COVERED CALIFORNIA

California Health Benefit Exchange

Annual Report to the Governor and Legislature

FISCAL YEAR 2016-2017

COVERED CALIFORNIA

September 13, 2018

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 Legislature on Covered California's achievements and activities during fiscal year (FY) 2016-17.

Throughout FY 2016-17, Covered California's numerous efforts and accomplishments helped maintain and further establish a competitive marketplace for consumers in the individual and small-group markets. Covered California closed its fourth open-enrollment and renewal period with approximately 1.4 million new and renewing enrollees. Carrier participation remained strong, with 11 qualified health plan issuers offering affordable, high-quality coverage throughout the state in 2017. Covered California continued making robust investments in marketing, outreach and sales to retain and attract new enrollment, which in turn led to a healthy mix of enrollees and helped moderate rates for everyone in the market. We also maintained our strong financial standing in FY 2016-17, with higher-than-expected revenues, lower-than-expected expenditures and a nearly $300 million reserve.

This report details the many efforts and investments Covered California made in FY 2016-17 to fulfill its commitment to providing a marketplace where Californians can access coverage that brings them value. It also illustrates the work Covered California did to fulfill its mission to decrease the number of uninsured Californians, improve health care quality, lower costs and reduce health disparities. Through this work, along with the expansion of the Medi-Cal program, California has reduced its rate of uninsured by more than half — from 17 percent in 2013 to 6.8 percent in 2017 — bringing it to its lowest level on record.

We know that Covered California's success is a product of our many partnerships with government agencies, the Legislature, consumer advocates, carriers, insurance agents, community organizations, counties, providers and others who support us in achieving our mission. In this vein, we are proud to be a part of an ongoing statewide effort to get Californians covered, and we look forward to the future gains to come.

Sincerely,

Peter V. Lee
Executive Director

BOARD MEMBERS Michael Wilkening, Chair Paul Fearer Jerry Fleming Dr. Sandra Hernandez Art Torres EXEC. DIRECTOR Peter V. Lee

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EXECUTIVE SUMMARY

Covered California opened its doors in 2014, and since then it has served 3.5 million people. Each passing year has brought its own distinct set of challenges, accomplishments and many lessons learned. Among Covered California's key attributes are its ability to remain nimble and adaptable when change is needed and its forward-thinking approach to establishing a marketplace that is stable, yet innovative, and that bears in mind the needs of consumers every step of the way.

Fiscal year 2016-17 marked a period of significant milestones and enduring policy uncertainty affecting federal and state exchanges and the individual market. The national health policy dialogue during the first half of 2017 centered on proposals aiming to fundamentally change the health care system established under the Patient Protection and Affordable Care Act. Throughout the year, Covered California worked to inform the national health policy dialogue by sharing data, analysis and experiential perspectives with policymakers. While no major federal health policy reforms were enacted during FY 2016-17, the policy uncertainty created market challenges for Covered California, carriers and consumers. Covered California worked with carriers and its many stakeholders to maintain stability within the exchange and in the market at large. Additionally, despite the uncertainty, Covered California made continued investments throughout the fiscal year in areas such as marketing and outreach, quality improvement, information technology (IT) innovations and service to consumers. In all, FY 2016-17 ended with Covered California well positioned to maintain a steady and stable health insurance marketplace.

Below are some of the significant milestones reached during FY 2016-17:

Strong and Steady Enrollment
January 31, 2017, marked the end of Covered California's fourth open-enrollment period. More than 400,000 consumers newly enrolled into Covered California during open enrollment. When combined with the consumers who renewed their coverage for the 2017 plan year, Covered California's enrollment was approximately 1.4 million — generally on par with the previous year's enrollment. Additionally, enrollment in Covered California for Small Business grew by 26 percent.

Continued Financial Strength
Covered California receives no state General Fund support, and with the expiration of federal establishment grants in the previous fiscal year, FY 2016-17 became the first full fiscal year that Covered California fully sustained itself using health plan assessment fees. Covered California changed its plan assessments from a flat per-member, per-month fee to a percentage of total premiums paid. Covered California ended FY 2016-17 with a reserve of nearly $300 million — equivalent to approximately one year's worth of operations.

Marketplace Competition, Choice and Affordability
Covered California continued to leverage its role in maintaining a competitive marketplace for consumers, contracting with 11 health insurance carriers in 2017 to provide coverage throughout the state, and helping to maintain affordable rates. In 2017, all Covered California consumers had the choice of at least two carriers, and 93 percent were able to choose from three or more carriers.

Robust Marketing and Outreach
A cornerstone of Covered California's continued stability is a strong marketing, outreach and communications program. Through continued investments in marketing and outreach, Covered California raised awareness among consumers of available federal financial assistance and the value of health insurance coverage. Through these efforts, Covered California worked to reach California's diverse consumer population and drive enrollment and retention. Additionally, as a result of these efforts, Covered California's enrollment population grew younger and healthier, supporting a healthy risk mix that helps lower rates for all in the market.

Enhanced Quality and Improved Care Delivery
In the continued effort to improve the quality of care delivered to enrollees, and to help lower costs, Covered California adopted new contractual requirements with its qualified health plans (QHPs), including matching new enrollees to a primary care physician to improve care coordination, fostering patient-centered medical homes and tracking health disparities.

While this report provides a look back at FY 2016-17, Covered California continues to look toward the future, taking the lessons we have learned and applying them in order to continue expanding coverage in affordable plans and to make sure those who are covered get the right care at the right time. Covered California is guided by its vision and mission to improve the health of Californians by ensuring their access to affordable health coverage, and we will continue our efforts to improve health care quality, lower costs and reduce disparities. Through these efforts, Covered California will continue to offer an innovative, competitive marketplace that empowers consumers to choose the plans that give them the best value.

BUDGET AND FINANCE

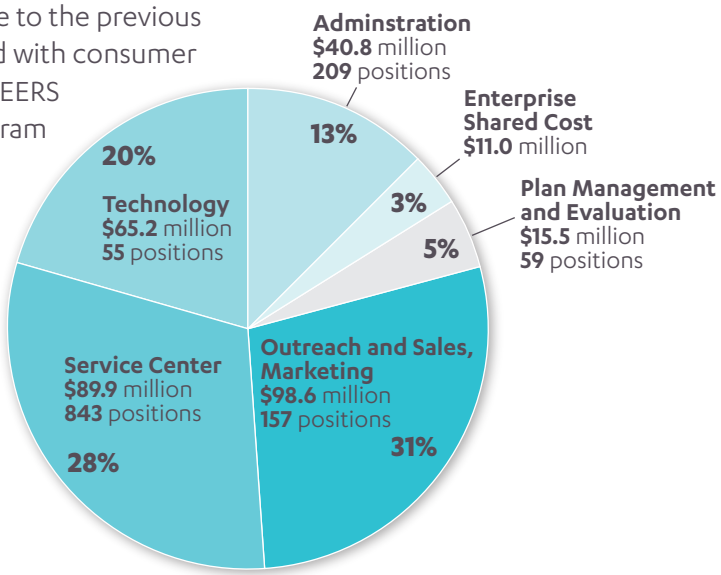
On June 16, 2016, Covered California adopted the budget for fiscal year (FY) 2016-17. The budget authorized $320.9 million and 1,323 positions to ensure Covered California has the right tools, processes and resources to deliver on its mission. The FY 2016-17 budget was approved with the use of our plan assessment fees and, as anticipated, a portion of our reserves. This was also the first year that Covered California did not rely on any federal establishment funds.

Starting in January 2017, Covered California's assessment fee switched from a flat per-member, per-month fee to a 4 percent assessment on total premiums paid by Covered California's 1.4 million enrollees. In addition to Covered California's 1.4 million enrollees, approximately 800,000 Californians purchased coverage in the individual market outside of Covered California, or "off-exchange." Under federal law, if a carrier offers a plan in Covered California, the carrier must offer the same plan off-exchange at the same rate. As such, the majority of those who purchase their individual coverage off-exchange benefit from the rates negotiated by Covered California, even though they are not directly enrolled through the exchange. This also means that Covered California's contracted carriers must spread the assessment fee across on- and off-exchange products alike, effectively bringing the assessment rate to 2.5 percent across the market.

The budget for FY 2016-17 included funds for a number of important activities supporting Covered California's mission. Significant investments were made in outreach, sales and marketing to generate enrollment, including large investments in supporting more than 10,000 independent insurance agents and a Navigator program to inform hard-to-reach Californians about Covered California. Service center funds were also reduced to levels comparable to the previous fiscal year to accommodate the workload associated with consumer inquiries and appeals. Additionally, funding for CalHEERS supported eligibility and enrollment system and program requirements during the year.

FIGURE 1

FY 2016-17 Budget: $320.9 Million



For more detailed information about Covered California's budget and financing, please see Covered California's budget book for FY 2016-17:
http://hbex.coveredca.com/financial-reports/PDFs/2016-17-CoveredCA-Budget-FINAL.pdf

2016-17 FISCAL YEAR-END UPDATE

As displayed in Table 1 below, Covered California achieved revenues that were higher than forecasted and budget expenditures that were lower than anticipated in FY 2016-17. Covered California ended the fiscal year with an operating cash reserve of approximately $292 million.

TABLE 1 — FY 2016-17 Budget vs. Actuals

$ millions	2016-17 Budget	2016-17 Actuals	Variance to Budget
Opening Balance	$ 277.9	$ 325.1	$ 47.2
Plan Assessments (cash basis)	$ 227.3	$ 242.1	$ 14.8
Expenditures	$ (320.9)	$ (275.2)	$ 45.7
Year-End Operating Reserve	$ 184.3	$ 292.0	$ 107.7

Highlights from Covered California's FY 2016-17 revenue and expenditures include:

- **Higher-than-projected revenues.** Carriers generally began paying plan assessments within 30 days as opposed to 60 days, as was done in previous budget years. Additionally, the average premium for the plan year-to-date of $458 was 3 percent higher than budget. The change made in January 2017 to assess plans based upon a percentage of premium affected FY 2016-17 revenue numbers significantly. Compared to the $13.95 last year, the effective per-member, per-month cost (assessment revenue divided by enrollment) for FY 2016-17 was $17.67.

- **Lower-than-projected expenditures.** Expenditures in FY 2016-17 were $275 million, approximately $50 million lower than budgeted. Lower expenditures are attributable to a variety of factors, including lower-than-expected contract expenditures, position vacancies, lower-than-expected costs relating to Covered California's portion of statewide allocated costs, strategic initiatives and contingencies for unplanned expenditures. Covered California made significant strides to make reductions and align the FY 2017-18 budget with prior year expenditures.

- **Year-end reserve of $318 million.** FY 2015-16 ended with a $292 million reserve, approximately $107.7 million higher than initially projected due to a higher-than-budgeted revenues for the fiscal year, and lower-than-budgeted expenditures, combined with a minor upward adjustment (~$8M) in the opening balance. This amount gives Covered California an 11-month reserve. Consistent with its guiding financial principles, the reserve amount is based on maintaining a level that is sufficient to assure an adequate balance to address uncertainties and to allow for timing lags needed to adjust revenue and expenditures. Adjustments in the plan assessment, for example, take nine to 18 months to have an impact on plan-assessment revenue. For these reasons, it is necessary to develop the budget within the framework of a multi-year plan.

LOOKING AHEAD TO FUTURE FISCAL YEARS

The 2017 forecast as reflected in Table 2 summarizes the revenue outlook derived from the individual market and Covered California for Small Business (CCSB). This base estimate assumes stable enrollment going forward with the exception of the impact of more stringent pre-verification of qualifying life events beginning with 2018 special enrollment. Projected enrollment during FY 2017-18 is approximately 60,000 lives, or 4 percent below the 2016 forecast for this period.

TABLE 2 — Covered California Revenue and Outlook Enrollment Summary (Base Estimate)

Market	**PMPM Revenue** ($ millions)				
Fiscal Year	2016-17	2017-18	2018-19	2019-20	2020-21
Individual Market – Medical	$ 225.9	$ 315.3	$ 334.3	$ 341.2	$ 311.2
Individual Market – Dental	$ 0.9	$ 1.1	$ 1.1	$ 1.1	$ 1.2
CCBS	$ 9.8	$ 5.6	$ 22.8	$ 31.1	$ 19.5
Total Revenue	**$ 66.6**	**$ 332.0**	**$ 358.2**	**$ 373.7**	**$ 31.9**
Effectuated Enrollment (year-end)	*1.37*	*1.32*	*1.31*	*1.31*	*1.33*

MULTI-YEAR FORECAST

Since its inception, Covered California has recognized that the budget planning process involves consideration of several key variables over a multi-year period, including revenue, expenditures and reserves. As such, the FY 2016-17 budget is one component of a multi-year plan that will ensure that Covered California has a strong fiscal foundation for the foreseeable future.

The current multi-year forecast is displayed in Table 3 below. Covered California expects that it will begin FY 2017-18 with an operating reserve of $292 million. Revenues that include both the individual and Covered California for Small Business markets are calculated on a cash basis that more accurately reflects the timing of the collection of revenue.

TABLE 3 — Multi-Year Forecast (Dollars in Millions)

Fiscal Year	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**
Effectuated Enrollment (fiscal year end)	1,371,949	1,321,919	1,305,646	1,331,360	1,333,280
Opening Balance	$ 325.1	$ 292.0	$ 286.8	$ 295.6	$ 306.6
Plan Assessments – Cash Basis	$ 242.1	$ 314.4	$ 325.8	$ 331.0	$ 331.9
Expenditures Projected[1]	$ (275.2)	$ (319.6)	$ (317.0)	$ (320.0)	$ (323.0)
Year-End Operating Reserve	**$ 292.0**	**$ 286.8**	**$ 295.6**	**$ 306.6**	**$ 315.5**
Months Covered by Reserve	*11.0*	*10.9*	*11.1*	*11.4*	*11.6*

Plan Year	**2018**	**2019**	**2020**	**2021**
Plan Assessment Rate	4.00%	3.75%	3.50%	3.25%
Plan Assessment Rate On/Off Exchange	2.49%	2.33%	2.17%	2.03%
Premium Growth Assumptions	9.00%	7.00%	7.00%	7.00%

[1] FY 2016-17 is actual expenditure. All future years are projected.

The multi-year forecast reflects a $319.6 million budget in FY 2017-18 and assumes budgets of between $317.0 million and $323.0 million for FY 2018-19 through FY 2020-21. While revenues from plan assessments will fall slightly short of expenditures in FY 2017-18 if Covered California spends all of its budgeted amounts, in past years it has generated savings from planned budgets. Consistent with Covered California's long-standing multi-year strategy, revenues are expected to exceed expenditures in FY 2018-19 and beyond. The plan provides an operating reserve of approximately 11 months through FY 2020-21. It reflects modest increases in operating expenses over the next few fiscal years to allow programs to maintain necessary service levels and to solicit and retain membership.

The plan assessment is at a level of 4 percent of premium for 2018, at 3.75 percent in 2019, 3.5 percent in 2020 and 3.25 percent in 2021. Covered California for Small Business (CCSB) 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 is. 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 budgeted expenditures.

ENROLLMENT

COVERED CALIFORNIA'S FOURTH OPEN ENROLLMENT

With the change in the federal administration at the beginning of 2017, the national health policy dialogue largely revolved around repealing and replacing the Affordable Care Act. These discussions brought with them a great deal of uncertainty and many questions about the future of individual insurance markets in California and throughout the nation. Despite the uncertainty, Covered California's fourth open-enrollment period, which ran from Nov. 1, 2016, to Jan. 1, 2017, remained strong. As of March 2017, Covered California had approximately 1.4 million members — representing modest growth over the previous year. Specifically, 411,700 consumers newly enrolled into Covered California during its fourth open-enrollment period, and more than 1.3 million enrollees renewed their coverage for the 2017 plan year.

Approximately 90 percent of Covered California's enrollees received federal financial assistance. Below are tables showing Covered California's enrollees from the fourth open-enrollment period by demographic, subsidy and plan choice.

TABLE 4 — New Enrollment in the Fourth Open-Enrollment Period, Enrollment Total by Age*

	Subsidy Eligible		Unsubsidized		Total	
Age Bracket	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**
17 and under	52,600	4.3%	29,980	17.3%	82,580	5.9&
18 to 25	129,860	10.7%	12,250	7.1%	142,110	10.2%
26 to 34	192,730	15.8%	36,990	21.3%	229,720	16.5%
35 to 44	175,240	14.4%	31,990	18.4%	207,230	14.9%
45 to 54	288,130	23.7%	31,970	18.4%	320,100	23.0%
55 to 64	368,960	30.3%	29,670	17.1%	398,630	28.7%
65 and older	8,530	0.7%	850	0.5%	9,380	0.7%
Grand Total	**1,216,050**	**100.0%**	**173,690**	**100.0%**	**1,389,740**	**100.0%**

For its fourth open enrollment, Covered California maintained its share of younger enrollees. Young adults in the 18- to 34-year-old demographic accounted for an estimated 37 percent of this year's plan selections, compared to 38 percent in the open-enrollment period for 2016, 34 percent for 2015 and 29 percent for 2014. Maintaining strong enrollment among younger populations generally improves the health of the risk pool and helps reduce overall premium rates for all consumers.

* This data is from Covered California's Active Member Profile, which shows counts of enrollees who have paid and have effective coverage through Covered California during the reporting month. Data subject to revision due to reporting data lags and on-going reconciliations between Covered California and health plans. All cells rounded to nearest 10 consistent with privacy policy. Some dimension totals may not sum to the grand total enrollment figures due to occasional discrepancies between reporting data warehouse and CalHEERS, which may be corrected in subsequent updates to the data.

TABLE 5 — New Enrollment in the Fourth Open-Enrollment Period as of March 2017, by Metal Tier

	Subsidy Eligible		Unsubsidized		Total	
Metal Tier	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**
Minimum Coverage	5,130	0.4%	8,230	4.7%	13,360	1.0%
Bronze	307,190	25.3%	64,930	37.4%	372,120	26.8%
Silver	827,830	68.1%	63,990	36.8%	891,820	64.2%
Silver - Enhanced 73	0	0.0%	0	0.0%	0	0.0%
Silver - Enhanced 87	0	0.0%	0	0.0%	0	0.0%
Silver - Enhanced 94	0	0.0%	0	0.0%	0	0.0%
Gold	47,000	3.9%	21,360	12.3%	68,360	4.9%
Platinum	28,900	2.4%	15,180	8.7%	44,080	3.2%
Grand Total	**1,216,050**	**100.0%**	**173,690**	**100.0%**	**1,389,740**	**100.0%**

More than half (51 percent) of subsidized consumers are enrolled in an Enhanced Silver plan, whereby they receive financial help to lower out-of-pocket costs for medical services. These are referred to as cost-sharing reductions, which in FY 2016-17 were funded through cost-sharing reduction payments made by the federal government directly to Covered California's health insurance companies.

TABLE 6 — New Enrollment in the Fourth Open-Enrollment Period as of March 2017, by Income

	Subsidy Eligible		Unsubsidized		Total	
FPL	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**
138% or less	25,000	2.1%	13,360	7.7%	38,360	2.8%
138% to 150%	231,960	17.6%	1,430	0.8%	215,390	15.5%
150% to 200%	422,910	34.8%	4,610	2.7%	427,530	30.8%
200% to 250%	226,780	18.6%	3,610	2.1%	230,390	16.6%
250% to 400%	325,500	26.8%	8,480	4.9%	333,980	24.0%
400% or greater	330	0.0%	56,860	32.7%	57,160	4.1%
FPL Unavailable	0	0.0%	0	0.0%	0	0.0%
Unsubsidized Application	1,560	0.1%	85,380	49.2%	86,940	6.3%
Grand Total	**1,216,050**	**100.0%**	**173,690**	**100.0%**	**1,389,740**	**100.0%**

Approximately 71 percent of Covered California enrollees had incomes between 138 percent and 250 percent of the federal poverty level and received federally funded financial assistance that covers a significant portion of premium costs and, in some instances, out-of-pocket costs for medical services.

TABLE 7 — New Enrollment in the Fourth Open-Enrollment Period as of March 2017, by Race/Ethnicity

	Subsidy Eligible		Unsubsidized		Total	
Race/Ethnicity *	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**
American Indian/ Alaska Native	2,880	0.3%	100	0.1%	2,980	0.3%
Asian	216,780	23.9%	23,470	18.0%	240,250	23.2%
Black or African American	20,030	2.2%	3,030	2.3%	23,060	2.2%
Latino	266,800	29.5%	21,500	16.5%	228,300	27.8%
Multiple Ethnicities	19,040	2.1%	5,220	4.0%	24,260	2.3%
Native Hawaiian or Pacific Islander	1,910	0.2%	250	0.5%	2,160	0.2%
Other	45,310	5.0%	5,610	4.3%	50,920	4.9%
White	332,960	36.8%	70,980	54.5%	403,940	39.0%
Grand Total	**905,780**	**100.0%**	**130,150**	**100.0%**	**1,035,870**	**100.0%**
nonrespondent	310,330	25.5%	43,540	25.1%	353,870	25.0%

* Race/ethnicity is a roll-up dimension that combines three CalHEERS application questions on race and ethnicity, such that a consumer who reports a Latino, Hispanic or Spanish origin is counted as "Latino" in race/ethnicity.

RENEWAL ENROLLMENT

Fiscal year 2016-17 marked Covered California's third renewal period, allowing enrollees who had coverage in 2016 to continue their coverage in the 2017 plan year. 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 were able to use the Shop and Compare Tool available on CoveredCA.com to learn about their 2017 plan options, and if they chose to, change plans through their online account or with help from a certified enroller.

Members 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 were sent billing statements with the updated 2017 rate for that plan.

An overwhelming majority of consumers — 95 percent — who were enrolled in coverage during the renewal period in 2016 renewed their coverage for the 2017 plan year. Of those who renewed, the majority were passively renewed, meaning they made no changes and remained in their same plan in 2017. Approximately 8 percent actively renewed by choosing a different health insurer for coverage in 2017.

Additionally, the special-enrollment period allows consumers to enroll into coverage outside of the open-enrollment period 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 2016 special-enrollment period (April to December), plan selections averaged 33,700 per month.

BEING COVERED IS THE BEST PLAN

CARRIERS, RATES AND BENEFIT DESIGN FOR 2017

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 of 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 July 2016, Covered California approved rates and contracts with 11 health insurance carriers for the 2017 plan year. Additionally, several of the carriers expanded their coverage areas in 2017: Oscar entered the market in San Francisco, Molina Healthcare expanded into Orange County and Kaiser Permanente began offering coverage in Santa Cruz County.

In 2017, in every ZIP code in the state, consumers had the choice of two health plans and 93 percent of consumers were able choose from three or more carriers. Covered California also announced that quality providers such as Hill Physicians, Monarch HealthCare, UCSF Health and others were available in more plans for 2017.

COVERED CALIFORNIA HEALTH INSURANCE COMPANIES OFFERED TO CONSUMERS IN 2017
Anthem Blue Cross of California
Blue Shield of California
CCHP
Health Net
Kaiser Permanente
L.A. Care Health Plan
Molina Healthcare
Sharp Health Plan
United Healthcare
Valley Health Plan
Western Health Advantage

RATES

In July 2016, Covered California announced its negotiated rates for the 2017 plan year. The statewide weighted average increase for the 2017 plan year was 13.2 percent. If consumers changed to the lowest-priced plan within the same metal tier, the weighted average change would be a decrease of 1.2 percent. Almost 80 percent of consumers paid less or saw their rate go up by no more than 5 percent if they switched plans. This represented 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 three-year average rate increase between 2014, Covered California's first plan year, to the 2017 plan year was 7 percent.

2017 Statewide Enrollment

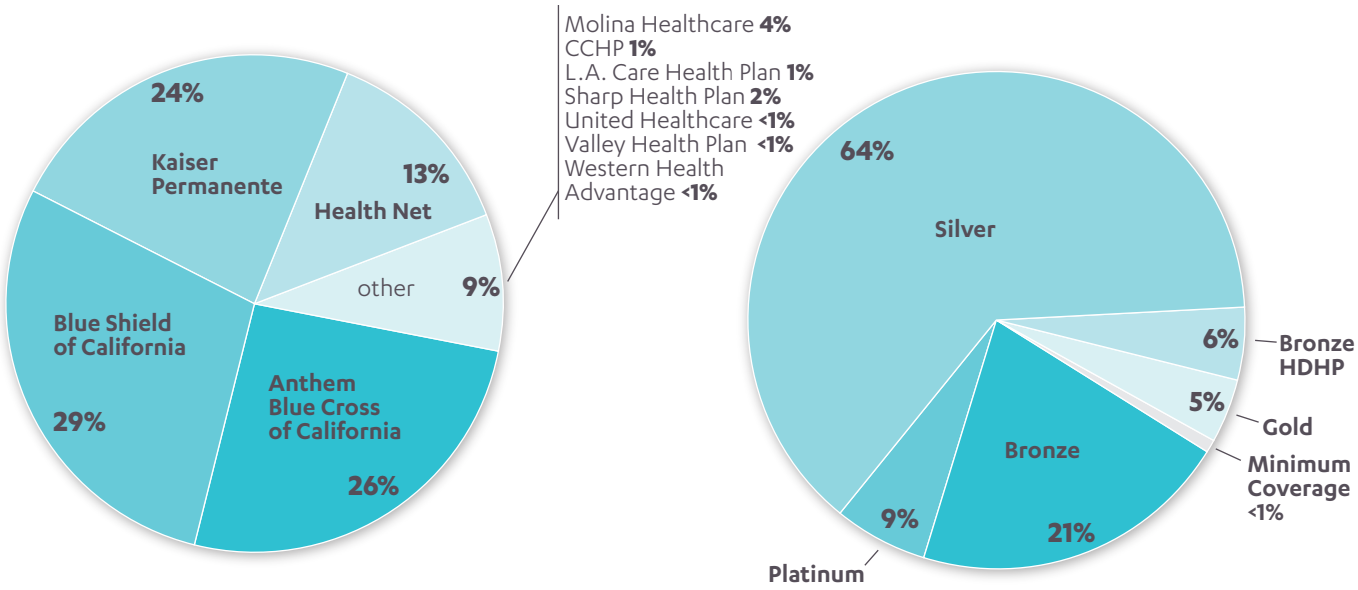


FIGURE 2

Covered California Members by Plan and Metal Tier after the Fourth Open-Enrollment[2] Period.

In addition to the statewide weighted average increase, the respective average rate increases for the lowest-priced Bronze and Silver plans were 3.9 percent and 8.1 percent. These two tiers had the vast majority of Covered California's enrollment. The lower increase indicated that consumers who wanted to shop and change plans could experience an even smaller increase in their premium costs.

During the first two years of Covered California, rates increased 4.2 percent and 4.0 percent respectively. For the 2017 plan year, several factors contributed to the higher rate change. The primary factor was the end of the federal reinsurance program in 2016. The reinsurance program was designed to stabilize premiums in the early years of Affordable Care Act implementation by providing additional funding to insurers that incurred high claims costs for enrollees. It is estimated that the end of the program increased premiums by 4 to 7 percent of the total 13.2 percent average rate change. The rising cost of health care, particularly with respect to specialty drugs, was also a contributing factor, as well as increased demand for health care by those who previously did not have access to the health care system.

BENEFIT DESIGN

Covered California continued to lead the way for consumers by using a patient-centered benefit design that allows consumers to shop across Covered California's different health insurance companies knowing that the 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.

There were approximately 800,000 individuals who purchased coverage in the individual market outside of Covered California. Under the Affordable Care Act, and in accordance with state law, every plan offered

[2] This table illustrates statewide averages, but local market share by carrier varies widely by region. For example, in Region 1, covering the northernmost region of California, Anthem Blue Cross's exclusive provider organization (EPO) plan accounted for 85 percent of enrollment in 2017. And in Region 4, covering San Francisco County, Chinese Community Health Plan accounted for 26 percent of enrollment.

through Covered California must be offered outside of the exchange. As a result, the vast majority of individuals purchasing coverage outside of the exchange buy plans that offer the same benefit design and rates as those negotiated by, and offered through, Covered California.

Covered California continued to improve on its patient-centered benefit designs and increasing a consumer's access to care by reducing the number of services that are subject to a consumer's deductible. Specifically, starting in 2017, Covered California lowered cost-sharing for urgent care and primary care visits for consumers in Silver 70 plans, and plans were required to pay for emergency services, even if the consumer had not satisfied his or her deductible. In addition, flat copays were implemented for emergency room visits, with no additional physician fee, for consumers in Platinum, Gold and Silver plans.

These changes to the benefit design build upon previous benefit designs, where every outpatient service in Silver, Gold and Platinum plans can be accessed without being subject to the deductible, including primary care visits, specialist visits, lab tests, X-rays and imaging. In addition, enrollees with Bronze-level plans are able to see their doctor or a specialist three times before being subject to the deductible.

TABLE 8 — 2017 Standard Benefit Designs and Medical Cost Shares

Coverage Category	Minimum Coverage	**Bronze**	**Silver**	Enhanced **Silver 73**	Enhanced **Silver 87**	Enhanced **Silver 94**	**Gold**	**Platinum**
Percent of cost coverage	Covers **0%** until out-of-pocket maximum is met	Covers **60%** average annual cost	Covers **70%** average annual cost	Covers **73%** average annual cost	Covers **87%** average annual cost	Covers **94%** average annual cost	Covers **80%** average annual cost	Covers **90%** average annual cost
Cost-sharing Reduction Single Income Range	N/A	N/A	N/A	**$23,760 to $29,700 (>200% to ≤250% FPL)**	**$17,820 to $23,760 (>150% to ≤200% FPL)**	**up to $17,820 (100% to ≤150% FPL)**	N/A	N/A
Annual Wellness Exam	$0	$0	$0	$0	$0	$0	$0	$0
Primary Care Vist	After first 3 non-preventive visits, full cost per instance until out-of-pocket maximum is met	$75*	$35	$30	$10	$5	$30	$15
Urgent Care		$75*	$35	$30	$10	$5	$30	$15
Specialist Visit	Full cost per service until out-of-pocket maximum is met	$105*	$70	$55	$25	$8	$55	$40
Emergency Room Visit		Full cost until deductible is met	$350	$350	$100	$50	$325	$150
Laboratory Tests		$40	$35	$35	$15	$8	$35	$20
X-Rays and Diagnostics		Full cost until deductible is met	$70	$65	$25	$8	$55	$40
Imaging			$300	$300	$100	$50	$275 copay or 20% coinsurance***	$150 copay or 10% coinsurance***
Tier 1 (Generic Drugs)	Full cost per script until out-of-pocket maximum is met	Full cost up to $500 after drug deductible is met	$15	$15	$5	$3	$15	$5
Tier 2 (Preferred Drugs)			$55**	$50**	$20**	$10	$55 or less	$15 or less
Tier 3 (Non-preferred Drugs)			$80**	$75**	$35**	$15	$75 or less	$25 or less
Tier 4 (Specialty Drugs)			20% up to $250** per script	20% up to $250** per script	15% up to $150** per script	10% up to $150 per script	20% up to $250 per script	10% up to $250 per script
Medical Deductible	N/A	Individual: $6,300 Family: $12,600	Individual: $2,500 Family: $5,000	Individual: $2,200 Family: $4,400	Individual: $650 Family: $1,300	Individual: $75 Family: $150	N/A	N/A
Pharmacy Deductible	N/A	Individual: $500 Family: $1,000	Individual: $250 Family: $500	Individual: $250 Family: $500	Individual: $50 Family: $100	N/A	N/A	N/A
Annual Out-of-Pocket Maximum	$7,150 individual only	$6,800 individual $13,600 family	$6,800 individual $13,600 family	$5,700 individual $11,400 family	$2,350 individual $4,700 family	$2,350 individual $4,700 family	$6,750 individual $13,500 family	$4,000 individual $8,000 family

Drug prices are for a 30 day supply.

* Copay is for any combination of services (primary care, specialist, urgent care) for the first three visits. After three visits, future visits will be at full cost until the medical deductible is met.

** Price is after pharmacy deductible amount is met.

*** See plan Evidence of Coverage for imaging cost share.

In addition to patient-centered benefit designs, Covered California adopted significant new changes to contracts with its qualified health plans for 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 recommendations for the future to address quality and cost, 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 2017-19, includes the following initiatives:

- Covered California health plans are to ensure all enrollees either select or are matched with a primary care physician within 60 days of paying their first plan premium so that they have an established source of care who can help them navigate the health care system. Though common for health maintenance organizations (HMOs), this change provided new benefits for enrollees in preferred provider organization (PPO) plans. The goal is to promote organized, coordinated care for patients, thus improving health outcomes. Covered California PPO members will still have the freedom to choose which doctors to see and when.
- Covered California health plans are working with providers to incorporate advanced models of primary care into their networks, including patient-centered medical homes and new models of care coordination across specialties, including integrated health care models or accountable care organizations.
- Health plans are to work with hospitals and physicians to exchange patient information so that physicians can be notified if their patients are hospitalized, so they can track trends and improve performance on chronic conditions, such as hypertension or diabetes.
- Plans are required to track health disparities by racial/ethnic group and by gender among all their patients receiving care. They will identify trends in those disparities and reduce them, beginning with four major conditions: diabetes, hypertension, asthma and depression.
- Plans must develop programs to proactively identify and manage at-risk enrollees, with requirements to improve in targeted areas.
- Plans are required to provide tools enabling consumers to view provider-specific cost shares (based on contracted rates) and quality information for inpatient, outpatient, ambulatory services and prescription drugs. In addition, these tools will allow members to see plan-specific accumulations toward deductibles and out-of-pocket maximums.

These quality initiatives were developed in collaboration with a wide range of partners including carriers, providers and consumer advocates. And more specifically, these and all initiatives relating to plan management are enacted through a process of extensive stakeholder engagement and Plan Management Advisory Group meetings. For more information about Covered California's Plan Management Advisory Group meetings, including scheduled meetings, agenda and materials, visit http://hbex.coveredca.com/stakeholders/plan-management/

DENTAL AND VISION COVERAGE

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 2017, approximately 165,000 individuals enrolled in standalone dental plans.

The dental insurance companies offering plans through Covered California in 2017 were:

- Access Dental/Premier Access.
- 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 were able to choose from monthly premiums of approximately $8 to $45 for dental HMO plans, and $47 to $61 for dental PPO plans.

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 2017, 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.

In an effort to help consumers connect with and obtain coverage from quality vision plans, Covered California partnered with two vision 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 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.

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 will 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.

MARKETING AND MEDIA

Covered California's diverse and healthy enrollee population does not occur by chance. Rather, it is the product of making significant investments in marketing and outreach. Grounded in research and anchored in an ongoing effort to reach California's diverse population, marketing and outreach are key components of Covered California's mission and operations. The more diverse and healthy Covered California's enrollee population is, the lower premiums are for all enrollees, making it so that Covered California's financial commitment to effective marketing and outreach directly benefits its consumers.

In FY 2016-17, approximately $52 million was allocated to marketing for advertising, collateral materials, research and other efforts to:

- Ensure consumers are aware and engaged by emphasizing the value and benefits of health insurance, positioning Covered California as the place to get quality health coverage and presenting solutions to address barriers to enrollment such as promoting financial assistance and free, in-person enrollment assistance.
- Drive enrollment in health coverage through Covered California with a multi-touch, tailored communication effort designed to engage consumers at key decision points in the enrollment journey from initial consideration, to information gathering and evaluation, to application, plan selection and effectuation.
- Drive retention and renewal of existing membership through continuous, timely and relevant communication that is designed to provide key information about their coverage, changes in status and the steps to renewing coverage.
- Reach consumers directly through focus groups, consumer sentiment research and other targeted research initiatives to ensure that all efforts to reach consumers are driven by evidence-based data and research initiatives.

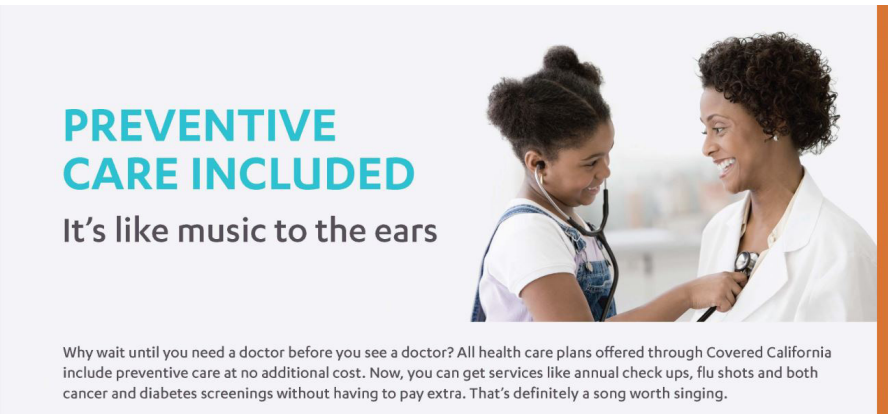
OPEN ENROLLMENT CAMPAIGN

The marketing campaign for Covered California's fourth open-enrollment period complemented extensive community outreach campaigns launched throughout the state. It was organized around specific market segments: general market (multi-segment); African-American; Asian/Pacific Islander; Latino; and lesbian, gay, bisexual and transgender (LGBT) audiences.

General Market (Multi-Segment) Marketing

Covered California's general market campaign for the fourth open-enrollment period was designed to cast the widest net, reaching English-speaking, subsidy-eligible Californians of multiple ethnic and cultural backgrounds, from rural to urban areas. The campaign was also designed to reach the millennial generation (ages 26 to 34) through social and digital media.

Covered California launched the "It's more than just health care; it's life care" campaign during the fourth open-enrollment period. The campaign emphasized the importance of health insurance in everyday life with the goal of improving the perceived value of health insurance and motivating the uninsured to get covered. When open enrollment began on Nov. 1, 2016, the campaign was rolled out in all 12 media markets in the state and included brand television, direct-response television (DRTV), cable television, radio, online banners, social media and paid search advertising.



Other key components to the general market campaign strategy included:

- Mobile advertising that complemented the digital ad buy and promoted Covered California to on-the-go consumers. Tactics included location-based targeting to reach users as they move around town and connect them to a Covered California storefront nearby.
- An extensive social media campaign, in English and Spanish, was designed to increase engagement and enthusiasm for open enrollment and renewal among prospective and current enrollees. The social media campaign resulted in 111 million impressions, 20,000 new Facebook friends and 2,300 new Twitter followers across all segments. Engagement metrics indicated an increase of over 50 percent compared to the prior year.

African-American Market Segment

During the fourth open-enrollment period, efforts were enhanced to better reach the African-American population. Reach to African-Americans was expanded by leveraging known and trusted talents and DJs within this community to deliver Covered California's message. The marketing campaign focused on community-based and culturally focused media outlets. Specifically, Covered California used culturally appropriate African-American radio, print publications and out-of-home media placements in select areas with a high concentration of African-Americans. Covered California also used African-American-targeted television programming from the general-market campaign to extend our reach. Overall, Covered California reached African-Americans in key markets such as Los Angeles, San Francisco and Oakland, San Diego and Sacramento, as well as through digital media statewide.

Asian/Pacific Islander Market Segment

Covered California's Asian-language marketing campaign reached Asian-American audiences in regions with high concentrations of this population, including Los Angeles, San Francisco, Sacramento, Fresno and San Diego. Since its inception, the campaign has been designed to reach Asian-Americans in specific languages, including Chinese (Cantonese and Mandarin), Vietnamese and Korean, through select media channels such as television, radio, print and digital. Print advertising targeting Filipinos and radio advertising reaching Hmong, Cambodian and Laotian communities were also included in select markets with high concentration of these populations. In addition, the campaign reached bilingual Asian-Americans through general-market media placements with advertisements featuring Asian-American consumers.

Latino Market Segment

Covered California maintained a robust enrollment effort aimed at Spanish-speaking Latinos through Spanish-language media and English-speaking Latinos through targeted general-market media statewide. As in previous open-enrollment periods, the Spanish-language marketing campaign for the fourth open-enrollment period covered all 12 media markets in the state, with the heaviest penetration in areas of the state with the highest Latino populations: Los Angeles, San Diego, the San Francisco Bay Area, Sacramento, Fresno and Bakersfield.

Similar to the multi-segment campaign, Spanish-language ads for the *"Es más que cuidado médico; es cuidado para la vida"* campaign ran from November 2016 through January 2017 in multiple media channels. Specifically, Covered California aired ads on Spanish-language brand television, direct-response television and radio. In select areas with a high concentration of Latinos, print publications and out-of-home ads were also used. Additionally, there was Spanish-language digital, mobile and social media advertising statewide.

LGBT Market Segment

As in previous years, Covered California continued to reach out to the LGBT population during open enrollment, focusing on key markets (Los Angeles, San Francisco and San Diego) and using select print publications. The LGBT audience was also reached statewide through contextually relevant television shows, social media channels and digital media using banner and video ads.

SPECIAL ENROLLMENT CAMPAIGN

Covered California's special-enrollment period is an opportunity to sign up outside the open-enrollment period for individuals who have experienced life-changing events that make them newly eligible for Covered California. Ensuring proper enrollment during the special-enrollment period remains a priority for Covered California. During FY 2016-17, Covered California maintained a special-enrollment marketing campaign that included outreach via radio, digital media, social media and paid search advertising to reach Latinos, African-Americans, Asian/Pacific Islanders and the general market.

Additionally, Covered California partnered with the Employment Development Department (EDD) on a direct-mail insert to reach the recipients of unemployment benefits, highlighting Covered California as an alternative to COBRA. This cost-effective effort of sending six direct-mail inserts generated approximately 10,000 leads or calls annually.

Other special-enrollment campaign partnerships include:

- With its health plans, Covered California works to facilitate conversion to Covered California for people who lose their employer-sponsored health plan or their prenatal coverage, or lose coverage through a parent's health plan when they turn 26 years old.
- The Employment Development Department includes mail inserts in both English and Spanish to reach more than 800,000 recipients of EDD's monthly benefit mailer.

- The California Workforce Development Board's Rapid Response teams give out information about Covered California to consumers who are being terminated from employment and will lose their employer-sponsored coverage.
- The California Department of Veterans Affairs provides information about Covered California on the CalVet website for veterans and their families when a veteran is returning from service and will be a resident of California.

Building Consumer Relationships

In late 2016, Covered California sent personalized messages to consumers to support their purchase or renewal of coverage. For example, Covered California targeted consumers at various stages of the application process and provided them with information about deadlines as well as reminders to submit their application or to pick a plan.

Further, Covered California actively sent information about special enrollment to those consumers who did not complete their enrollment during the open-enrollment period. Information was also sent to those whose coverage was terminated after receiving tax credits, or whose coverage was canceled, meaning they ended their enrollment before any tax credits were allocated or premiums were paid.

In an effort to increase retention and promote renewal, Covered California provided information, education and direction to current Covered California enrollees on various topics, including paying their premiums, tax preparation, 1095-A tax forms and how to report changes. Covered California also sought to improve member satisfaction and brand image by communicating other educational topics, such as how to reset their passwords, using their plan and explanations of health care terms to nurture and continue to build a relationship with members. Finally, Covered California sent enrollees proactive consumer service messages and instructions on how to renew their coverage, in addition to information about deadlines, plan changes and the metal tiers.

ENROLLMENT ASSISTANCE, OUTREACH AND PARTNERSHIPS

Covered California's marketing and media efforts are complemented by robust outreach and enrollment assistance strategies. Covered California has created a network of community partners, health organizations, insurance agents and other entities that help potential enrollees learn about their health insurance options and enroll in coverage.

During the fourth open-enrollment period, Covered California grew the storefront program from 500 to more than 800 storefronts throughout the state, the largest storefront program in the nation. Storefronts are brick-and-mortar locations where consumers can enroll in a health plan through Covered California with free, confidential help from a certified enroller in their community. These storefronts are owned and operated by certified enrollers in their own communities. Additionally, during the fourth open-enrollment period, Covered California promoted more than 2,700 enrollment events sponsored by local agents, enrollment assisters and others on its website, striving to ensure that consumers were aware of these community-based events where they can learn about health insurance and get assistance enrolling into an affordable health plan.

ENROLLMENT ASSISTANCE

Covered California partners with thousands of certified enrollers who offer confidential enrollment assistance to consumers free of charge. All certified enrollers must go through an application and training process to assist and enroll consumers into Covered California. During the 2017 open enrollment and renewal cycle, there were approximately 20,000 certified enrollers across the state providing enrollment assistance, including:

- 15,075 insurance agents, certified by Covered California to enroll consumers. Certified Insurance Agents receive a commission from the health plans. They cannot charge consumers for their services, and are not compensated by Covered California.
- 1,972 Certified Application Counselors who work or volunteer for a Certified Application Entity embedded in communities throughout the state. Certified Application Counselors are not compensated by Covered California.

- 1,297 Certified Enrollment Counselors who are volunteers or employees of a navigator grantee. Navigators are also embedded in the community and provide enrollment assistance and education to consumers. Covered California awards grants to navigators through a competitive process. The total budget for the program in the 2016-17 fiscal year was $5 million.
- 37 Medi-Cal managed care plan enrollers are affiliated with the Department of Health Care Services (DHCS) Medi-Cal plans and are certified to enroll consumers in Covered California and Medi-Cal plans. Medi-Cal managed care plans are not compensated by Covered California.
- 1,100 Plan-Based Enrollers who are employed by Covered California's qualified health plans and are certified to enroll consumers in all plans. Plan-Based Enrollers are not compensated by Covered California.
- 12,000 county eligibility workers located in their respective counties are able to enroll consumers in both Medi-Cal and Covered California plans.
- In addition, Covered California's service center answered nearly 1 million calls from consumers and handled more than 150,000 chats.

ENROLLMENT OUTREACH STRATEGIES

In recognition that California is a diverse state, Covered California created strategies to reach potential consumers where they are most likely to need it. For example, for the first time in 2017, Covered California created a new Help on Demand referral program that resulted in more than 3,500 consumers enrolling in a plan. Help on Demand allows consumers to request immediate help from a certified enrollment partner in their area.

TABLE 10 — Number of Consumers Enrolled by Each Certified Enrollment Entity for the 2017 Plan Year*

	Subsidy Eligible		Unsubsidized		Total	
Service Channel**	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**	**Enrollees**	**Percentage**
Certified Enrollment Counselor	45,830	3.8%	1,520	0.9%	47,350	3.4%
Certified Insurance Agent	596,710	49.1%	52,710	30.3%	649,420	46.7%
Certified Plan-based Enroller	10,640	0.9%	750	0.4%	11,390	0.8%
County Eligibility Worker	2,500	0.2%	70	0.0%	2,570	0.2%
Service Center Representative	133,520	11.0%	12,080	7.0%	145,600	10.5%
Unassisted	426,850	35.1%	106,570	61.4%	533,420	38.4%
Grand Total	**1,216,050**	**100.0%**	**173,690**	**100.0%**	**1,389,740**	**100.0%**

* This data is from Covered California's Active Member Profile, which shows counts of enrollees who have paid and have effective coverage through Covered California during the reporting month. Data subject to revision due to reporting data lags and on-going reconciliations between Covered California and health plans. All cells rounded to nearest 10 consistent with privacy policy. Some dimension totals may not sum to the grand total enrollment figures due to occasional discrepancies between reporting data warehouse and CalHEERS, which may be corrected in subsequent updates to the data.

** Service Channel reflects the latest assister type to submit an application or enroll a consumer, including change reports. For this measure, prior contact with a CEC, PBE, or agent overwrites a more recent activity that was unassisted or performed by SCRs.

SERVING COVERED CALIFORNIA'S CONSUMERS

Covered California's service centers provide comprehensive pre- and post-enrollment education and support to consumers by responding to their inquiries, helping enroll them into coverage and promptly resolving challenges. The service centers also handle appeals, provide "warm transfers" to counties of individuals eligible for Medi-Cal or other programs and provide support to certified enrollers and health plans, among other duties.

During the 2016-17 fiscal year, more than 700 staff members were employed at Covered California's two service centers in Rancho Cordova and Fresno. In FY 2016-17, Covered California continued its contract with the County of Contra Costa to operate a service center in Concord, California that was staffed by more than 120 county employees. In December 2016, in partnership and agreement with the County of Contra Costa, this service center was closed. Also in FY 2016-17, Covered California contracted with Faneuil, Inc. to provide call center services during "surge" periods when call volumes are at their peak during open enrollment, and to support systems for processing enrollment-related documents that cannot be handled automatically.

Key accomplishments of the Service Center division during FY 2016-17 include:

- Processed more than 2.8 million consumer assistance calls from July 2016 through June 2017.
- Service center representatives enrolled 13 percent of new enrollees during open enrollment.
- Completed more than 600,000 manual work tasks such as validating consumer documents and processing returned mail when those tasks could not be processed automatically.
- Processed 16,453 consumer eligibility appeals.

Improvements to the Service Center Consumer Experience

Covered California is continuously working to make the service centers a helpful and consumer-friendly source of enrollment assistance through technology enhancements and training for service center representatives.

Many of our systems that our service center representatives use daily to assist consumers were upgraded during FY 2016-17, including:

- A new call-routing system that directed calls to the service center representative who is trained for that specific type of call in order to serve consumers quickly and more effectively.
- Conveying to consumers on hold for phone assistance their approximate wait time and giving them the option of a "courtesy call back."
- Disclaimers read to all consumers signing up for coverage through a service center representative; these disclaimers are pre-recorded to allow the representative to work on the case in the background and finish calls more quickly.
- Additional training for service center representatives to handle complex and escalated cases without sending the case to a different specialized team.

- The pre-recorded menu became available in all threshold languages and now allows consumers to reset passwords and print 1095-A tax documents without waiting for an available representative.
- The 1095-A tax form generation and distribution process was improved to become faster and more efficient.
- The quality assurance program was strengthened and expanded to ensure frequent feedback to improve customer service and accuracy.
- Training was provided to more staff so they could assist Certified Insurance Agents working with consumers in storefront locations.
- Improved procedures for manual processing of consumer documents.
- Reduced a backlog of eligibility appeals by 3,000.
- Increased staffing of bilingual service center representatives.

These enhancements resulted in improved customer experience and more-efficient processes in 2016-17.

Language Assistance

The service centers have strong language capabilities in order to maintain high-quality service to the diverse enrollee population. Through the service centers, consumers can receive assistance in 14 languages: English, Spanish, Cantonese, Hmong, Farsi, Russian, Lao, Tagalog, Vietnamese, Arabic, Korean, Armenian, Mandarin and Cambodian. If a bilingual service center representative is not available to take a consumer's call or a caller speaks another language, the service center representative uses a language-interpreting service.

TABLE 12 — Service Center Calls Conducted in Languages Other Than English, FY 2016-17 for a table; Total Service Center Calls in FY 16-17

Arabic	19,863	3.45%
Armenian	6,997	1.22%
Cambodian	662	0.12%
Cantonese	19,310	3.36%
Farsi	11,774	2.05%
Hmong	512	0.09%
Korean	17,934	3.12%
Laotian	3,566	0.62%
Mandarin	40,641	7.07%
Russian	8,367	1.46%
Spanish	418,320	72.75%
Tagalog	10,101	1.76%
Vietnamese	16,997	2.96%
Grand Total	**575,044**	**100%**

TECHNOLOGY TOOLS FOR CONSUMERS

Covered California's consumer website, CoveredCA.com, and the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) are the consumer's portal to health insurance through Covered California. CalHEERS and CoveredCA.com are overseen by the Information Technology division in partnership with the Communications and Public Relations division to ensure both have the technological capabilities and consumer friendliness necessary to achieve Covered California's mission.

CoveredCA.com

CoveredCA.com is the one-stop shopping experience for Californians seeking affordable health insurance. Consumers can shop for a plan, and depending on their income level, can get help paying for their coverage through federal subsidies and cost-sharing reductions. Those who qualify for Medi-Cal can also learn about their health care options on the website and apply for coverage. It is also where the Shop and Compare Tool is located.

Improvements to CoveredCA.com in FY 2016-17

The most notable improvements this fiscal year were the implementation of the Help on Demand tool that allows consumers to access immediate help from a certified enroller in their area. Through the tool, consumers provide contact information through an online form and receive a call from a certified enroller within 45 minutes. Help on Demand was designed primarily for new consumers looking for assistance with signing up for health insurance.

A new lead-capture tool was implemented as a way for interested consumers to subscribe to updates and news by inputting their email address in the footer of the Covered California homepage. The response was greater than expected, and it likely resulted in the enrollment of thousands of new members.

Lastly, user testing revealed that "live chat" was a feature that could be better utilized. In November 2016, Covered California elevated the prominence of the live chat feature in the "Get Help" menu and made it available in the application. All these changes were made to better serve the public while they are using CoveredCA.com.

CalHEERS

CalHEERS is the information technology system that is used to support the application for Covered California and Medi-Cal. CalHEERS is overseen by the California Office of Systems Integration (OSI), and is jointly sponsored by Covered California and the Department of Health Care Services (DHCS), the agency that administers Medi-Cal. CalHEERS supports Covered California and DHCS through user account creation, implementation of the single streamlined application, determination of eligibility, interfacing with county IT systems and enrollment in health plans.

Improvements to the Covered California Application During FY 2016-17:

- **Member-Level Benefits**
  Financial assistance can be specific to individuals instead of requiring every individual in a tax household to have the same enrollment and financial assistance.

- **New Shop and Compare Tool Experience**
  Consumers can save the plans they chose while using the Shop and Compare Tool, which will carry over to the application process. Doing so ensures consumers applying for coverage do not have to start the shopping process over after they begin their application.

- **Medi-Cal Carry-Forward Status**
  Covered California consumers who are found eligible for Medi-Cal due to a change in circumstance are placed in a 'carry-forward status' until their final eligibility has been determined. As a result, consumers will no longer be discontinued by CalHEERS once they are found potentially eligible for Medi-Cal and will not experience potential gaps in coverage while county eligibility workers confirm Medi-Cal eligibility.

- **Document Reprint and Re-Mail**
  Documents can be more easily reissued to consumers who have lost them without waiting for CalHEERS to process and regenerate an automated notice.

- **More Language Accessibility**
  Notices generated by CalHEERS became available in more languages.

- **Custom Primary Contact on Cases**
  Allows a household to choose their primary contact, which reduces duplicate cases and data errors.

- **Improved Income Collection**
  The application has been redesigned, beginning with the income pages, to allow for a more intuitive consumer experience that better explains how to accurately enter income.

ASSURING PROGRAM INTEGRITY

The Program Integrity division within Covered California collaborates with all program areas to improve system and operational efficiencies when consumers apply for and enroll in a health plan through Covered California. In addition, the division helps improve program compliance with federal and state regulations and mandates.

KEY ACCOMPLISHMENTS FOR FISCAL YEAR 2016-17

- The Data Integrity Branch successfully developed a process of using key performance indicators (KPI) to monitor each health and dental plan's efforts to maintain accurate and up-to-date data.
- Substantially improved the data consistency contained within the different data storage areas within Covered California's IT systems and improved data reporting to state and federal agencies as well as to consumers.
- User acceptance testing was performed on every update to the application in order to validate the performance and identify system issues. These activities helped improve the consumer experience and consumer journey.
- Covered California began randomly auditing those consumers who enrolled during a special-enrollment period to gather data and ensure that consumers who enroll during special enrollment are experiencing a valid qualifying life event.
- An enterprise-wide risk-management process was created to more quickly identify, document, track, monitor and prioritize internal and external risks that may affect Covered California's goals and objectives.
- An integrated and enterprise-wide fraud management program strategy was developed to improve processes that detect, prevent and address issues pertaining to potential fraud.
- The Annual Audit Plan provided useful recommendations to program areas looking to improve operations and to ensure compliance with state and federal regulations.

COVERED CALIFORNIA FOR SMALL BUSINESS

Covered California is working to grow and enhance its small business health benefit exchange, known as Covered California for Small Business. Covered California for Small Business, formerly known as the Small Business Health Options (SHOP) program, allows small businesses throughout California to take advantage of a competitive marketplace while purchasing insurance for their employees. While offering health insurance to employees is mandatory only for businesses with more than 50 employees, small businesses with fewer than 50 employees may also purchase coverage through Covered California for Small Business. As such, Covered California for Small Business offers valuable advantages to small businesses, including:

- Helping to control their health care budget and limiting administrative overhead while offering employees a broader choice of health plans.
- Improving employee satisfaction by allowing employees to choose the health plan and physician network that work best for them.
- Offering employees a broad choice of physician networks and hospitals that might not be available to them otherwise.
- The convenience of one consolidated monthly bill even while purchasing coverage from multiple carriers.
- Offering tax credits for qualifying small business to help offset the cost of providing health insurance to employees.

Covered California for Small Business experienced growth during FY 2016-17. In June 2016, there were 28,391 members and 3,838 employer groups enrolled in Covered California for Small Business. As of July 31, 2017, 34,939 members and 4,735 employer groups were enrolled in Covered California for Small Business. In addition, six health plans and six dental plans offered coverage during FY 2016-17 in the Covered California for Small Business marketplace in all four metal tiers.

- Blue Shield of California.
- Chinese Community Health Plan.
- Health Net.
- Kaiser Permanente.
- Sharp Health Plan.
- Western Health Advantage.

This coverage also includes Covered California's Dual Tier Choice program that allows employers to offer employees two plans instead of just one by selecting two adjoining metallic tiers: Bronze + Silver, Silver + Gold, or Gold + Platinum. Employees have the option to select any plan within those two levels. Dual Tier Choice gives employees a choice of multiple health plans from private health insurance companies, allowing them to find one that fits their needs and budget.

BEING COVERED IS THE BEST PLAN

INFORMING THE NATIONAL HEALTH POLICY DIALOGUE

With the transition to a new federal administration in 2017 came a national health policy debate centering on the Affordable Care Act. Some policymakers proposed efforts to "repeal and replace" the Affordable Care Act and issued legislative measures aiming to do just that. Covered California engaged in an ongoing effort to inform policymakers about the potential impacts of proposals to repeal, replace or otherwise change the Affordable Care Act on individual markets not only in California, but also throughout the nation.

In February 2017, Covered California's Board of Directors hosted a panel discussion in which health care marketplace experts analyzed the state of federal health reform for 2017 and beyond[3]. Covered California leadership also traveled to Washington D.C. throughout 2017 to provide information and technical assistance to members of Congress and the federal administration on proposed policy changes. Finally, Covered California performed and commissioned a series of analyses to provide data-driven and evidence-based projections and estimates of changes to the Affordable Care Act, whether they be a repeal and replace effort or the elimination or modification of certain requirements and provisions. Below are some examples of the analysis and technical assistance provided by Covered California:

- "Consumer and Market Implications of Affordable Care Act Repeal Without a Viable Replacement." Brief, Jan. 26, 2017.
- "Evaluating the Potential Consequences of Terminating Direct Federal Cost-Sharing Reduction (CSR) Funding." Brief and technical appendix, Jan. 26, 2017.
- "2016 Bringing Health Care Coverage Within Reach." Brief and tables, March 14, 2017.
- "2017 Preliminary Analysis of AHCA." Brief, March 14, 2017.
- "Supporting Risk Stabilization and Potential Positive Impact on Reducing Federal Spending for Advanced Premium Tax Credits by Funding Reinsurance." Brief, April 14, 2017.
- "Options for Addressing Counties That Have No Individual Market Qualified Health Plan for 2018." Brief, April 14, 2017.
- "Recommended Actions to Ensure Stability in the Individual Health Insurance Market for 2018 and 2019." Brief, April 14, 2017.
- "Potential Impact to the Federal Budget of Not Directly Funding Cost-Sharing Reduction Subsidies." Brief and Letter to Congressional Budget Office, updated April 26, 2017.
- "Analysis of Impact to California's Individual Market If Federal Policy Changes Are Implemented." Brief, April 27, 2017.
- "Key Ingredients to Creating a Viable Individual Market That Works for Californians." Brief, April 24, 2017.

[3] http://bit.ly/2ihfOfF

- "Covered California Continues to Attract Sufficient Enrollment and a Good Risk Mix Necessary for Marketplace Sustainability." Brief, May 17, 2017.
- "National Health Reform Agenda": Critical Elements for Assuring Patient/Consumer Access to Coverage and Care." Brief, May 19, 2017.
- "The American Health Care Act Would Deliver Coverage in Name Only for Many With Unaffordable Deductibles." Brief, June 21, 2017.

THE 2017-18 FISCAL YEAR AND LOOKING AHEAD TO THE FUTURE

FY 2016-17 ended with Covered California in solid shape with a continued focus on reaching and serving its membership. However, ongoing uncertainty related to the federal health policy dialogue created new challenges for Covered California to address for the 2018 plan year. While Covered California remained nimble in the face of the ongoing uncertainty and focused on market stabilization, it also remained committed to improving upon its day-to-day operations and enhancing the consumer experience. Below is an outline of key areas of focus in 2017-18 that will be described in detail in the next annual report:

- **Rates and Carriers for Plan Year 2018**
  All 11 carriers returned to serve Covered California consumers in the 2018 plan year. Blue Shield, Health Net and Oscar expanded their offerings to more regions. However, in light of ongoing uncertainty at the federal level, Anthem Blue Cross withdrew from 16 of California's 19 rating regions, where it previously served about 153,000 people. Anthem continued to serve Regions 1 (northern counties) 7 (Santa Clara County) and 10 (Central Valley), where it maintained 41 percent of its enrollment. Covered California and its health insurance companies worked together to ensure a smooth transition of Anthem consumers to other plans available to them, and continues to work to ensure competition and choice in the marketplace.

- **Continued Efforts to Inform the National Dialogue**
  Throughout the remainder of 2017 and into 2018, Covered California continued its work to inform federal and state policymakers and the public on the potential impacts of federal health policy change. A heavy emphasis was placed on informing discussions aimed at creating market-stabilization policies that would steady markets across the nation as carriers and exchanges planned for 2019. Read these reports on the California Health Benefits Exchange website - http://hbex.coveredca.com/data-research/.

- **Cost-Sharing Reduction Surcharge**
  In October 2017, the Trump administration stopped funding cost-sharing reduction payments directly to carriers. In response, Covered California required its qualified health plans to implement a surcharge on Silver-tier plan premiums in order to maintain a stable insurance market. The surcharge allowed qualified health plan issuers to make up for the lost federal funding, thereby creating greater stability and helping to maintain carrier participation in Covered California. Consumers who receive federal financial premium assistance are largely insulated from the increased premiums resulting from the surcharge. This is because as premiums go up, so does the amount of federal financial assistance available to eligible consumers. Consumers who do not receive federal financial assistance were given the option to purchase Silver-tier plans outside of Covered California that included nearly identical benefit designs, but with lower rates that did not include the additional surcharge. Doing so provided an additional protection to unsubsidized consumers who generally bear the entire weight of premium increases. This model was replicated by other exchanges across the nation, helping to create greater certainty in the individual market and avoiding major withdrawals of carriers.

- **Elimination of the Federal Individual Mandate Penalty**
  In December 2017, the federal Tax Cuts and Jobs Act was signed into law. The law eliminates the individual mandate penalty by reducing it to $0, effective Jan. 1, 2019. Covered California commissioned analysis by PricewaterhouseCoopers to make enrollment and premium projections for the 2019 plan year that take into consideration the zeroing out of the individual mandate penalty. Based on that analysis, Covered California estimated that the elimination of the individual mandate penalty would drive premium growth by 6 percent in 2019. When combined with other factors, including annual rises in health care costs, Covered California's best estimate for premium growth in 2019 is 11 percent. Additionally, Covered California estimates that the loss of the individual mandate penalty will reduce enrollment by approximately 12 percent (best estimate). Covered California, alongside its many stakeholder partners, will continue making strong investments in marketing and outreach to maintain enrollment and to ensure consumers are aware of the value of health insurance.

- **Continued Financial Stability**
  Despite the potential impacts of the loss of the individual mandate penalty, Covered California remains financially solid in FY 2017-18 and going into FY 2018-19. Covered California's board adopted its budget, which includes informed planning on premiums and enrollment for 2019. Covered California will also remain adaptable to future federal policy changes that may affect its enrollment. Read more: http://hbex.coveredca.com/financial-reports/PDFs/CoveredCA_2018-19_Budget-6-15-18.pdf.

- **Provider Search Tool**
  Covered California released a new provider directory in its Shop and Compare Tool in time for 2018 enrollment. Consumers can now search for a new plan and easily see if they can keep their current health care provider. See https://apply.coveredca.com/lw-shopandcompare/.

- **Ongoing Enrollment Improvements**
  During FY 2016-17, Covered California considered verification of special-enrollment qualifying life events. In consultation with advocates, plans and other stakeholders, Covered California is implementing an electronic special-enrollment verification process to collect data and gain insight into the special-enrollment population to inform future policy decisions.

- **Ombuds Office**
  In January of 2018, Covered California launched a new Ombuds Office to serve as a resource to help consumers with problems or issues they are unable to resolve through the service center or by filing a complaint or appeal. The Ombuds Office reports directly to executive leadership, implements appeal decisions and serves as an unbiased resource for consumers who have not been able to resolve their cases through other existing channels within the organization. Visit https://www.coveredca.com/ombuds.

- **Health Equity Officer**
  In May 2018, Covered California added a health equity officer position to its Plan Management division. The position is intended to analyze and address health disparities across Covered California's enrollment population and contribute to efforts to improve quality of care and the health care delivery system.

ADDITIONAL RESOURCES

For more information, please use the following websites and resources:

- **Covered California website:** www.CoveredCA.com.
- **Covered California's enabling legislation:**
  http://bit.ly/2iNRHsJ
  http://bit.ly/2iNSFVO
- **Covered California Data Book:** http://hbex.coveredca.com/data-research/.
  The Data Book offers comprehensive data regarding Covered California enrollment broken down by region, age, income and other variables.

COVERED CALIFORNIA

CoveredCA.com