
 - Optimize efforts to create ease and efficiency.
 - Encourage collaboration throughout our environment.

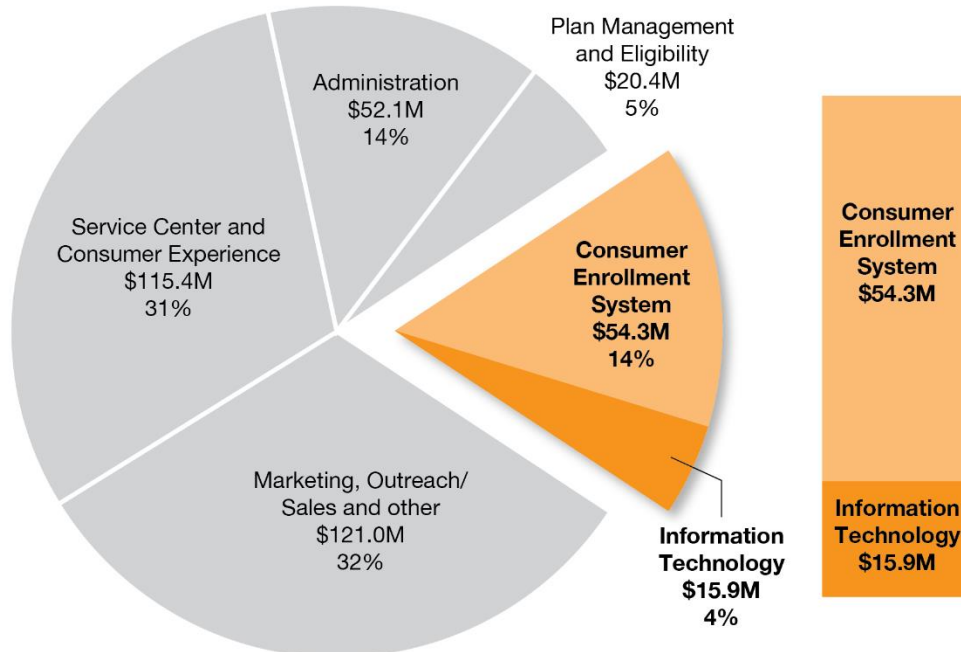
Technology

Technology includes the Information Technology (IT) Division and the consumer enrollment system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The total budget for FY 2019-20 is \$70.2 million.

Technology– Multi-Year View

Fiscal Year	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	72	76	82
Personal Services	7,378,998	9,261,742	10,527,631
Operating Expenses	47,792,093	59,901,600	57,875,892
Total Expenses	\$55,171,092	\$69,163,342	\$68,403,523
Information Technology Support			846,800
ProRata / Sup. Pension Pay./ Other	730,191	937,853	981,019
Total Operating Costs	\$55,901,283	\$70,101,195	\$70,231,342

Technology FY 2019-20 Budget



Information Technology Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	72	76	82
Personal Services	7,378,998	9,261,742	10,527,631
Operating Expenses	15,112,253	23,016,974	3,581,760
Total Expenses	\$22,491,252	\$32,278,716	\$14,109,391
Information Technology Support	-	-	846,800
ProRata / Sup. Pension Pay./ Other	730,191	937,853	981,019
Total Operating Costs	\$23,221,443	\$33,216,569	\$15,937,210

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of Information Technology; authority per code 100503(m) at a monthly salary of \$17,839.

The Information Technology budget for FY 2019-20 proposes to shift the budgets for specialized IT services to their respective divisions as well as distributing general IT support across the department.

This budget includes six new positions, two Information Technology Specialist I positions for the application development office, one Information Technology Specialist I for audio visual support, one Information Technology Specialist I for system monitoring, one Information Technology Specialist I for the Enterprise Project Management Office, and one Information Technology Specialist II for data management and reporting.

This budget includes:

- \$3,581,760 for IT consulting services.

Division Description

The Information Technology (IT) Division provides technology and security services and solutions to all divisions, consumers and stakeholders to support effective, secure and efficient operations and enrollment services in a manner that is financially sustainable. This effort includes providing oversight of the ongoing development and operations of CalHEERS for Covered California.

Central to IT is ensuring the best possible consumer experience throughout the enrollment process. IT does this by monitoring the technology landscape for strategic opportunities, gathering requests for services, evaluating possible solutions, managing an effective IT governance process, providing project management and oversight and implementing or overseeing solutions internally or through appropriate outsourcing strategies.

Supporting Covered California's Goals, Strategic Pillars and Initiatives

- Provides governance and management over the Covered California Enterprise IT architecture and IT projects.
- Supports Covered California's business applications and technical solutions.
- Provides oversight of information technology security and privacy via the Centers for Medicare and Medicaid Services (CMS) MARS-E security and privacy framework, managing and submitting the various CMS-required security and privacy artifacts.
- Protects, stores, monitors and manages access and security of Covered California data assets.
- Manages the technical infrastructure and network for Covered California.
- Provides a centralized service desk for Covered California.

Upcoming key initiatives include:

- Continued work on enhancing the Customer Relationship Management tools available to Service Center representatives who assist consumers and agents.
- Implementing additional consumer-experience improvements, including additional opportunities for self-service through the chatbot and interactive voice-response system, such as password resets, consumer surveys and requests for information.
- Enhancing the automated solution for the processing of consumer verification documents with a goal of increasing automation to 40 percent of the processing in this area.
- Continuing work to enhance Covered California's technology tools for Certified Enrollment Counselors and Certified Insurance Agents and working with Covered California for Small Business on the procurements in this area.
- Collaborating with the Human Resources Branch to implement a human capital management system to significantly improve Covered California's internal administrative processes.
- Completing the balance of the IT infrastructure refresh and implementing a more strategic and balanced refresh program for the future to avoid large one-time peaks in infrastructure-spending needs, including additional movement of infrastructure and applications to cloud services when appropriate.

- Identifying and implementing a portfolio management solution to assist in evaluating and selecting the highest value projects (both IT and non-IT) for the organization.
- Working with CalHEERS and Covered California divisions to design, build and implement business solutions to support state initiatives to expand assistance for consumers seeking health insurance.

Key Objectives for FY 2018-19

- Completed triennial package for CMS to renew Covered California's authority to operate the exchange and authority to connect to federal systems. Approval and re-authorization are expected in August 2019.
- Completed packages for CMS and the Internal Revenue Service to extend the boundary of the CalHEERS solution to allow interconnection with Covered California's Consumer Relationship Management system and other IT solutions to provide more-comprehensive customer service and management for the organization.
- Completed approximately 50 percent of the first refresh cycle for IT infrastructure for Covered California since its inception. The refresh covers staff desktop computers and backend IT infrastructure. It includes redesigning a portion of the infrastructure, moving it to the cloud and updating all software to the most current versions.
- In coordination with the Communications and Public Relations Division, completed a refresh of the CoveredCA.com consumer and business websites, including necessary enhancements to ensure full compliance with more stringent Americans with Disabilities Act laws taking effect on July 1, 2019.
- Completed a transition of Covered California's CRM tools to Salesforce.com, providing an improved and more flexible platform for all Covered California divisions that service consumers, including the Service Center, Ombuds Office and the Agent Service Center.
- Implemented a solution for the processing of consumers' verification documents that currently automates the handling of approximately 20 percent of the documents.
- Worked with the Plan Management Division to pilot and integrate into CalHEERS an automated verification of special enrollment eligibility. This solution will reduce delays consumers may experience while waiting for eligibility for special enrollment to be cleared.
- Worked with Service Center to implement a chatbot (CiCi) on the Covered California website. The initial focus was to provide an automated path for

consumers to receive assistance with login issues (one of the top call drivers). CiCi helped achieve that goal and more, giving automated answers to questions in 84 subject areas.

- Incorporated text message capability, providing an easy way for consumers to get up-to-date information from Covered California if they opted in to receiving text messages.
- Transitioned the IT Division to use an Agile development methodology that has provided faster business value both internally and externally on more than 30 projects that were completed in the fiscal year. In addition, The IT Division has provided training and coaching to several other programs within Covered California to expand the use of Agile methodologies.

Key Accomplishments for FY 2017-18

- CoveredCA.com underwent a mobile redesign to allow consumers to access the website and use all features on any mobile device. Performance was also improved so upload times are noticeably faster.
- Implemented enhanced executive and management dashboards to improve operations during renewal and open enrollment.
- Created webpages and customer relations tools to assist in setting up the Covered California Ombuds Office.
- Completed a transition of Service Center technologies.
- Developed a new system and decommissioned a vendor-hosted solution for recruiting and managing 5,000 enrollment partners.
- Completed required IRS Safeguard review documentation, including the Safeguard security report and corrective action plan.
- Established Covered California's continuous security-monitoring program.

California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	0	0	0
Personal Services	-	0	0
Operating Expenses	32,679,840	36,884,626	54,294,132
Total Expenses	\$32,679,840	\$36,884,626	\$54,294,132
Information Technology Support	-	-	0
ProRata / Sup. Pension Pay./ Other	-	0	0
Total Operating Costs	\$32,679,840	\$36,884,626	\$54,294,132

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget assumes a cost allocation percentage (CAP) of 87.62 percent DHCS and 12.38 percent Covered California from July to September 2019 and an October 2019 to June 2020 CAP of 87.41 percent DHCS and 12.59 percent Covered California. The budgeted cost for FY 2019-20 is \$54,294,132.

This budget includes \$14.0 million for one-time costs associated with implementing the new state subsidy and individual mandate.

Division Description

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) project is the system jointly sponsored by Covered California and the California Department of Health Care Services, with the assistance of the Office of Systems Integration for project-management services. The project is governed by an executive steering committee that represents each of the participating agencies and has guided the project since its inception.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Enhancement, maintenance and operations of the CalHEERS solution to support eligibility determination and enrollment in Covered California and Medi-Cal.
- Acts as a liaison between sponsors and partner agencies at the federal and state level and the systems integrator for operational coordination and efficiency.
- Integrates with health insurance companies for enrollment.
- Federal and state reporting, management and interface responsibilities.
- Project-management services.

- Continues to implement operational improvements from the CalHEERS roadmap to ensure the organization’s technical infrastructure is properly maintained and secured, supports capacity demands and achieves business goals.
- Appropriately equips authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensures business partners are able to receive, exchange and reconcile appropriate consumer information in a timely fashion.
- Strives to continuously streamline and enhance the consumer experience during enrollment and while transitioning between various programs available through the Affordable Care Act.

Key Objectives for FY 2018-19

- Processed more than 1.3 million renewals for the 2019 plan year (30 percent more and six days faster than the previous year).
- Processed more than 335,000 new enrollments during the 2019 open enrollment period.
- Processed 1.15 million 1095-A forms for the 2018 plan year on time, without exceptions.
- Updated federal reporting to CMS, including required reporting for carrier reimbursement of Advanced Premium Tax Credits.
- Added automation capabilities to reduce Service Center workload for conditionally eligible cases by sending the consumer’s verification documents to a document imaging and verification system vendor and processing the responses in re-determining consumers’ eligibility.
- Allowed counties and service centers to create and manage users for their own organizations.
- Continued to improve the online user experience focused on renewals, reporting a change, secure mailbox and managing verifications.
- Improved end-user experience for verifying lawful presence by reducing calls to CMS by 48 percent. In addition, 42 percent of the Step 2 cases are resolved automatically without any user actions.
- Implemented Shop and Compare Tool capability to the cloud.
- Reduced CalHEERS application release downtime by 5,000 hours (a 68 percent reduction) in 2018, compared to the previous year.

- Improved user experience by reducing ticket resolution time for county of responsibility/de-link tickets from 50 days to just over 12 hours.
- Reduced average weekly calls of verification services to CMS following release 18.9:
 - Verify lawful presence: 38.25 percent.
 - Social Security Administration: 35.93 percent.
 - Annual household income: 46.30 percent.
 - Non-ESI MEC: 12.63 percent.
- Seventy-three percent of users can successfully reset their password without technical help compared to 54 percent in the previous year (implemented in release 18.10).
- Updated system to comply with new Section 508 of the federal Rehabilitation Act.

Key Accomplishments for FY 2017-18

- Processed more than 1 million renewals for the 2018 plan year.
- Processed more than 400,000 new enrollments during the 2018 open enrollment period.
- Updated federal reporting to the Centers for Medicare and Medicaid Services, including required reporting for carrier reimbursement of Advanced Premium Tax Credits.
- Added capabilities for insurance agencies to manage multiple agents within their businesses.
- Overhauled the single streamlined application for consumers, including adding a fully mobile experience.
- Supported the technical infrastructure to launch a comprehensive provider directory for consumers shopping for plans.
- Developed automated functionality to facilitate moving Anthem consumers to new plans in their regions.
- Completed Form 1095-A processing for the 2017 plan year on time, with a very small percentage of consumers requiring corrections.

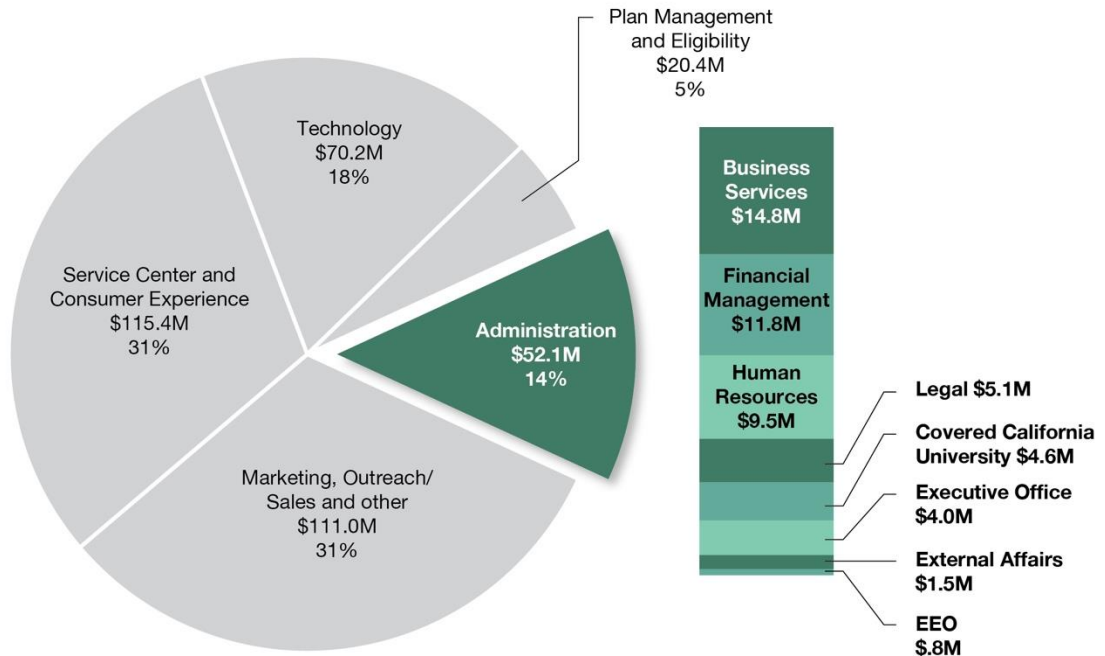
Administration

Administration includes the following program areas: The Executive Office, the Equal Employment Opportunity Office, the Office of Legal Affairs, the External Affairs Division, the Financial Management Division, the Business Services Branch, the Human Resources Branch and Covered California University. The total budget for FY 2019-20 is approximately \$52.1 million.

Administration– Multi-Year View

Fiscal Year	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	220	223	227
Personal Services	22,247,766	24,082,291	26,516,987
Operating Expenses	12,305,934	17,410,401	20,501,776
Total Expenses	\$34,553,700	\$41,492,692	\$47,018,763
Information Technology Support			2,373,130
ProRata / Sup. Pension Pay./ Other	2,231,140	2,751,859	2,715,749
Total Operating Costs	\$36,784,840	\$44,244,552	\$52,107,642

Administration FY 2019-20 Budget



Executive Office

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	8	8	9
Personal Services	2,193,053	2,518,484	2,801,104
Operating Expenses	450,624	911,500	1,040,884
Total Expenses	\$2,643,677	\$3,429,984	\$3,841,988
Information Technology Support	-	-	94,089
ProRata / Sup. Pension Pay./ Other	81,132	98,721	107,673
Total Operating Costs	\$2,724,810	\$3,528,705	\$4,043,749

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Codes 100500 and 100503, this budget includes exempt positions for:

- Executive Director, Operations; authority per code 100500(i) at a monthly salary of \$36,400.
- Chief Deputy Executive Director, Program; authority per code 100503(m) at a monthly salary of \$22,855.
- Chief Deputy Executive Director, Operations; authority per code 100503(m) at a monthly salary of \$18,880.
- General Counsel; authority per code 100503(m) at a monthly salary of \$19,360.
- Deputy Chief Operations Officer; authority per code 100503(m) at a monthly salary of \$11,667.

This budget includes one new Staff Services Manager I position to assist with talent management and succession planning.

This budget includes:

- \$431,324 for training services, which include the Covered California Leadership Academy.
- \$346,000 for consulting services
- \$149,560 for other operational expenses, which include general training, travel and office supplies.
- \$114,000 for professional memberships.

Division Description

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive Office staff are responsible for Covered California's day-to-day operations and are tasked with facilitating and supporting Covered California's employees and a broad community of individuals and groups to provide customers (including staff, the board, stakeholders

and the public) with the direction, information, tools and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning and adjusting efforts to meet goals and serve consumers.

Talent management and succession planning provides strategic talent leadership to ensure Covered California is considered an employer of choice and can attract, develop, retain and recognize the best talent.

Supporting Covered California's Goals, Strategic Pillars and Initiatives

- Develops and implements high-level strategies to ensure the availability of affordable health insurance and enhance quality and access.
- Makes major management decisions about the overall operations and resources of Covered California. Ensures that Covered California operates in a responsive, transparent and reliable manner.
- Acts as the main point of communication between the Board of Directors and Covered California's operations. Facilitates communication and productive relationships between the Board of Directors and various stakeholders, such as consumers, providers, health insurance companies and employers.
- Sponsors the Covered California Leadership Academy to ensure Covered California has a strong bench of future leaders who can navigate the organization through the complex changes and constant challenges facing state exchanges.
- Assists leadership in identifying common themes for improvement at the department and division level and creates an overall engagement strategy.
- Oversees responsibilities for ensuring effective employee recognition is incorporated into the organizational culture in support of Covered California's strategic pillars and values.
- Develops, implements and monitors a workforce plan that aligns staffing and competencies with the department's current and future strategic business needs.
- Builds a targeted and sustainable succession plan for key senior roles.
- Conceptualizes, builds and rolls out learning solutions that center on career development and career ladders and increase the team's ability to be net talent exporters.
- Oversight responsibilities for the comprehensive career-development program. Such a program invests in the professional development of employees, which results in knowledge transfer throughout the department and increased employee engagement and retention. It prepares employees for career advancement within Covered California.

Key Objectives for FY 2018-19

- Expanded innovation practices across the organization through workshops focused on enhancing a culture of encouraging innovative thinking through skill building, tools and mindsets that will lead to process improvements, new approaches to problem solving and increased consumer satisfaction.
- Successfully launched and completed the first Covered California Academy program with a select group of managers and key staff who participated in 13 full-day classes over a period of six months. Developed resources and tools for academy alumni to continue learning and networking, connecting and engaging with fellow leaders. Launched the second cohort in spring 2019.
- Enhanced ongoing comprehensive employee-engagement surveys and related activities targeting statewide objectives and division-specific action plans.
- Started “Covered California Live,” all-staff monthly meetings centered on motivating, engaging and listening to employees. Such meetings include a regular meeting agenda providing the opportunity for everyone to discuss, connect and learn as one team.
- Designed and created tools and resources focused on developing a strong collaborative culture. Conducted a multi-division workshop for participants to gain a better understanding of the various program areas, as well as to discuss strategies for achieving shared goals and approaching shared opportunities to meet common challenges.
- Implemented various strategies supporting the employee-recognition program that offers formal, informal and everyday acknowledgment. Such strategies established and maintained a recognition culture at Covered California.
- Implemented various strategies outlined in the 2017-20 Covered California workforce and succession plan outlining the strategic way forward to meet the human-capital management and workforce needs for Covered California. The plan is consumer focused, data driven, team based, continuously improving and based on population.
- Developed workshops in support of the comprehensive Career Management and You program and conducted trainings throughout the organization to help establish an environment at Covered California that promotes job mastery, professional development and career-planning activities.

Key Accomplishments for FY 2017-18

- Enhanced ongoing comprehensive employee engagement surveys and related activities targeting statewide objectives and division-specific action plans.
- Implemented various strategies supporting the employee-recognition program that offers formal, informal and everyday acknowledgment. Such strategies established and maintained a recognition culture at Covered California.
- Developed the 2017-20 Covered California workforce and succession plan outlining the strategy to meet human-capital management and workforce needs for Covered California. The plan is consumer focused, data driven, team based, continuously improving and based on population.
- Began a comprehensive Career Management and You program that established an environment at Covered California that promotes job mastery, professional development and career-planning activities.
- Implemented the Covered California Leadership Academy. The purpose of the academy is to ensure that managers and key staff at Covered California are equipped to successfully manage and lead the organization. Each year, the program will be delivered to a cohort of 15 to 20 selected managers and key staff in 13 full-day classes over a period of five to six months. Over time, Covered California would like to enroll 200 to 300 managers in the program. The Leadership Academy will develop leaders who:
 - Are well prepared to achieve the mission, vision, values and strategic goals of Covered California.
 - Understand the intricacies of health insurance and can navigate the organization through the complex changes and challenges facing state health-benefit exchanges.
 - Demonstrate leadership skills that foster nimble and innovative thinking and action.
 - Appreciate and demonstrate cross-divisional collaboration, trust building and decision-making.

Equal Employment Opportunity Office

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	2	4	4
Personal Services	232,785	339,431	407,842
Operating Expenses	224,153	300,700	296,000
Total Expenses	\$456,938	\$640,131	\$703,842
Information Technology Support	-	-	41,817
ProRata / Sup. Pension Pay./ Other	20,283	49,361	47,855
Total Operating Costs	\$477,221	\$689,491	\$793,514

Highlights for Approved FY 2019-20 Budget and Key Changes

The budget maintains existing staffing levels and funding comparable to FY 2018-19 to maintain a fully functioning EEO program relative to Covered California’s size and as mandated by federal and state laws.

This budget includes:

- \$220,000 for litigation support.
- \$33,000 for EEO consulting services.
- \$30,000 specialized training.
- \$13,000 for other operational expenses, which include general training, travel and office supplies.

Division Description

The Equal Employment Opportunity (EEO) Office is responsible for implementing, coordinating and monitoring civil-rights compliance for Covered California’s workforce and consumers. The EEO Office ensures that Covered California is compliant with federal and state laws regarding diversity, equity and accessibility. The EEO Office also works with other program areas to develop initiatives that increase accessibility and foster diversity. It reports on appointments and brings issues regarding equal employment opportunity to the executive director and recommends appropriate action.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Advises and acts as a resource to management regarding equal employment opportunity and work-diversity laws and rules.
- Administers Covered California’s equal employment opportunity program in accordance with applicable laws and internal policies.
- Provides department-wide leadership and advice to staff and management on the implementation and maintenance of non-discrimination policies, procedures and practices.

- Civil rights training: Departmental training on diversity and accessibility is managed by the EEO Office. The EEO Office is responsible for planning and ensuring compliance with state mandated training, such as sexual harassment and bullying prevention described by SB 1343. Mandatory training on diversity and disability access is provided annually by EEO Office staff in addition to any requests for program specific training.
- Responds to complaints regarding employment practices, language access and denial of services related to discrimination or unlawful harassment.
- Administers Covered California's Reasonable Accommodation program, ensuring appropriate processing of reasonable accommodation requests in accordance with applicable laws and internal policies.
- In accordance with Workforce Analysis requirements, identifies and evaluates underutilization of racial, ethnic and gender groups, and creates an action plan for eliminating non-job-related employment barriers.
- Administers Covered California's upward-mobility program and evaluates upward mobility employment goals.
- Provides advisory support to Covered California's Disability Advisory Committee.
- Coordinates and monitors processes that ensure customers, including limited-English-speaking or non-English-speaking customers, are provided equal access to available services and information within the organization.
- Represents EEO interests on an enterprise level.
- Responds to customer complaints of unfair treatment or discrimination in accordance with state and federal laws.
- Fosters a healthful work environment by providing non-discrimination and diversity training to employees and management within the organization.

Key Objectives for FY 2018-19

- Hired an analyst and a specialist to increase response time, address backlog in record-keeping and other office tasks and to provide more comprehensive services.
- Participated in the creation of the Enterprise Risk Committee, providing feedback on criteria. The EEO Office now serves as a participant on this committee, offering its perspective on civil rights, accessibility and other EEO related risks.
- Provided consultation to employees and managers who raised questions about accessibility and discrimination in the workplace. Investigated complaints and presented findings for departmental action.

- Transferred tracking of reasonable-accommodation cases, services and equipment to a database to reduce redundancy, providing access for multiple EEO staff.
- Responded to over 300 referrals or requests for reasonable accommodation, working with other units to ensure thorough and timely assistance.
- Coordinated the delivery of the mandated sexual-harassment prevention training to Covered California's managers and staff to meet updated government code requirements.
- Provided department-wide training tailored to the roles and responsibilities of rank and file employees, supervisors and managers regarding EEO and reasonable accommodation.
- Completed the bilingual language survey and analyzed its results to determine whether Covered California has adequate staffing and language resources for our consumers. The results showed Covered California has adequate staffing and provides more than minimum resources for consumers.
- Completed the annual workforce analysis to ensure the department is meeting expectations with recruitment and retention of a diverse workforce.
- Provided technical and advisory assistance to the Disability Advisory Committee, which increased its digital presence this year with the addition of newsletter articles and email blasts.

Key Accomplishments for FY 2017-18

- Improved the EEO Office's presence with on-site notices and expanded intranet pages.
- Updated Complaint and Reasonable Accommodation forms to meet current program needs and keep compliance with departmental and state requirements.
- Added communication options to meet section 1557 of the Affordable Care Act to provide consumers access to a civil rights coordinator. A separate phone line and email address were added to contact the civil rights coordinator, and language was updated on the website and in consumer notices to reflect these changes.
- Provided consultation to employees, managers and consumers who raised questions about accessibility and discrimination. Investigated complaints and presented findings for departmental action.
- Responded to over 300 referrals or requests for reasonable accommodation, collaborating with other units to ensure thorough and timely assistance.

- Provided department-wide training tailored to the roles and responsibilities of rank and file employees, supervisors and managers regarding EEO and reasonable accommodation.
- Coordinated the delivery of the mandated sexual harassment prevention training to Covered California's supervisors and managers to meet government code requirements.
- Introduced updated upward-mobility application procedures in accordance with California Department of Human Resources guidelines.
- Completed the annual Workforce Analysis to ensure the department is meeting expectations in the recruitment and retention of a diverse workforce.
- Assisted the Disability Advisory Committee in an advisory capacity. Provided technical assistance to improve its presence and record-keeping on the intranet.

Office of Legal Affairs

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	25	25	25
Personal Services	2,117,548	2,848,789	3,265,196
Operating Expenses	1,106,361	1,320,500	1,320,500
Total Expenses	\$3,223,909	\$4,169,289	\$4,585,696
Information Technology Support	-	-	261,358
ProRata / Sup. Pension Pay./ Other	253,539	308,504	299,091
Total Operating Costs	\$3,477,448	\$4,477,794	\$5,146,145

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of Office of Legal Affairs; authority per code 100503(m) at a monthly salary of \$12,784.

This budget includes one new Career Executive Assignment, created using existing position authority to provide broad oversight and management over the day-to-day operations of the division, as well as the implementation activities of special projects and initiatives.

This budget includes:

- \$817,500 for various other services, including legal advocacy services and law library subscriptions.
- \$365,00 for litigation support.
- \$85,000 for background and fingerprinting services.
- \$53,000 for other operational expenses, which include general training, travel and office supplies.

Division Description

The Office of Legal Affairs provides legal services to all Covered California staff by providing preventive legal advice and consultation to ensure compliance with laws and to mitigate legal liability. Office of Legal Affairs interfaces with the regulatory agencies and provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts and operations. Office of Legal Affairs ensures that all legal agreements are fulfilled, and that Covered California operates within its legal authority. Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California.

Supporting Covered California's Goals, Strategic Pillars and Initiatives

- Promulgates regulations with the Office of Administrative Law that incorporate Covered California's policies and procedures.
- Maintains the Covered California Privacy Office, which oversees the protection of consumers' personal information.
- Coordinates with the California attorney general on all litigation matters concerning Covered California.
- Responds to Public Records Act requests.
- Provides technical assistance on state and federal legislative proposals.
- Analyzes and prepares comments on federal regulations and requests for information.
- Provides eligibility and enrollment appeals support, including representing Covered California at second-level eligibility and enrollment appeals in front of the federal Health and Human Services Agency.
- Provides general legal support to divisions.
- Conducts preventive legal workshops designed to minimize litigation and legal liability by educating Covered California staff about the law (and changes in the law) and the legal implications of activities.
- Develops systems to monitor the volume and timeliness of legal services in the following areas: human resources, privacy, Public Records Act requests and background checks.

Key Objectives for FY 2018-19

- Finished the permanent rule-making process for eligibility and enrollment regulations for the individual exchange and Covered California for Small Business to ensure the public is aware of the rules and requirements to participate in Covered California.
- In coordination with the Information Technology Division, successfully transitioned Covered California Customer Relationship Management software to a new vendor.
- Revised the Form 700 filing process by implementing a streamlined workflow between the Human Resources Branch, the Business Services Branch and the Office of Legal Affairs. This ensures that Covered California maintains trust among consumers and stakeholders.

Key Accomplishments for FY 2017-18

- Successfully transitioned the contract for the Health Consumer Alliance to the Office of Legal Affairs while continuing to assist consumers with complicated issues.
- Began the permanent rule-making process for the eligibility and enrollment regulations for the individual exchange and Covered California for Small Business.
- In coordination with the Plan Management Division, drafted and implemented a solution regarding the loss of cost-sharing reduction payments.
- Successfully transitioned the review of proposed decisions on eligibility and enrollment appeals from the Service Center to ensure a more streamlined appeals process in compliance with state and federal law. This transition also includes the second-level appeals process with the U.S. Department of Health and Human Services.

External Affairs Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	8	8	9
Personal Services	725,434	840,046	1,176,227
Operating Expenses	47,643	127,000	115,500
Total Expenses	\$773,076	\$967,046	\$1,291,727
Information Technology Support	-	-	94,089
ProRata / Sup. Pension Pay./ Other	81,132	98,721	107,673
Total Operating Costs	\$854,209	\$1,065,768	\$1,493,489

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of External Affairs; authority per code 100503(m) at a monthly salary of \$15,354.

This budget includes one new Career Executive Assignment to develop and execute effective external engagement activities for government officials and stakeholders and serve as Covered California’s Tribal liaison.

This budget includes:

- \$56,000 for other operational expenses, which include general training, travel and office supplies.
- \$30,000 for specialized training.
- \$29,500 for tribal consultation activities.

Division Description

External Affairs serves as Covered California’s government and stakeholder relations liaison.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

External Affairs helps promote Covered California’s organizational excellence, provide outreach and education and inform national and state health-policy discussions through a variety of ways:

- Provides strategic representation to federal, state and local elected and administration officials.
- Proactively develops and maintains stakeholder relations to support and advance Covered California’s mission and goals.

- Tracks state and federal legislation and helps develop technical assistance when needed.
- Provides constituent correspondence and case-escalation resolutions for cases brought forward by legislative offices, stakeholders and Covered California leadership and staff.
- Develops and implements governmental and stakeholder outreach and engagement strategies.
- Engages in and provides support for special projects and matters that involve multiple divisions within the organization.
- Serves as Covered California's liaison to California's tribal governments.

Key Objectives for FY 2018-19

- Coordinated and assisted with internal and external activities related to Covered California's development and release of the legislatively mandated AB 1810 Affordability Report, including briefings to members and staff of the Legislature and administration staff. Also assisted with Covered California's response to technical-assistance requests related to recent gubernatorial and legislative proposals to address affordability in the individual market.
- Coordinated Covered California's participation in five legislative hearings spanning issues of health care affordability, health care quality and marketing and outreach. Coordinated Covered California's participation in a Congressional hearing pending federal legislation related to the Affordable Care Act.
- Planned and executed in-person federal engagement through meetings between Covered California's executive director, as well as directors of the Massachusetts Health Connector and the Washington Health Benefit Exchange with various congressional members, staff and other federal government officials.
- Led and supported engagement efforts with new appointees of Governor Newsom's administration.
- Tracked and monitored legislation with potential impact on Covered California and consumers in the individual and small-group market, including development of technical assistance to Congress and the California Legislature as needed.
- Assisted in the resolution of 304 escalated consumer cases between April 2018 and March 2019 that spanned a number of areas, including enrollment issues and payment inquiries.
- Engaged elected officials throughout California during the sixth open enrollment period with the goal of promoting enrollment into health coverage. Participated in

the “In an Instant” bus tour, providing support to elected officials and staff attending the events.

Key Accomplishments for FY 2017-18

- Monitored and analyzed legislation with a potential impact on Covered California. Provided and facilitated subject-matter expertise to Congress and the California Legislature as needed. Facilitated internal workgroups to analyze and provide technical assistance on legislation related to federal and state health exchanges.
- Assisted in the resolution of 453 escalated consumer cases, between July 2017 and June 2018, spanning a variety of areas, including Form 1095-A disputes, enrollment issues and payment inquiries.
- Provided updates and information routinely to elected officials and staff, including presentations regarding Covered California, updates on new developments and responses to inquiries from elected officials as appropriate, including email updates, briefings, conferences and presentations.
- Engaged elected officials throughout California during the fifth open enrollment period with the goal of promoting enrollment into health coverage. Participated in the “Covered in Art” bus tour, providing support to elected officials and staff attending the events. Provided outreach tool kits to legislative offices regarding the special enrollment period for 2018.
- Hosted the 2017 Tribal Consultation and revamped and facilitated the Tribal Advisory Workgroup.

Financial Management Division

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	58	58	58
Personal Services	5,597,602	5,876,460	6,709,556
Operating Expenses	3,628,204	3,878,000	3,840,006
Total Expenses	\$9,225,806	\$9,754,460	\$10,549,562
Information Technology Support	-	-	606,350
ProRata / Sup. Pension Pay./ Other	588,210	715,730	693,892
Total Operating Costs	\$9,814,015	\$10,470,190	\$11,849,805

Highlights for Approved FY 2019-20 Budget and Key Changes

In accordance with Government Code 100503, this budget includes an exempt position for the Director of Financial Management; authority per code 100503(m) at a monthly salary of \$16,437.

This budget includes:

- \$2,520,000 for accounting services.
- \$590,000 for consulting services to support the transition to FI\$Cal.
- \$258,000 for other operational expenses which includes general training, travel and office supplies.
- \$207,006 for analytics and reporting.
- \$134,000 for administrative overhead.
- \$115,000 for student assistants.
- \$16,000 for mailing and courier services.

Division Description

The Financial Management Division (FMD) plans, implements and guides all Covered California financial activities, including finance, accounting, forecasting, budgeting and governmental compliance. FMD coordinates and prepares Covered California's annual financial plan. The plan is developed to ensure divisions have sufficient resources to perform program operations to fulfill Covered California's mission. The financial plan is administered consistent with pertinent laws, policies and guidelines to safeguard Covered California's assets.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Supports a culture of continuous improvement for budget, forecasting and accounting practices, policies, procedures and systems to better support division operations.
- Pursues department-wide efforts to evaluate, streamline and prioritize division functions to identify efficiencies and improve customer service to maximize enrollment and retention.
- Performs financial planning activities, including economic analysis, forecasting and dashboard reporting of revenues and expenditures.
- Prepares Covered California’s Annual Report (formerly the Budget Book), which incorporates the annual report to the governor and Legislature.
- Provides support to promulgate Covered California’s permanent regulations in accordance with the Administrative Procedures Act by developing regulatory economic and fiscal-impact analyses.
- Processes general ledger and accounts payable transactions. Pays vendor invoices and employee travel expense claims. Receives, prepares and distributes payroll warrants.
- Performs accounts receivables and reconciliations for Covered California for Small Business (CCSB), which includes payments to carriers, general agents and agents for CCSB.
- Prepares budgetary and legislative annual financial statements in compliance with generally accepted accounting principles (GAAP).

Key Objectives for FY 2018-19

- Published Covered California’s FY 2018-19 Budget Book, which includes a multi-year financial summary of all revenues, expenditures and staffing used by each of Covered California’s divisions.
- In collaboration with the Business Services Branch, went “live” with the FISCAL system in July 2018. Over the course of the fiscal year, FMD worked with various state agencies and contractors to manage “post-go-live” activities while identifying and anticipating issues to mitigate risk and provide training and assistance with implementation.
- Completed FY 2017-18 audited financial statements and submitted them to CMS. These required statements offer short-term and long-term financial information about Covered California. The statement of net position provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities) at the close of the fiscal year. The financial statements are

prepared on the accrual basis in accordance with U.S. Generally Accepted Accounting Principles.

- Ongoing collaboration with Covered California Small Business and Pinnacle for invoice level reconciliation and audits on invoices generated since the inception of CCSB.
- Following the establishment of the capital projects reserve in the FY 2018-19 budget, FMD created procedures to identify expenditures that are facility related.
- Initiated implementation of the California Automated Travel Expense Reimbursement System, which provides a comprehensive statewide solution for effectively managing travel claim processing. Covered California will be able to achieve efficiency through automation and will reduce the time required to process travel advance and expense-reimbursement payments.

Key Accomplishments for FY 2017-18

- Published Covered California's FY 2017-18 Budget Book, which focused on the implementation and performance of Covered California's functions.
- Completed FY 2015-16 and FY 2016-17 financial statements and Single Audit Report required by Office of Management and Budget Uniform Guidance.
- Began implementation of the Financial Information System for California (FI\$Cal), which is California's statewide accounting, budget, cash management and procurement IT system. A statewide integrated financial system streamlines and automates manual processes and systems, in turn reducing the time and workload associated with accounting, asset management, budgeting, cash management, procurement and vendor-management business practices.
- Implemented an end-to-end reconciliation of CCSB carrier, general agent and agent reports using FMD's Structured Query Language database. This reconciliation allows FMD to validate and analyze information among various reports for Covered California for Small Business employer groups and their consumers.
- Continued employee development for FMD staff, supervisors and managers in the form of instructor-led team-building sessions such as LEAN White Belt training and DiSC training.
- Implemented operational improvements, which include the launch of a GAAP Unit to support the need for GAAP-compliant financial statements.

Business Services Branch

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	36	38	39
Personal Services	3,132,802	3,439,082	4,104,724
Operating Expenses	5,835,478	9,358,825	9,799,360
Total Expenses	\$8,968,279	\$12,797,907	\$13,904,084
Information Technology Support	-	-	407,718
ProRata / Sup. Pension Pay./ Other	365,096	468,927	466,582
Total Operating Costs	\$9,333,375	\$13,266,834	\$14,778,384

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes one new Associate Governmental Program Analyst position for real estate and space planning efforts in addition to the following:

- \$7,297,248 for leases.
- \$991,384 for facility services.
- \$628,472 for other operational expenses, which include funding to replace aging copy machines, general training, travel and office supplies.
- \$471,506 for building security.
- \$135,000 for health, safety and wellness.
- \$125,000 for project management.
- \$125,000 for student assistants.
- \$22,250 for operational maintenance.
- \$3,500 for mailing and courier services.

Division Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; health, safety and wellness services; providing central support functions for administrative programs enterprise-wide; and managing physical resources through facilities operations.

Supporting Covered California's Goals, Strategic Pillars and Initiatives

- Advances Covered California's mission by automating and streamlining business services-related functions to improve operational efficiency and effectiveness.
- Provides administrative processes and resources to ensure all procurement and contracting activities for Covered California are effective and responsible.

- Administers health, safety and wellness programs for Covered California employees, including injury and illness prevention, workplace violence and bullying prevention, ergonomics, business continuity planning and Healthier U.
- Administers all enterprise-wide administrative services activities, including the Covered California administrative manual, records management, forms management, recycling, asset management and space planning.
- Ensures all Covered California facilities are well maintained and secure and that Covered California has the appropriate physical workspace to deliver on its mission.
- Improves the quality of services for all business-services requests.
- Successfully achieves all business-services activities and implements all legislatively mandated policies and procedures.

Key Objectives for FY 2018-19

- In collaboration with the Financial Management Division, the Business Services Branch successfully transitioned to FI\$Cal in July 2018. The Business Services Branch is using the new system for all procurement- and contract-related transactions. This transition involved designing and planning, change management and communication plans for Covered California to ensure a successful and quick transition.
- Continued providing contracting services for Certified Insurance Agents; Certified Enrollment Entities, navigators, health plan issuers, dental plan issuers and third-party administrators, personal services, operational services and non-monetary agreements.
- Processed purchase orders at a level consistent with FY 2017-18 to support divisions' needs in carrying out their objectives.
- With the board's approval, published a revised Covered California Procurement and Contracting Manual, including a chapter on the new process for leasing of real property.
- In collaboration with the Office of Legal Affairs and the Human Resources Branch, revised and implemented an improved Conflict of Interest Statement of Economic Interests (FPPC Form 700) electronic filing and tracking process.
- In collaboration with Covered California University, developed and implemented the first two modules of an online Covered California contracts training series.
- Acquired the Response Road office to assist with space needs at the Exposition Boulevard location. Completed tenant improvements and established a new

lease for this much needed space. Additionally, restacked the Exposition Boulevard office to accommodate space needs.

- Acquired real estate consulting services to assist with establishing a Real Estate Unit in response to ending leases, requiring specialized services for space planning and lease negotiation.
- Continued to implement wellness initiatives, including conducting a second Health Enhancement Research Organization scorecard evaluation that revealed significant improvements related to wellness across the organization. Covered California ranked first in the Healthier U Connections total employee registration, and our program has been referred to as the “gold standard” by CalHR’s wellness coordinator.
- Conducted four tests, trainings and exercises, one of which being a full-scale exercise, for Covered California’s business-continuity plan. These exercises will further mature the plan and our ability to respond to emergencies. The Emergency Operations Center was activated three times this fiscal year to respond to building emergencies.

Key Accomplishments for FY 2017-18

- Provided contracting services for more than 17,000 Certified Insurance Agents, Certified Enrollment Entities, navigators, health plan issuers, dental plan issuers and third-party administrators, personal services, operational services and non-monetary agreements.
- Processed more than 800 purchase orders to support divisions in carrying out their obligations.
- Implemented wellness initiatives, including the Covered California softball team, the Healthier U advisory committee, Healthier U fitness challenges and events, wellness stations, a bottle-filling station at the Exposition Boulevard location and ice machine installation at two Service Center locations.
- Established the Special Projects Unit within the branch to provide a hands-on approach to providing Business Services programs with the tools, resources and guidance required to manage complex projects and new and updated programs across the branch.
- Implemented the Emergency Operations Center in response to a water intrusion incident that occurred at the Exposition office in February of 2018 that displaced approximately 40 staff. This incident further developed the Business Continuity Program for Covered California, ensuring that the department can still provide essential services during a natural disaster.

- Completed tenant improvements at the Rancho Cordova Service Center to install additional external security cameras, door-assist operators compliant with the Americans With Disabilities Act (ADA) and other building improvements. These additions will provide additional security and easier accessibility for the facility, thus improving employee morale.

Human Resources Branch

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	52	51	52
Personal Services	5,332,524	5,230,664	4,864,969
Operating Expenses	661,522	959,376	3,420,776
Total Expenses	\$5,994,045	\$6,190,040	\$8,285,745
Information Technology Support	-	-	543,624
ProRata / Sup. Pension Pay./ Other	527,360	629,349	622,110
Total Operating Costs	\$6,521,406	\$6,819,389	\$9,451,479

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes:

- \$2,221,000 for infrastructure projects.
- \$345,000 for hiring activities.
- \$266,000 for insurance.
- \$180,000 for other operational expenses, which include general training, travel and office supplies.
- \$150,000 for audit and hearing services.
- \$145,000 for employee services.
- \$85,000 for litigation support.
- \$28,776 for human resources-specific software licenses.

Division Description

The Human Resources Branch is responsible for all personnel functions. The branch provides overall policy direction on human resource management and administrative support functions related to the management of employees.

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Provides all recruitment support to the department, including consulting with hiring managers and personnel liaisons, advertising vacancies, finding talent, reviewing applications, processing requests for personnel actions, verifying minimum qualifications and approving hires in accordance with delegated authority.
- Develops personnel procedures, coordinates pre-employment services, issues personnel bulletins and generates and distributes personnel reports.
- Oversees timekeeping and reporting. Processes all personnel payroll and benefits.

- Consults on all labor relations activities with employee organizations and representatives, job stewards, third party reviewers and control agencies. Serves as subject matter experts for labor relations activities to provide guidance to executive and program management and supervisory staff on contract interpretation, grievance and complaint response, working conditions and the meet and confer process.
- Administers workers' compensation, Return-to-Work Supplement Program, Family and Medical Leave Act and California Family Rights Act claims and requests in accordance with applicable laws and internal policies.
- Monitors human resources policy changes on state and federal levels, including union contracts and governor mandates. Updates Covered California policies or procedures and provides training if needed. Notifies employees and management of changes as needed.
- Provides advice and consultation to managers and supervisors regarding employee performance management, progressive discipline processes, adverse actions and non-punitive actions. Reviews appropriate resolutions and makes recommendations on improving employee performance.
- Automates and streamlines human resources services provided to internal and external customers while continuing to pursue technological advances that improve operating efficiencies.
- Collaborates with each division to continuously improve organizational culture and maintain a workplace that fosters a healthy, positive and respectful work environment.
- Strives to foster excellence by empowering professional development and creating innovation solutions using services, tools and technology that bridge challenges and business needs to deliver a diversified, high-performing workforce.

Key Objectives for FY 2018-19

- Established the Executive Recruitment Unit for hard to recruit Senior Leadership classifications, implementing online job advertising and strategic recruitment efforts to attract qualified talent and ensure adequate candidate pools.
- Successfully underwent two statewide classification consolidation projects for the information technology series and research data series.
- Participated in the IT Apprenticeship Program Cohort (Client Services).
- Grew the talent pipeline of over 2,900 candidates, 228 of whom are bilingual in one of our seven core languages.

- Doubled our brand engagement rate on LinkedIn since its implementation in June 2017.
- Launched a Facebook Covered California Careers page and organically grew our following to 700 followers.
- Launched new recruitment marketing material, including a recruitment brochure to market Covered California as an employer of choice.
- Created a dedicated unit for talent acquisition strategies, adding two additional recruiters whose mission is to ensure a diverse and qualified workforce while maintaining low vacancy rates within the organization. Activities include recruitment consultations, external advertisements, sourcing strategies, pipeline management, career fairs and networking event presence, marketing, social media management, career counseling and other strategies.
- Successfully provided five performances management related trainings to supervisor's department-wide to provide information and tools for employee performance.

Key Accomplishments for FY 2017-18

- Launched the Recruitment Hub on the Covered California SharePoint site to provide a central location for hiring managers and employees to access recruitment materials, event calendars, event summaries and external job posting information.
- Executed new recruitment strategies, including successfully implementing the Covered California Careers Facebook page; participating in 30 recruitment events, creating a pipeline of over 1,000 job seekers; and redesigning the HBEX.coveredca.com careers page to provide a more robust place for job seekers to learn about Covered California career opportunities.
- Successfully implemented the Conflict of Interest Form 700 automated software system, streamlining the process and ensuring accurate records to track filings.
- Completed administrative procedures for the telework program and alternate workweek schedules.
- Implemented the Human Resources Weekly Announcement, released every Friday, making all employees aware of any employment opportunities with hyperlinks for quick access to the information.
- Collaborated with the Information Technology Division to launch an off-boarding SharePoint site, creating a centralized and cross-divisional resource for the separation process.

Covered California University

Division Budget – Multi-Year View

	FY 2017-18	FY 2018-19	FY 2019-20
	Actual Expenditures	Approved Budget	Approved Budget
Positions	31	31	31
Personal Services	2,916,019	2,989,335	3,187,370
Operating Expenses	351,950	554,500	668,750
Total Expenses	\$3,267,970	\$3,543,835	\$3,856,120
Information Technology Support	-	-	324,084
ProRata / Sup. Pension Pay./ Other	314,388	382,545	370,873
Total Operating Costs	\$3,582,358	\$3,926,381	\$4,551,077

Highlights for Approved FY 2019-20 Budget and Key Changes

This budget includes:

- \$488,750 for training services.
- \$80,000 for other operational expenses, which include general training, travel and office supplies.
- \$50,000 for software licenses.
- \$50,000 for student assistants.

Division Description

Covered California University (CCU) is the enterprise-wide training and knowledge management branch. CCU develops and delivers training to all internal staff and external service channel partners who help consumers with their health care needs. CCU administers the technology that supports information and training, including the CRM Knowledgebase and the Absorb Learning Management System (LMS).

Supporting Covered California’s Goals, Strategic Pillars and Initiatives

- Provides comprehensive new employee and refresher courses to Service Center representatives and vendors during open enrollment and for overflow support for the Agent Call Center.
- Provides training and support for key strategic activities, including the consumer experience initiative, special enrollment enhancements and all CalHEERS upgrades that affect Covered California.
- Supports multiple programs within Covered California to develop training courses that are mandatory and program specific to ensure employees are fully trained to support Covered California and its activities.
- Provides internal knowledge base for open enrollment to provide enhanced ad hoc consumer information to lower call volume, enhance the consumer journey and provide education during the enrollment process.

- Ensures compliance of all Covered California mandatory training and provides regularly scheduled management reports of compliance.
- Develops and applies content standardization and best practices to all courses and knowledge materials across the organization.
- Leverages existing and new technologies, and blended training delivery systems, to enhance all Covered California divisions and partners by providing opportunities for professional learning and growth.

Key Objectives for FY 2018-19

- Provided training, documentation and support for all Service Center representatives, vendors and external partners for two major enterprise initiatives: Salesforce CRM and CalHEERS Account Transfer upgrade.
- Streamlined the process for manual work documentation and restructured documents to better support the Service Center staff who use the documentation to ensure the health plans of 22,000 consumers were renewed properly.
- Created and implemented an enterprise-wide tuition reimbursement program.
- Created and implemented three courses for insurance providers that would like to be certified with the exchange and one course for those who assess applications to ensure guidelines are being followed.
- Continued to support the Service Center surge vendor, training more than 800 staff over a four-month period to support open enrollment.

Key Accomplishments for FY 2017-18

- Instituted a proactive, collaborative project plan for CalHEERS releases. The training and knowledge teams worked in tandem to ensure that Covered California was in front of the release and that training and knowledge were closely aligned.
- Supported certification and recertification training efforts for all sales channels, including course creation, distribution and Learning Management Support for more than 20,000 enrollers and agents.
- Implemented CCU's new University Article Management System, streamlining the approval process and providing enterprise-wide visibility into the publications.
- In collaboration with IT, designed and delivered training for Service Center staff on the new Calabrio and Finesse systems.
- Provided support to the Service Center's surge vendor, training approximately 800 staff over a three-month period prior to support open enrollment.

X. Budget and Planning Process

Covered California is required to prepare an annual report to the governor and the Legislature. This written report focuses on the implementation and performance of Covered California's functions during the preceding fiscal year, including, at a minimum, the way funds were expended and the progress toward, and the achievement of the requirements pursuant to Section 100503 et. seq., Title 22 of the California Government Code.

The annual Covered California budget and planning process is a comprehensive and analysis-based system used to determine the most cost-effective and efficient level of resources that the organization needs to carry out its legislatively mandated mission and goals. The process is based on established budget principles, processes and procedures to provide the highest levels of fiscal integrity, accountability, transparency and accuracy.

The budget process is facilitated by the Financial Management Division, working closely with the executive leadership and all program areas. In strict accordance with the financial guidelines set forth under Government Code section 100503, the Covered California board must:

- Assess a charge on health insurance companies that is reasonable and necessary to support the development, operations and prudent cash management of Covered California.
- Authorize expenditures, as necessary, from the California Health Trust Fund to pay program expenses to administer the exchange.
- Keep an accurate accounting of all activities, receipts and expenditures, and annually report that accounting to the Health and Human Services secretary.
- Commencing January 1, 2016, conduct an annual audit.
- Prepare an annual report for the governor and the Legislature on its implementation and performance during the preceding fiscal year. The report must include the manner in which funds were expended and the progress toward meeting the requirements of the Affordable Care Act.
- Maintain enrollment and expenditures to ensure that expenditures do not exceed the amount of revenue in the fund, and if sufficient revenue is not available to pay estimated expenditures, institute appropriate measures to ensure fiscal solvency.

Government Code section 100520 sets out the requirements for the establishment and utilization of the Health Trust Fund:

- The board must establish and maintain a prudent reserve in the fund.

- Effective January 1, 2016, if at the end of any fiscal year the fund has unencumbered funds in an amount that equals or is more than the board-approved operating budget of Covered California for the next fiscal year, the board is required to reduce the percent of premium rate during the following fiscal year in an amount that will reduce any surplus funds of Covered California to an amount that is equal to the agency's operating budget for the next fiscal year.

Additionally, pursuant to Government Code section 100521, the board must:

- Ensure that the establishment, operation and administrative functions of Covered California do not exceed the combination of available federal funds, private donations and other non-General Fund monies. No state General Fund money may be used for these purposes without a subsequent appropriation.
- Determine that sufficient financial resources exist or will exist in the fund. Such determination must be based on: (1) financial projections, which show that sufficient resources exist or will exist in the fund to implement Covered California activities; (2) a comparison of projected resources and projected costs; and (3) financial projections that demonstrate the sufficiency of resources for at least the first two years of operation.
- Provide notice to the Joint Legislative Budget Committee and the director of finance that sufficient financial resources exist in the fund to implement Covered California activities.
- If the board determines that the level of resources in the fund cannot support the operations of Covered California, provide a report to the Department of Finance and the Joint Legislative Budget Committee detailing the changes to the functions, contracts or staffing necessary to address the fiscal deficiency along with any contingency plan should it be impossible to operate Covered California without the use of General Fund monies.

With this budget, pursuant to Government Code section 100521, the board confirms that Covered California's operations are entirely financed and supported by the plan assessments and reserves generated by those assessments. In FY 2018-19, there were no cost shifts or cost increases in other publicly funded health programs administered by the state due to exchange policies or operations. The budget reflects no anticipated cost shifts or cost increases in programs in FY 2018-19.

Government Code 100503(m) requires the Board to set the salaries for the exempt positions described in paragraph (1) and subdivision (i) of Section 100500 in amounts that are reasonably necessary to attract and retain individuals of superior qualifications.

Appendix: Covered California's Fifth Open Enrollment Period⁴

Covered California saw strong enrollment during the open enrollment period for plan year 2019. Data from the U.S. Census Bureau showed California's uninsured rate dropped to 7.7 percent in 2018, which represents a nearly 60 percent drop since the Affordable Care Act was launched in 2014. Also, following the fifth open enrollment for plan year 2018, more than 3.5 million more Californians had obtained health insurance coverage since 2013, which means health care costs for those with employer-sponsored coverage have also been dramatically reduced.

Alongside these successes, the new federal administration brought some changes to the Affordable Care Act. These changes include the decision to discontinue funding a critical piece of financial assistance known as cost-sharing reductions, which reduce the price of accessing care for those with qualifying incomes (as opposed to premium assistance, which lowers monthly costs). The lack of funding for cost-sharing reductions caused Covered California's qualified health plan issuers to raise premiums by 12.4 percent. To insulate as many consumers as possible from higher costs, Covered California implemented a surcharge on premiums for Silver-tier products only. Because premium assistance is indexed to Silver rates, consumers received additional premium assistance to offset the rise in premiums.

The innovative Silver surcharge pricing method helped to ensure a strong open enrollment period, along with significant investments in education and outreach aimed at reassuring consumers that Covered California is here to stay and that federal decisions would not cause significant premium hikes for most consumers.

Covered California's fifth open enrollment period saw 423,484 plan selections, a 3 percent increase from the previous year, though renewals did drop slightly from 1.3 million to 1.2 million. Below are tables showing Covered California's enrollees after the fifth open enrollment period by demographic, subsidy eligibility and plan choice.

⁴ This section has been prepared pursuant to Section 100503 of the Government code reflecting a detailed summary of the results of the Open Enrollment for the 2018 coverage year

Table A
Enrollment Totals: Enrollment for 2018 Coverage Year
 (Age by Subsidy Eligibility)

Age Bracket	Subsidy Eligible		Unsubsidized		Total	
	Enrollees	Percentage	Enrollees	Percentage	Enrollees	Percentage
Age 17 or less	64,210	5.1%	29,450	17.8%	93,660	6.6%
Age 18 to 25	130,530	10.4%	11,120	6.7%	141,650	10.0%
Age 26 to 34	199,110	15.9%	35,810	21.7%	234,920	16.6%
Age 35 to 44	182,750	14.6%	30,840	18.7%	213,590	15.1%
Age 45 to 54	287,280	23.0%	29,130	17.6%	316,410	22.3%
Age 55 to 64	378,800	30.3%	28,280	17.1%	407,070	28.7%
Age 65+	8,690	0.7%	730	0.4%	9,420	0.7%
Grand Total	1,251,360	100.0%	165,340	100.0%	1,416,710	100.0%

For its fifth open enrollment, Covered California maintained its share of younger enrollees. Young adults aged 18 to 34 accounted for an estimated 37 percent of this year's new plan selections for the 2018 coverage year, which compares to 37 percent for 2017, 38 percent 2016, 34 percent for 2015 and 29 percent for 2014. As seen above in Table A, Covered California's total enrollment of individuals (including renewals) between ages 18 and 35 is approximately 26 percent, also consistent with previous years. Maintaining strong enrollment among younger populations generally improves the risk pool and helps reduce overall premium rates for all consumers.

Table B
Enrollment Totals by Metal Tier: Enrollment for 2018 Coverage Year
 (Metal Tier by Subsidy Eligibility)

Metal Tier	Subsidy Eligible		Unsubsidized		Total	
	Enrollees	Percentage	Enrollees	Percentage	Enrollees	Percentage
Minimum Coverage	5,050	0.4%	9,150	5.5%	14,200	1.0%
Bronze	334,300	26.7%	78,350	47.4%	412,650	29.1%
Silver	134,910	10.8%	36,020	21.8%	170,930	12.1%
Silver - Enhanced 73	110,870	8.9%	40	0.0%	110,920	7.8%
Silver - Enhanced 87	307,000	24.5%	80	0.0%	307,080	21.7%
Silver - Enhanced 94	203,550	16.3%	50	0.0%	203,610	14.4%
Gold	117,410	9.4%	28,650	17.3%	146,060	10.3%
Platinum	38,280	3.1%	12,990	7.9%	51,270	3.6%
Grand Total	1,251,360	100.0%	165,340	100.0%	1,416,710	100.0%

Just under 50 percent of subsidized consumers are enrolled in an Enhanced Silver plan, in which they receive financial help to lower out-of-pocket costs for medical services. These are referred to as cost-sharing reductions, which as of the 2018 plan year are no longer funded by the federal government but instead by a surcharge on all Silver plans that is then offset by increased premium tax credits. This surcharge is discussed in more detail in the next section.

Table C
Enrollment Totals by Income: Enrollment for 2018 Coverage Year
(FPL by Subsidy Eligibility)

Federal Poverty Level	Subsidy Eligible		Unsubsidized		Total	
	Enrollees	Percentage	Enrollees	Percentage	Enrollees	Percentage
138% FPL or less	26,420	2.1%	11,420	6.9%	37,830	2.7%
138% FPL to 150% FPL	212,330	17.0%	830	0.5%	213,160	15.0%
150% FPL to 200% FPL	408,240	32.6%	3,150	1.9%	411,390	29.0%
200% FPL to 250% FPL	232,070	18.5%	3,100	1.9%	235,170	16.6%
250% FPL to 400% FPL	351,070	28.1%	7,430	4.5%	358,510	25.3%
400% FPL or greater	420	0.0%	60,160	36.4%	60,580	4.3%
FPL Unavailable	18,070	1.4%	0	0.0%	18,070	1.3%
Unsubsidized Application	2,760	0.2%	79,250	47.9%	82,010	5.8%
Grand Total	1,251,360	100.0%	165,340	100.0%	1,416,710	100.0%

Approximately 68 percent of Covered California enrollees had incomes between 138 and 250 percent of the federal poverty level and received financial assistance that covered a significant portion of premium costs and, in some instances, out-of-pocket costs for medical services.

Table D
Enrollment Totals by Race/Ethnicity: Enrollment for 2018 Coverage Year
(Race/Ethnicity by Subsidy Eligibility)

Race / Ethnicity	Subsidy Eligible		Unsubsidized		Total	
	Enrollees	Percentage	Enrollees	Percentage	Enrollees	Percentage
American Indian/Alaska Native	3,010	0.3%	130	0.1%	3,130	0.3%
Asian	232,940	24.1%	24,250	19.0%	257,190	23.5%
Black or African American	21,620	2.2%	2,610	2.0%	24,220	2.2%
Latino	286,730	29.6%	20,140	15.8%	306,870	28.0%
Multiple Races	19,930	2.1%	5,050	4.0%	24,980	2.3%
Native Hawaiian or Pacific Islander	1,580	0.2%	170	0.1%	1,750	0.2%
Other	59,680	6.2%	6,680	5.2%	66,350	6.1%
White	341,650	35.3%	68,310	53.7%	409,950	37.5%
Grand Total	967,120	100.0%	127,320	100.0%	1,094,450	100.0%
<i>Non-respondent</i>	285,370	22.80%	38,250	23.10%	323,620	22.80%

Renewal Enrollment

Fiscal Year 2017-18 marked Covered California's fifth renewal period, allowing enrollees who had coverage in 2017 to continue their coverage in the 2018 plan year. The open-enrollment period offers an opportunity to both enroll new consumers and retain existing consumers. As with the previous year, consumers could choose to

automatically renew their current plan or actively change their plan for another that meets their needs.

Enrollees were notified by Covered California that they could shop for a new plan during open enrollment, and if their income or family size changed, re-determine their eligibility for federal financial assistance. Consumers could use the Shop and Compare Tool on CoveredCA.com to learn about their 2018 plan options and, if they chose to, change plans through their Covered California online account or with help from a certified enroller.

Covered California also provided information to all renewing consumers regarding the Silver surcharge and how they could avoid paying it if they were an unsubsidized consumer. Subsidized consumers received more premium tax credits that helped to offset the rise in Silver premiums due to the surcharge. Unsubsidized consumers, however, received no offsetting financial assistance. To protect those consumers, Covered California sent out targeted messaging informing them that they could move off the exchange and enroll in a special off-exchange plan not subject to the surcharge that Covered California required its health plan issuers to make available.

Enrollees were eligible for automatic renewal if they previously consented to having Covered California verify their tax filing information with the Internal Revenue Service. If enrollees filed their taxes and did not actively renew their coverage or change plans, they were re-enrolled into the same plan with the appropriate amount of federal premium tax credits. Consumers were also notified by their health plan about automatic renewal and sent billing statements with the updated 2018 rate for that plan.

An overwhelming majority of consumers — over 86 percent — who were enrolled in coverage during December 2017 renewed their coverage for the 2018 plan year and made their first payment for January 2018. Of those who renewed, about half were passively renewed, meaning they made no changes and remained in their same plan in 2018. Approximately 43 percent actively renewed by choosing a different health insurer for coverage in 2018.

Additionally, the special enrollment period allowed consumers to enroll into coverage outside of open enrollment if they have a qualifying life event such as losing their coverage, getting married, having a baby, or moving to a new region where their plan is no longer available. During the entire 2017 special enrollment period (April to December), plan selections averaged 32,098 per month.

Carriers, Rates and Benefit Design For 2018

Covered California works to ensure consumers benefit from a competitive marketplace. Consumers can compare plans with standard patient-centered benefit designs that are

structured to help them get the right care at the right time. Covered California actively negotiates and contracts with the qualified health plans offered through the exchange. All Covered California's health plans provide the same patient-centered benefit designs for each metal tier, thus requiring the plans to compete with one another based on premium, networks, quality and service to consumers.

Covered California health plans must meet high standards of quality and affordability as they compete in the marketplace and must commit to improve care delivery. The result is a strong foundation of consistent plan offerings for consumers. Competition among plans has also stimulated strategies for providing high-quality, affordable health care, promoting prevention and wellness and reducing health disparities.

Carriers

In August 2017, Covered California approved rates and contracts with 11 health insurance carriers for the 2018 plan year. As a result, 96 percent of consumers have the choice of two or more health plans and 82 percent of consumers are able choose from three or more health plans. Also, 88 percent of hospitals in California will be available through at least one Covered California health plan, and 59 percent will be available in two or more plans.

There are some coverage changes for the 2018 plan year:

- Anthem Blue Cross of California withdrew from 16 of California's 19 regions, where it served approximately 153,000 consumers; it remained in three regions (1,7 and 10), where it covers more than 108,000 consumers (41 percent of 2017 enrollment).
- Blue Shield of California expanded its HMO product to a larger part of Region 2 (Marin, Napa, Solano, Sonoma Counties) and Region 12 (Ventura, San Luis Obispo, Santa Barbara Counties) and expanded to cover Region 5 (Contra Costa County) and Region 6 (Alameda County) from partial to full coverage.
- Health Net offered a new PPO product in some ZIP codes in Region 3 (Sacramento, El Dorado, Yolo counties) and Region 17 (Riverside, San Bernardino counties) and the entirety of Regions 15 and 16 (Los Angeles County), Region 18 (Orange County) and Region 19 (San Diego County).
- Oscar Health Plan of California offered a new EPO product in some ZIP codes in Region 15 (Los Angeles County).

These changes to coverage options did cause more consumers to make new coverage selections for 2018. Covered California supported those consumers by proactively providing additional educational materials as well as launching a new

integrated provider directory on CoveredCA.com to make it easier for consumers to understand their provider options in 2018.

Rates

In August 2017, Covered California announced negotiated rates for the 2018 plan year. The statewide weighted average increase for the 2018 plan year was 12.5 percent. If consumers change to the lowest-priced plan at the same metal tier, the weighted average change would be limited to an average of just 3.3 percent. This remains a dramatic change from the trends that individuals faced in the years prior to the implementation of the Affordable Care Act when double-digit rate increases were commonplace. The four-year average rate increase between 2014, Covered California's first plan year, to the 2018 plan year was just 8.5 percent.

The reasons for the increase vary, but the biggest factor remains medical trend, the general change in the cost of medical services or products combined with how often those services and products are utilized. In addition to the uncertainty in the market, 2018 rates featured a one-time adjustment for the implementation of the Affordable Care Act's health insurance tax (HIT), which added 2.8 percent to the rate change. Without the addition of the HIT, Covered California's rate change would be less than 10 percent, which is another sign of Covered California's stability when one focuses on the elements the department can directly control.

Many consumers paid less than the initial rates suggested. It is important to note that the weighted average rate change assumes that all current Covered California consumers would renew their coverage in their current plan. We know that this is not the case and that many consumers paid less than initial rates suggest, for two reasons.

First, shopping matters, and consumers have the power to switch coverage based on which plan fits their needs and provides them the best value. If consumers shopped and switched to the lowest-priced plan in their same metal tier, they could have reduced their 2018 rate change to an average increase of less than 3.3 percent.

Consumers have shopped for the best value in previous years. An independent study by The Commonwealth Fund found Covered California's consumers regularly ended up paying much less than the average price of plans. The study looked at the policies Covered California consumers purchased between 2014 and 2016 and found the average price paid in each year has been between 11 and 15 percent less than the average price of the plans offered.

Among the study's key findings:

- The study found consumers in each metal tier paid 11.6 percent less than the average price offered in 2014, 13.2 percent less in 2015 and 15.2 percent less in 2016.
- When measured as an average purchase price, consumers saw a premium increase of 2 percent over the 2014-15 period, and 3 percent over the 2015-16 period.
- Consumers responded to rate changes by shifting to lower-cost plans. In 2016, 62 percent of new enrollees and 56 percent of renewing enrollees chose the lowest or second-lowest-priced plans available.
- The findings suggest Covered California is helping to moderate cost growth. The researchers said, "Covered California demonstrates — straight out of Economics 101 — that if consumers have easy to understand, transparent information without being overwhelmed with too many choices, they will buy lower-premium products available in their tier." In fact, Covered California's research shows that consumers paid less than the average rate increase. In 2015, the effective rate increase was 3.9 percent; in 2016, the effective rate was 3.6 percent and in 2017, the effective rate was 11.5 percent.

Second, subsidies rise when premiums increase, providing consumers with more financial help to purchase their health coverage. Close to 90 percent of Covered California consumers receive financial help in the form of a tax credit that lowers their monthly premium and pays on average 5 percent of the monthly premium on their household policy. When premiums rise, that financial help will increase, helping consumers offset any rate changes.

The U.S. Department of Health and Human Services studied consumers who renewed their coverage in the federal marketplace in 2016 to find their actual rate change (<https://aspe.hhs.gov/system/files/pdf/198636/MarketplaceRate.pdf>). The study found that consumers who shopped around sharply reduced their premium changes. The result was that subsidized consumers saw their average premium rise only \$4 per month and the "effective rate change" amounted to an increase of 4 percent.

As important as the average overall increase — which again assumes that consumers all stay with their existing benefit design and insurance company — is the increase of the lowest-priced Bronze and Silver plans. These two tiers have more than 90 percent of Covered California's enrollment, and their respective average rate increases are 11.8 percent and 9.2 percent. These rate changes indicate that consumers who are willing to shop and change health insurance companies can experience an even smaller increase in their premiums.

2018 Rates Reflect That Covered California Is Working to Protect Consumers from Federal Uncertainty

The national debate over the future of health care and the lack of clarity surrounding how the federal government would fund the cost-sharing reduction subsidy program that benefits more than 650,000 Californians made it difficult for health insurance companies to put forward their best possible rates for consumers.

The Affordable Care Act requires carriers to offer additional benefits to low-income consumers — such as lower copays and deductibles when they access care — in the form of cost-sharing reductions. Consumers who have a household income between 138 and 250 percent of the federal poverty level are eligible to enroll in a Silver plan with cost-sharing reductions.

Cost-sharing reductions allow individuals making less than \$30,000 a year and families of four earning approximately \$60,000 a year to pay less for services such as copays and deductibles. In some cases, deductibles can be as low as \$75 for an individual (see Table E: 2018 Patient-Centered Benefit Designs by Income) and the copay for an office visit only \$5.

More than 48 percent of Covered California's 1.4 million consumers benefit from these cost-sharing reductions, which are a critical ingredient in improving the overall health of the entire risk pool. This in turn lowers premiums for everyone in the individual health insurance market.

Table E
2018 Patient-Centered Benefit Designs by Income

MEDICAL COST SHARES			
Coverage Category	Enhanced Silver 94	Enhanced Silver 87	Enhanced Silver 73
Eligibility Based on Income and Premium Assistance	Covers 94% average annual cost	Covers 87% average annual cost	Covers 73% average annual cost
Single Income Ranges	up to \$18,090 (≤150% FPL)	\$18,091 to \$24,120 (>150% to ≤200% FPL)	\$24,121 to \$30,150 (>200% to ≤250% FPL)
Annual Wellness Exam	\$0	\$0	\$0
Primary Care Visit	\$5	\$10	\$30
Specialty Care Visit	\$8	\$25	\$75
Urgent Care Visit	\$5	\$10	\$30
Emergency Room Facility	\$50	\$100	\$350
Laboratory Tests	\$8	\$15	\$35
X-Ray and Diagnostics	\$8	\$25	\$75
Imaging	\$50	\$100	\$300
Medical Deductible	Individual: \$75 Family: \$150	Individual: \$650 Family: \$1,300	Individual: \$2,200 Family: \$4,400
Pharmacy Deductible	—	Individual: \$50 Family: \$100	Individual: \$130 Family: \$260
Annual Out-of-Pocket Maximum	Individual: \$1,000 Family: \$2,000	Individual: \$2,450 Family: \$4,900	Individual: \$5,850 Family: \$11,700

Benefits shown in blue are not subject to any deductible.

DRUG COST SHARES: 30-DAY SUPPLY			
Generic Drugs (Tier 1)	\$3 or less	\$5 or less	\$15 after drug deductible
Preferred Drugs (Tier 2)	\$10 or less	\$20 after drug deductible	\$50 after drug deductible
Non-preferred Drugs (Tier 3)	\$15 or less	\$35 after drug deductible	\$75 after drug deductible
Specialty Drugs (Tier 4)	10%, up to \$150 per script	15% up to \$150 after drug deductible	20%, up to \$250 after drug deductible

Benefits shown in blue are not subject to any deductible.

When Covered California released its 2018 rates in August of 2017, the federal government had only made month-to-month commitments to make the payments to health plans for these required subsidies. The federal government ended these payments altogether starting in plan year 2018. Covered California has taken some steps in an effort to stabilize the market due to this uncertainty:

- Covered California’s Board adopted a policy aimed at reassuring our health insurance companies, and most importantly, protecting consumers. In the absence of a clear and reliable policy from the federal government that it will provide cost-sharing reduction funding through 2018, all health insurance companies in Covered California will add a surcharge of the amount needed to cover the costs of the cost-sharing reduction subsidy program to their on-exchange Silver-tier products. In addition, Covered California directed the health insurance companies to offer a virtually identical Silver product off the exchange that does not include the surcharge. These policies have been critical to giving health plans the certainty they needed to participate in California’s individual market in 2018. They also protect consumers by applying the surcharge only to Silver-tier plans, where consumers receive increased federal subsidies. Consumers enrolled in Bronze, Gold and Platinum plans will not be directly affected.
- While subsidized consumers at the Silver tier saw an increase in the gross cost of their premiums, they also saw an increase in the amount of financial assistance they receive in the form of a larger Advanced Premium Tax Credit (APTC). The increased tax credit will offset the cost-sharing reduction surcharge for most Silver-tier consumers and increase the amount of APTC that can be applied to purchasing other tiers for consumers selecting Bronze, Gold and Platinum plans.
- Covered California will conduct extensive outreach with unsubsidized consumers, both those with a health plan through Covered California and those who enroll directly through a health insurance company off the exchange. Covered California looks forward to working with our contracted health plans, insurance agents and other enrollers to make sure consumers understand that they do not need to pay the cost-sharing reduction surcharge. For those enrolled through Covered California, their options include moving to a Bronze, Gold or Platinum product — without the CSR surcharge — or moving to the off-exchange Silver product that does not include a CSR surcharge.

Benefit Design

Unlike other state-based markets, Covered California leads the way by requiring all health plan issuers to sell products that adhere to a uniform, patient-centered benefit design. Uniform benefit designs allow consumers to shop across Covered California's different health insurance companies knowing that the covered benefits are the same no matter which company they choose. Consumers can make apples-to-apples comparisons among plans' copays, deductibles and other out-of-pocket costs.

The Affordable Care Act defines essential health benefits and establishes "tiers" of coverage with established actuarial values. Essential health benefits and tiers of coverage are the legal base upon which the patient-centered benefit design is built. But beyond that foundation, Covered California reassesses our patient-centered benefit design every year through a process that engages insurers, clinicians, hospital representatives and consumer advocates. These designs ensure that for most tiers, neither primary care nor specialty ambulatory care visits are subject to the deductible, and copays for primary care visits are lower than those for specialty or emergency department care. Covered California has intentionally reduced the number of essential services that are not subject to a deductible because high deductibles have been documented to be a barrier to care.⁵

All 11 health plan issuers offer identical patient-centered benefit design, maximizing their impact on consumers and providers' practices while minimizing the confusion for consumers and providers. These priorities align benefit design with the goal of supporting patients in getting the right care at the right time.

⁵ (<https://economics.stanford.edu/events/what-does-deductible-do-impact-cost-sharinghealth-care-prices-quantities-and-spending>)

**Table F
2018 Patient-Centered Benefit Designs by Income**

MEDICAL COST SHARES				
Coverage Category	Bronze	Silver	Gold	Platinum
	Covers 60% average annual cost	Covers 70% average annual cost	Covers 80% average annual cost	Covers 90% average annual cost
Annual Wellness Exam	\$0	\$0	\$0	\$0
Primary Care Visit	\$75	\$35	\$25	\$15
Specialty Care Visit	\$105	\$75	\$55	\$30
Urgent Care Visit	\$75	\$35	\$25	\$15
Emergency Room Facility	Full cost until out-of-pocket maximum is met	\$350	\$325	\$150
Laboratory Tests	\$40	\$35	\$35	\$15
X-Ray and Diagnostics	Full cost until out-of-pocket maximum is met	\$75	\$55	\$30
Medical Deductible	Individual: \$6,300 Family: \$12,600	Individual: \$2,500 Family: \$5,000	N/A	N/A
Pharmacy Deductible	Individual: \$500 Family: \$1,000	Individual: \$130 Family: \$260	N/A	N/A
Annual Out-of-Pocket Maximum	\$7,000 individual and \$14,000 family	\$7,000 individual and \$14,000 family	\$6,000 individual and \$12,000 family	\$3,350 individual and \$6,700 family

Benefits shown in blue are not subject to any deductible.

White corner = subject to a deductible after first three visits. Copay is for any combination of services (primary care, specialist, urgent care) for the first three visits. After three visits, they will be at full cost until the medical deductible is met.

DRUG COST SHARES: 30-DAY SUPPLY				
Generic Drugs (Tier 1)	Full cost up to \$500, after drug deductible is met	\$15 after drug deductible	\$15 or less	\$5 or less
Preferred Drugs (Tier 2)	Full cost up to \$500, after drug deductible is met	\$55 after drug deductible	\$55 or less	\$15 or less
Non-preferred Drugs (Tier 3)	Full cost up to \$500, after drug deductible is met	\$80 after drug deductible	\$75 or less	\$25 or less
Specialty Drugs (Tier 4)	Full cost up to \$500, after drug deductible is met	20% up to \$250 after drug deductible	20% up to \$250	10% up to \$250

Benefits shown in blue are not subject to any deductible.

Covered California’s advocacy in requiring a uniform patient-centered benefit design is not just on behalf of Covered California consumers. There were approximately 800,000 individuals who purchased coverage in the individual market outside of Covered California in 2017. Under the Affordable Care Act, and in accordance with state law, every plan offered through Covered California must be offered outside of the exchange. As a result, the clear majority of individuals purchasing coverage outside of the exchange purchase plans that offer the same benefit design and rate as those negotiated by, and offered through, Covered California.

In addition to patient-centered benefit designs, Covered California adopted significant changes to contracts with our health plan issuers starting in 2017 that advance ongoing efforts to improve the quality of care delivered to enrollees. The new contract provisions seek to address challenges in our current health care system and provide concrete recommendations for the future to address both quality and costs, such as strengthening value-based, patient-centered benefit designs to improve access to primary care.

Specifically, the contract adopted in 2017, effective from plan years 2017-2019, includes the following initiatives regarding access to primary care, provider networks, addressing health disparities and better consumer tools. Those initiatives were initially reported on in previous version of this report, and more details on implementation follow below.

Primary Care

As of 2017, Covered California and the qualified health plans successfully matched 99 percent of enrollees with a primary care physician or clinician (such as a nurse practitioner) as a first point of contact and advocate in all products. In this new initiative, Covered California and health plan communications have emphasized that for PPOs, the primary care physician will not serve as a gatekeeper, and that having a primary

care physician imposes no rule-based restrictions on accessing other services. Rather, the intent is to reclaim the supportive role of primary care physicians as the preferred initial point of entry into a complex care system.

Now that all enrollees are matched to primary care physicians, health plans are redesigning a payment system for primary care services that moves away from fee for service and toward models that include at least partial population-based payment and performance-based bonuses based on standard measures of quality, patient experience and financial accountability. Population-based payment supports new models of primary care such as the Patient-Centered Medical Home that includes alternatives to face-to-face visits, sharing care with nurses and pharmacists and emphasizing coordination with specialists and hospitals. For a full description of Covered California's work in primary care, see our Health Affairs Blog Post:

<http://healthaffairs.org/blog/2017/06/14/moving-the-needle-on-primary-care-coveredcalifornias-strategy-to-lower-costs-and-improve-quality/>

Provider Networks Based on Quality

As part of the 2017-19 contract, QHPs agreed to include quality as a priority in all provider and facility selection criteria while designing and composing Covered California networks. Currently, the most reliable and comprehensive measurement available for hospital safety includes rates of common avoidable hospital-acquired infections. In the past year, Covered California worked with stakeholders to establish baseline measurements for all contracted hospitals. In 2017, health plans implemented new payment strategies contingent on quality outcomes, including safety and patient satisfaction and readmissions. Health plans are working with hospitals to reduce the remarkable variation in performance (complication rates can range from zero to five times the expected rate) through collaborative efforts to improve quality. This is a big change from previous accountability for average performance across the provider network. Health plans are now working to minimize poor performance by the end of 2019 so that enrollees can count on safe care at every hospital across California.

There is similar variation for cesarean-section rates for low-risk pregnancies across hospitals in California. Working through Smart Care California (<http://www.iha.org/ourwork/insights/smart-care-california>), which is co-chaired by the three large California state purchasers (Department of Health Care Services, CalPERS, and Covered California), an honor roll was created to recognize hospitals that achieved the national target of a 23.9 percent cesarean-section rate for low-risk pregnancies. The hospitals on the honor roll were acknowledged at an inaugural press conference in October 2016 by Diana Dooley, then secretary for the California Health and Human Services Agency and chair of the Covered California Board of Directors. Smart Care

California also reviewed the evidence regarding payment strategies for maternity services that meet Covered California requirements that there be no incentive for cesarean-sections that are not medically necessary.

Health Disparities

As part of the 2017-19 contract, health plans are tracking health disparities among all their patients by racial or ethnic group. The goal is to identify and reduce disparities in health outcomes beginning with four major conditions: diabetes, hypertension, asthma and depression. In 2017, baseline performance data was submitted and targets for improvement are being negotiated.

Covered California's health insurance companies are leading the nation in their efforts to reach and serve the rich diversity of California's population. Four of Covered California's 11 insurers — Health Net, Kaiser Permanente, L.A. Care Health Plan and Molina Healthcare — have achieved top scores and recognition from the National Committee for Quality Assurance based on their commitment to the collection of race/ethnicity and language data, provision of language assistance, cultural responsiveness, quality improvement of culturally and linguistically appropriate services and reduction of health care disparities. Additionally, Covered California will hire a new health equity officer to support health plan efforts to reduce disparities by harnessing evidence-based strategies in public health literature.

Consumer Tools and Telehealth

As part of the 2017-19 contract, health plans are developing tools and capabilities that will enable consumers to know provider specific cost shares (based on contracted rates) and quality information for inpatient, outpatient and ambulatory services and prescription drugs. These tools will also allow consumers to see plan specific accumulations toward deductibles and out-of-pocket maximums.

In addition, Covered California plans are innovating around telehealth. Five plans currently offer video telehealth visits for primary care, mental health and substance abuse services, and others are working to bolster this capability. Though not a part of the 2017-19 contract, Covered California is working with health plans to understand best practices that align with delivering quality care to patients at the right time in this relatively new modality.

Continuous Improvement

In the years ahead, Covered California and QHPs will continue to raise the bar to ensure consumers are getting the right care at the right time. In this way, Covered

California will help make even greater strides toward the triple aim of health care reform: better health, better quality and lower costs.

Covered California is also ensuring continuous consumer focused improvement by rigorously screening every health insurance company that wishes to participate on the Exchange. The principles that Covered California used to guide the selection and oversight of health insurance companies for the 2017-2019 contract period include: Promoting affordability for consumers, both in terms of premium cost and at the point of receiving care.

- Ensuring access to quality care for consumers presenting with a range of health statuses and conditions.
- Facilitating consumers' informed choice of health insurance plans, doctors and hospitals.
- Promoting wellness and prevention.
- Reducing health disparities and fostering health equity.
- Working to reform the health care delivery system while being mindful of Covered California's impact on, and role in, the broader health care delivery system.
- Performing responsively and using resources efficiently in the most focused possible way.

Dental Coverage

All Covered California health insurance plans in the individual market offer embedded pediatric dental plans because it is an essential health benefit under the Affordable Care Act. Dental coverage for children is included in the price of all health plans purchased through Covered California, and adults have been able to buy standalone dental plans since 2016. Family dental HMO and PPO plans are available as an optional purchase for consumers who have a health plan through Covered California. In 2018 approximately 196,910 individuals enrolled in standalone dental plans.

The dental insurance companies offering plans through Covered California in 2018 were:

- Access Dental Plan
- Anthem Blue Cross
- California Dental Network
- Delta Dental of California
- Dental Health Services
- Liberty Dental
- Premier Access

Dental plans make dental benefits available to single adults, married adults, families and children. All dental plans sold through Covered California must adhere to patient-centered benefit designs and include comprehensive coverage and free preventive and diagnostic care, such as cleanings, X-rays and exams. Depending on where they live, adult consumers paid an average of \$22.00 per month in premiums, though plans are available for as little as \$7.72 per month.

There are no federal subsidies available to consumers for the purchase of family dental plans. Covered California receives revenue from the dental plans in a similar method used for health plans. For plan year 2018, each dental plan gave Covered California 4 percent of all gross premium dollars paid by each enrollee each month.

Vision Coverage

Similar to pediatric dental coverage, pediatric vision coverage is an essential health benefit under the Affordable Care Act. As such, vision benefits for children are embedded in all Covered California health insurance plans. However, vision care for adults is not considered an essential health benefit and is not a covered benefit in Covered California health plans.

To help consumers connect with and obtain coverage from quality vision plans, Covered California partnered with two vision benefit carriers, Vision Service Plan (VSP) and EyeMed Vision Care, to offer individual and family vision coverage to Covered California consumers. Interested consumers can enroll directly on the vision carrier's website and can call the vision carrier for enrollment assistance or use a Certified Insurance Agent to obtain coverage. Covered California provides a link to both vision carrier websites. The carrier websites provide consumers with information on vision coverage, coverage options and provider networks.

Visitors to CoveredCA.com can access VSP through a link that takes them to VSP's website. Once on the VSP website, consumers work directly with VSP to shop for vision benefits and see which coverage options are best for them. VSP currently offers Covered California consumers two plan options.

EyeMed Vision Care is the second pathway to vision coverage for Covered California consumers. EyeMed Vision Care currently offers consumers three plan options with different levels of coverage. Like VSP, Eyemed can also be accessed through a link on Covered California's website.

As part of their agreements with Covered California, both VSP and EyeMed Vision Care are required to conduct annual consumer surveys to ensure a positive consumer experience. In addition, they provide quarterly enrollment reports to Covered California based on those who have accessed their respective websites through CoveredCA.com.

VSP and EyeMed Vision Care pay Covered California a commission of 5 percent of the quarterly premiums they earn from each enrollee who signed up through the link on Covered California's website.



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