COVERED CALIFORNIA™

FISCAL YEAR 2018-2019 BUDGET

FINAL

June 15, 2018

MURALS ON THE FRONT AND BACK COVERS

The works of art depicted on the covers of the budget document are part of a series of murals commissioned by Covered California to attract attention to enrollment locations, promote the role of health and wellness locally and demonstrate that Covered California is woven into the fabric of communities across the state. The murals, located statewide, were part of Covered California's open-enrollment promotion for 2018.

Visit Covered California's website, http://hbex.coveredca.com/murals.shtml, to learn more about all 17 murals and their locations.

June 15, 2018

To Covered California constituents:

I am pleased to present Covered California's fiscal year 2018-19 budget, adopted by the board at its June 14, 2018, meeting.

While America's health care system continues to face significant uncertainty, Covered California remains fiscally sound, committed to working toward another year of providing access to quality and affordable care for millions of Californians.

This budget was approved by the board with the understanding that in the event that there are major changes in the health care landscape that could affect Covered California's finances, we would return to the board with proposed budget modifications.

This budget reflects both a detailed plan for fiscal year (FY) 2018-19 and a multi-year financial forecast of revenues, expenditures and staffing used by each of Covered California's divisions in the delivery of essential services to improve the health of all Californians by ensuring their access to affordable, high-quality care.

For FY 2018-19, Covered California's budget of $350.2 million includes an operating budget of $340.2 million and $10 million in funding for a capital-projects reserve. With 1,399 positions, this budget provides the resources to ensure that our organization has the right tools, processes and resources to deliver on its mission. In particular, the budget provides:

- An operating budget of $340.2 million for fiscal year 2018-19, which will allow Covered California to maintain a stable market and work on behalf of an estimated 1.4 million actively enrolled consumers and more than 800,000 Californians "off exchange" who benefit from our negotiating.
- Maintaining significant investment in marketing, outreach and sales, with more than $107 million for marketing and outreach as well as $105 million for our Service Center and new Consumer Experience Division.
- Covered California continues to be funded entirely by an assessment on health plan premiums, with no funding received from either the state of California or the federal government. This budget proposes lowering those assessment rates from 4 percent of premium 3.75 percent for those enrolled in plans through the exchange. When you consider those enrolled in Covered California and those enrolled in mirrored products off-exchange, this equals 2.3 percent of premium.

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

- Covered California expects to begin FY 2018-19 with approximately $310 million in reserves, which is the equivalent of about 11 months of operating expenses. Based on our multi-year forecasts, we foresee having about the same level of reserves beginning in FY 2019-2020.

This budget meets the guidance provided by the board and the legislative intent behind the establishment of Covered California. It reflects the agency's multi-year financial strategy of providing continuous fiscal integrity, transparency and accountability. It is also built on our plans for meeting our strategic goals of promoting affordability, ensuring access to needed care, investing in outreach and education fostering a positive consumer experience and committing to organizational excellence.

Like so much of what Covered California does, this budget is the product of teamwork across and beyond our organization. I extend my sincere appreciation to the board for its direction and to senior executive management and their staff for their outstanding work during the budget development process.

Sincerely,

Peter V. Lee
Executive Director

Covered California
Fiscal Year 2018-19 Budget
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I. Covered California Board and Senior Executive Management

COVERED CALIFORNIA BOARD

Michael Wilkening, Chair; Paul Fearer; Jerry Fleming; Dr. Sandra Hernandez; Art Torres

SENIOR EXECUTIVE MANAGEMENT

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Chief Deputy Executive Director, Operations

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Administrative Services Division Director and Deputy Chief Operations Officer

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Information Technology Division Director and Chief Technology Officer

Katie Ravel
Program Policy, Evaluation and Research Division Director

Kathleen Keeshen
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Kelly Green
External Affairs Division Director

Jen Jacobs
Consumer Experience Acting Division Director

Darryl Lewis
Ombuds Office Division Director

Brandon Ross
Office of Legal Affairs Division Director

Thien Lam
Program Integrity Division Director

Doug McKeever
Chief Deputy Executive Director, Program

Terri Convey
Individual and Small Business Outreach and Sales Division Director

James DeBenedetti
Plan Management Division Director

Mavilla Safi
Service Center Division Director

Colleen Stevens
Marketing Division Director

Adrian Recio
Equal Employment Opportunity Officer

II. Executive Summary

Covered California enters fiscal year (FY) 2018-19 on solid financial footing, with a higher number of new enrollees, and in strong position to continue its mission of increasing the number of insured in our state, improving health care quality, lowering costs and reducing health disparities.

Since its inception, Covered California has worked with Medi-Cal to dramatically improve access to quality health care in the state. Since 2014, nearly 5 million people have enrolled in Medi-Cal due to the Affordable Care Act expansion, and more than 3.5 million have been insured for some period of time through Covered California. Together, the gains cut the rate of the uninsured in California from 17 percent in 2013 to a historic low of 6.8 percent as of June 2017.

Covered California's current enrollment remains steady, with 1.4 million actively enrolled members as of March 2018, which represents a modest increase of 47,000, or 3.4 percent, over March 2017. More than 423,000 new consumers enrolled in Covered California during the most recent open-enrollment period, which also represents a 3 percent increase over the previous period.

Covered California's gains are driven by policies that put patients first, along with the recognition that health insurance needs to be sold. Covered California focuses on being sure consumers have good products that mean they will get care if they need it, and that requires significant investments in marketing and outreach. Covered California's robust outreach helped it address the uncertainty caused by repeated attempts to "repeal and replace" the Patient Protection and Affordable Care Act, the cancellation of direct cost-sharing reduction reimbursements to carriers, confusion surrounding a shortened open-enrollment period in the federally facilitated marketplace and significant cuts to federal marketing and outreach.

The challenges facing the individual market will extend into FY 2018-19 with the removal of the individual mandate penalty and the possible expansion of short-term, limited-duration insurance plans. Numerous studies indicate that these moves will hurt consumers in the individual market, including in California[1], by damaging the health of the consumer pool, which will lead to higher premiums — particularly for unsubsidized consumers.

Nevertheless, Covered California remains well positioned to protect consumers going forward and is funded by the fees it collects from health plans. Covered California will continue to stand on its own, without any federal or state funding, with sufficient cash reserves to allow it to remain nimble and quickly adapt to any potential challenges.

[1] https://www.healthaffairs.org/do/10.1377/hblog20180223.551552/full/

Highlights of the FY 2018-19 budget include:

- **Operating Budget:** Covered California will execute its mission in FY 2018-19 with an operating budget of $340.2 million. Faced with federal policy changes and the resulting uncertainty, this budget will fund ongoing investments in marketing, outreach and customer service that are needed to promote a stable market with a good risk mix and thereby keep premiums as low as possible. Doing so helps keep health care affordable for all Californians, especially those who do not receive subsidies.

- **Marketing and Outreach:** Covered California will continue its aggressive investments in marketing and outreach to promote enrollment and retain consumers, which is critical to maintaining a good risk mix and helping keep premiums low for all consumers in the individual market. Covered California's extensive marketing and outreach investments helped it achieve one of the best take-up rates and lowest risk scores in the nation. The budget for FY 2018-19 includes more than $107 million for marketing and outreach and $105 million for our Service Center and the establishment of a new Consumer Experience Division.

- **Financial Stability:** Covered California expects to begin and end FY 2018-19 with approximately $314 million in reserves, the equivalent of about 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.

- **Self-Funded Organization:** FY 2018-19 will be the third successive year that Covered California will be funded entirely by a percentage assessment on health plan premiums. This budget reflects the rate of the assessment fee for plan year 2019 being reduced to 3.75 percent of premiums from the 4 percent assessment levied in 2017 and 2018. Since the cost of these assessments is spread across the entire individual market — both on-exchange enrollment and the mirrored products that consumers purchase directly from Covered California's 11 carriers off the exchange — this rate will equate to a 2.3 percent assessment on individual market premiums in 2019. This assessment reflects far lower costs to health insurers than they previously spent to enroll and retain members, which fosters lower premiums and contributes to a healthier risk mix.

- **Enrollment and Revenue Projections:** The enrollment and revenue projections that support this budget are informed by in-depth analyses conducted by PricewaterhouseCoopers (PwC). In addition to reviewing the most credible estimates of the potential impact on individual market enrollment and premiums due to the elimination of the mandate penalty, PwC also assessed the impact of the duration of future enrollment periods, and the effects of California's rising minimum wage.

III. The 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 is a manifestation of Covered California's strategic plan 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 analytic 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 and reviewed by the board to guide the organization while making decisions, setting priorities, determining initiatives and preparing annual budgets. The five pillars, the broad strategy behind each and new enhancements for the upcoming fiscal year are:

Covered California 2018-19 Strategic Pillars and Crosscutting 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 2018-19

  - The new Consumer Experience Division will create a stronger focus on the enrollee to ensure he or she is empowered to choose the health plans and providers that provide the best value.

- **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 2018-19

  - Expanding efforts to promote improvements in care delivery through clinical, enrollment and qualitative survey data to identify opportunities to promote change.
  - Adding staff to the Plan Management Division to strengthen relationships with qualified health plan issuers to ensure that policies, processes and rules continue to meet the needs of our consumers.

- **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 get 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 2018-19

  - The proposed budget includes more than $107 million for marketing and outreach and $105 million for our Service Center to help individual consumers.

- **Positive Consumer Experience**: Consumers have a positive experience from initial enrollment to keeping their coverage.

  Broad Strategy

  - Operate and staff Service Centers as well as partner with 20,000 Certified Insurance Agents, enrollers and Navigators to assist consumers in a variety of languages.

- Mobile website design allows consumers to use all features on any device.
- Ombuds Office established to help consumers as needed.

Enhancements for Fiscal Year 2018-19

- The new Consumer Experience Division will measure the consumer experience directly as a baseline to ensure the experience improves over time.
- Investing in Information Technology (IT) to stay on the cutting edge of technologies that can benefit consumers.

- **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 and responsive enterprise that responds quickly to the changing environment in health care.
- Implemented Healthier U, a program designed to improve the health and well-being 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 2018-19

- The new Covered California Leadership Academy will assure that managers and key staff are equipped to successfully manage and lead the organization.

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

- **Innovating for the long term and being nimble in the present.**
  - In the past year, Covered California developed and implemented a policy to protect consumers from being negatively affected by the administration's decision to end cost-sharing reduction reimbursement payments. This policy is known as the CSR surcharge. A majority of other states followed our example to protect their enrollees from unnecessary premium hikes.

- Executive leaders toured state-of-the-art businesses in California to learn about the latest advances in health care, how consumers will get care, and the tools they will use to stay healthy in the coming years.
- In planning for FY 2018-19, Covered California is developing efforts to communicate effectively to consumers the dangers of “junk” short-term, limited-duration insurance plans.

- **Using Covered California’s experience to inform policy in California and nationally.**
  - 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.
  - In the past year, analysis provided to the administration documented the dramatic drop in new enrollees in the federally facilitated marketplace, potential 3-year premium hikes of up to 90 percent in some states due to uncertainty at the federal level and the potential impact of the removal of the individual mandate penalty.
  - Covered California learns from and shares its experiences with other state-based marketplaces, academic institutions, along with 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.**
  - Collaborating with DHCS to make “churn” smoother and addressing the complexities of enrolling mixed families for consumers moving between Medi-Cal and Covered California.
  - Actively working with DHCS and other public and private purchasers to promote improvements in care by adapting common efforts, such as Smart Care California, which is currently focused on tackling the issues of opioids, lower back pain and overuse of C-sections.

IV. Highlights and Projected Expenditures

The Covered California board-approved budget for FY 2017-18 of $319.6 million included 1,373 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.

The budget featured the following activities:

- Substantial investments in outreach, marketing and enrollment, including large investments in supporting more than 13,000 Certified Insurance Agents and a Navigator program to inform hard-to-reach Californians about Covered California and encourage retention of those who are enrolled.
- Service Center funding to provide resources comparable to FY 2016-17 and accommodate the transfer of the workload associated with increased handling of consumer inquiries and appeals.
- Funding for the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) — the information technology platform shared with the Department of Health Care Services — to support the FY 2017-18 program requirements of the CalHEERS road map.

While Covered California completed its fourth renewal and fifth open-enrollment period with approximately 1.4 million actively enrolled consumers, consistent with last year, this trend of stable enrollment is likely to change in 2019 as a result of recent federal decisions. In particular, the elimination of the individual mandate penalty is expected to put downward pressure on enrollment. This change is reflected in the new forecast developed to support FY 2018–19 expenditures.

The projected expenditures for FY 2017–18, as of May 30, 2018, are $315.6 million. This includes $305.6 million in operating expenses and $10 million for the initial funding of the establishment by the board of a capital-projects reserve fund. The ability to use FY 2017-18 funds to start the capital-projects reserve is primarily the result of lower-than-budgeted expenditures for salaries and contracts in Technology, Plan Management and Evaluation, and Administration. The capital-projects reserve is intended to be used to pay for the acquisition or construction of capital assets that are facility related. While savings materialized throughout the fiscal year in some areas, in other domains required costs were higher than originally anticipated, including those related to appeals work and surge-vendor support in the Service Center.

Table 1
FY 2017-18 Projected Expenditures Versus FY 2017-18 Budget

	Budget	Projected	Difference
Outreach & Sales, Marketing	$ 107,306,637	$ 103,247,168	$ 4,059,469
Service Center & Consumer Experience	$ 92,301,578	$ 98,265,989	$ (5,964,411)
Technology	$ 62,585,340	$ 55,442,040	$ 7,143,300
Administration	$ 41,798,398	$ 37,017,686	$ 4,780,712
Plan Management & Evaluation	$ 15,565,671	$ 11,607,125	$ 3,958,546
Total Operating Expenditure	$ 319,557,625	$ 305,580,008	$ 13,977,617
Capital Projects Reserve	$ -	$ 10,000,000	$ (10,000,000)
Total	**$ 319,557,624**	**$ 315,580,008**	**$ 3,977,616**

SUMMARY OF MAJOR AREAS

Outreach and Sales, Marketing: Projected expenditures of $103.2 million for these programs in FY 2017-18 are $4.0 million lower than budgeted, primarily due to staff vacancies in the Outreach and Sales, Marketing, and Program Integrity divisions, and lower than expected contract expenditures, including the Covered California for Small Business (CCSB) sales and administration support contract.

Service Center and Consumer Experience: Projected expenditures of $98.3 million for FY 2017-18 are $6.0 million higher than originally budgeted, primarily due to the increased costs associated with appeals work and increased funding for surge-vendor support during the fifth open-enrollment period.

Technology: FY 2017-18 projected expenditures of $55.4 million are $7.1 million lower than budgeted. Expenditures for CalHEERS, including the Statewide Automated Welfare System (SAWS) interface, are expected to come in $3.0 million below budget, and expenditures for the Information Technology (IT) Division are projected to be $4.1 million lower. This is largely a result of vacancies due to CalHR's class-specification consolidation and the delayed timing of IT initiatives, including the CCSB portal build, virtual assistant software, and web content management initiatives, in conjunction with a lower than anticipated spend on other contractual obligations.

Administration: Projected expenditures of $37.0 million are $4.8 million lower than the FY 2017-18 budget largely due to vacancies and lower than expected contractual expenditures across all Administration divisions.

Plan Management and Evaluation: FY 2017-18 projected expenditures of $11.6 million are $4.0 million lower than budgeted, due to staff vacancies and delays in contractual expenditures for analytics and modeling efforts.

Capital Project Reserve: With this budget, Covered California proposes to establish a Capital Project Reserve with $10 million (see Section IX, FY 2018-19 Capital Projects Budget for more details).

V. Covered California Enrollment and Revenue Forecast

> *"The greatest uncertainties facing Covered California's enrollment and revenue outlook stem from the potential for major federal legislative or regulatory actions to change key provisions of the Affordable Care Act."*
>
> — Covered California Fiscal Year 2017-18 Budget

Covered California's FY 2018-19 individual market enrollment and revenue projections were developed in a climate of considerable uncertainty. They are guided by analyses and surveys that provide a range of estimates of the potential impacts of recent federal policy changes.

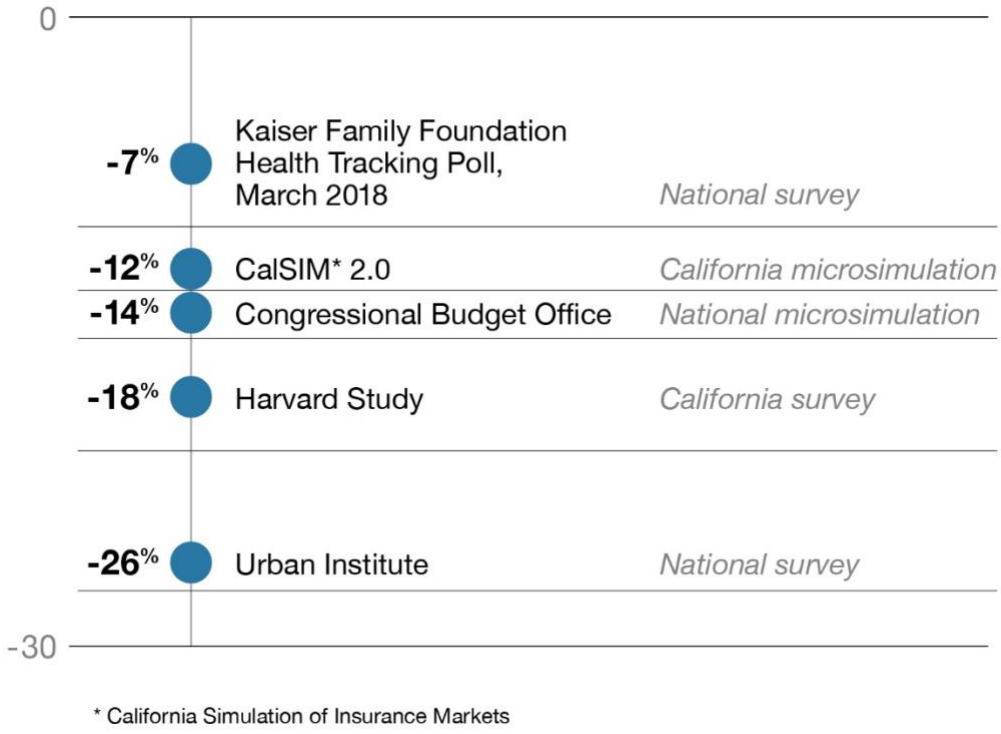
To derive the forecast, Covered California drew on a broad range of resources to project the "most likely" multi-year enrollment figures in the context of upper and lower boundary extremes. Recognized health insurance experts from PricewaterhouseCoopers (PwC) were consulted to conduct background research and provide observations about the potential impact of the loss of the mandate penalty, as well as other factors that could affect Covered California enrollment and premiums. PwC was also consulted to project potential changes in California's health insurance market generally. In addition to their own expertise, PwC's recommendations are informed by analyses of other prominent experts, such as the UCLA Center for Health Policy Research and the UC Berkeley Center for Labor Research and Education.

The resulting forecasts upon which this budget is based also reflect Covered California management's consideration of a variety of estimates and the insights of external and internal experts on health insurance enrollment in the individual market in California. Because Covered California's plan assessments are based on both enrollment and gross premiums, the impact on both variables was projected.

The most significant federal policy action taken that will affect California in 2019 is the elimination of the penalty for failure to satisfy the individual shared responsibility provision of the Affordable Care Act. The penalty was designed to provide an incentive for people to enroll who may not otherwise purchase health insurance. By sustaining the number of people in the individual risk pool with low or minimal health care costs, average medical costs and thus premiums would be lower than would otherwise be the case.

Based on PwC observations, five notable analyses[2] from highly regarded sources informed the FY 2018-19 enrollment and revenue outlook. The estimated loss of enrollment in individual health plans due to the removal of the mandate penalty ranges from 7 to 26 percent, as illustrated in Figure 1. Each analysis is unique and there is diversity as to the method used (survey or microsimulation), the geographic scope (national or California), the enrollment estimate granularity (on- or off-exchange, or the entire individual market) and the time required for the impact to play out. The PwC report also summarizes expert predictions of the impact of the penalty on premiums, which ranged from it causing increases of 5 to 10 percent.

Figure 1
Estimates of 2019 Enrollment Loss
Due to Elimination of Individual Mandate Penalty
(Individual Market)



[2] Impact of Individual Mandate Penalty Elimination and Other Market Factors on Coverage Nationally and in California. Prepared for Covered California by PwC. May 17, 2018. http://board.coveredca.com/meetings/2018/05-17/PWC%20Slide%20Deck%20-%20pdf.pdf

Covered California Forecast Enrollment Projections

Covered California used these analyses to inform the development of its enrollment forecast scenarios.

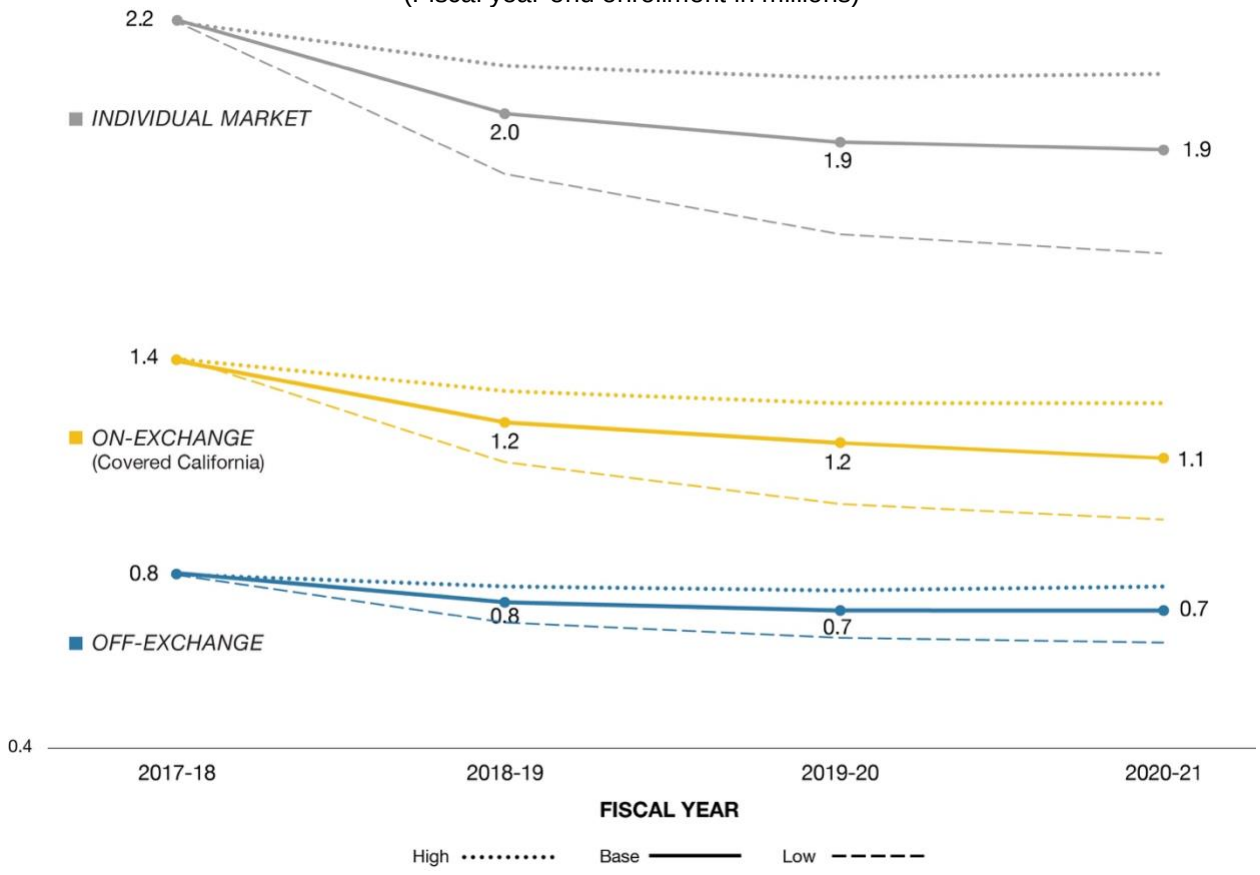
- The **Base** enrollment forecast reflects an estimated 12 percent loss, which is essentially the midpoint of the most optimistic (high), and most pessimistic (low) estimates. It is also consistent with the estimate derived from CalSIM version 2.0 and similar to the loss estimated by the Congressional Budget Office.

- The **high**, or optimistic, enrollment alternative forecast reflects a 7 percent loss of enrollment based on the consistent results of the two most recent Kaiser Family Foundation Tracking polls.

- The **low,** or pessimistic, enrollment alternative reflects a more significant 18 percent enrollment loss as indicated by the Harvard Study. Even though the Urban Institute survey indicates that 26 percent of respondents were “likely” to drop health insurance coverage in the absence of a penalty, only 10 percent would be “very likely” and 16 percent would be “somewhat likely,” with a midpoint of 13 percent. The contrast in responses reduces the confidence of this reference point as a basis for the highest loss estimate.

Under any of the forecast scenarios, based on Covered California’s projections, the removal of the mandate penalty will have a significant impact on overall individual market enrollment, as illustrated in Figure 2.

Figure 2
Projections of California Individual Market Enrollment
(Fiscal year-end enrollment in millions)



Covered California Forecast Premium Assumptions

Covered California also used these analyses and guidance to inform its projection of the impact of the elimination of the mandate on premiums.

The projected premium growth rates for the low, Base and high enrollment scenarios (Table 2), illustrate the potential impact of key factors on the average rate of growth of premiums used to develop the revenue projections. For 2019, the range of premium increases attributed to the elimination of the mandate penalty fall within the range of impacts estimated by PricewaterhouseCoopers (PwC), which noted studies that found potential impacts ranging from 5 to 13 percent in 2019 followed by lesser increases in subsequent years.

The Base forecast projects, based on all factors, premiums in 2019 would grow 11 percent on average across all carriers. As with any “average,” an overall market average of an 11 percent increase 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.

Table 2
Projected Premium Growth Rates for the Low, Base and High Enrollment Scenarios

Low		**2019**	**2020**	**2021**	**2022**
	Mandate Elimination	8%	5%	3%	1%
	Medical Cost Trend	7%	7%	7%	7%
	HIPF Moratorium	-2%	2%	0%	0%
	Total	**13%**	**14%**	**10%**	**8%**
Base					
	Mandate Elimination	6%	4%	2%	1%
	Medical Cost Trend	7%	7%	7%	7%
	HIPF Moratorium	-2%	2%	0%	0%
	Total	**11%**	**13%**	**9%**	**8%**
High					
	Mandate Elimination	5%	3%	1%	0%
	Medical Cost Trend	7%	7%	7%	7%
	HIPF Moratorium	-3%	3%	0%	0%
	Total	**9%**	**13%**	**8%**	**7%**

Projections are not absolute. For California in 2019, Covered California projects a potential total premium increase at the “high” level of 13 percent and a “low” level of 9 percent. The range of potential premium increases for 2019 of 9 to 13 percent is substantially lower than the PwC estimates of potential increases nationally due to California’s starting point of having a relatively healthy risk mix in the on- and off-exchange individual market and Covered California’s continued plans to invest in marketing to keep costs down for all enrollees. The premium projections detailed for 2020 and beyond are not relevant for the FY 2018-19 budget, but are used to inform the multi-year forecasts, discussed in Chapter VI below.

Potential annual premium increases in 2020 and beyond have a far greater range of possibilities — both on the high side and low side — than is reflected in Table 2. These increases depend on federal and state policy actions or other variables that could affect

premiums (e.g., the institution of a state or federal reinsurance program, enactment of a state mandate penalty program or dramatic changes in enrollment due to limited-benefit plans having a large effect on siphoning “good risk” out of the individual market’s common risk pool). Those factors are beyond the scope of the analysis conducted for Covered California’s budgeting process and will be subject to further analysis on an ongoing basis.

In the **Base** enrollment scenario, the elimination of the mandate in conjunction with the increase in medical cost trend in 2019, and subsequent reinstatement of the health insurance provider fee in 2020, the overall premium growth rates are assumed to be 11 percent in 2019, 13 percent in 2020 and 9 percent in 2021. The elimination of the mandate is projected to drive premium growth of 6 percent in 2019, 4 percent in 2020, and then 2 and 1 percent in 2021 and 2022, respectively.

In the **high** enrollment scenario, a range of factors is assumed to result in overall premium growth rates of 9 percent in 2019, 13 percent in 2020 and 8 percent in 2021. The elimination of the mandate is projected to drive premium growth of 5 percent in 2019, 3 percent in 2020, followed by 1 and 0 percent in 2021 and 2022, respectively.

In the **low** enrollment scenario, various factors are assumed to lead to overall premium growth rates of 13 percent in 2019, 14 percent in 2020 and 10 percent in 2021. The elimination of the mandate is projected to drive premium growth of 8 percent in 2019, 5 percent in 2020, and then 3 and 1 percent in 2021 and 2022, respectively.

The impact of the elimination of the mandate on enrollment and premiums is summarized in Table 3.

Table 3

Projections of the Potential Impact of the Elimination of the Individual Mandate Penalty on California’s Individual Market Enrollment for the Low, Base and High Enrollment Scenarios

Potential Percentage Decrease in Enrollment [1]

	2019	2020	2021	2022
Low	-18%	-9%	-4%	-2%
Base	-12%	-6%	-3%	-1%
High	-7%	-4%	-2%	-1%

[1] Enrollment loss based on 1.26M projected effectuated enrollees on-exchange and 0.8M off-exchange, as of December 2018

Potential Decrease in Enrollment & Fiscal Year-End Enrollment (numbers in thousands) [1]

	Annual Decrease					Fiscal Year-End Enrollment [2]				
	2019	2020	2021	2022	Cummulative 2019-22	2017-18	2018-19	2019-20	2020-21	2021-22
Low										
On-Exchange	-243	-98	-40	-19	-400	1,356	1,100	998	956	962
Off-Exchange	-150	-64	-32	-16	-261	831	707	666	661	669
Individual Market	-393	-162	-72	-35	-661	2,186	1,807	1,664	1,617	1,631
Base										
On-Exchange	-162	-72	-34	-11	-279	1,356	1,201	1,148	1,132	1,172
Off-Exchange	-100	-45	-22	-7	-175	831	758	738	739	756
Individual Market	-262	-117	-56	-18	-454	2,186	1,959	1,886	1,871	1,928
High										
On-Exchange	-94	-51	-25	-12	-182	1,356	1,277	1,252	1,251	1,302
Off-Exchange	-58	-32	-16	-8	-114	831	801	795	805	823
Individual Market	-152	-83	-41	-20	-296	2,186	2,078	2,047	2,056	2,125

[1] Enrollment loss based on 1.26M projected effectuated enrollees on-exchange and 0.80M off-exchange, as of December 2018

[2] Fiscal Year-End Enrollment includes changes to the enrollment population in addition to the impact of the elimination of the individual mandate penalty.

Covered California for Small Business Forecast

The enrollment outlook of Covered California for Small Business (CCSB) continues to build on recent operational improvements (e.g., timely commission payments, quickly resolving account issues and better support from agents and brokers). In December 2017, CCSB enrollment surpassed 40,000 for the first time, and it is projected to grow in 2019. The focus continues to be on improving and expanding agency-level agreements, strategic technology implementations and improving communication outreach.

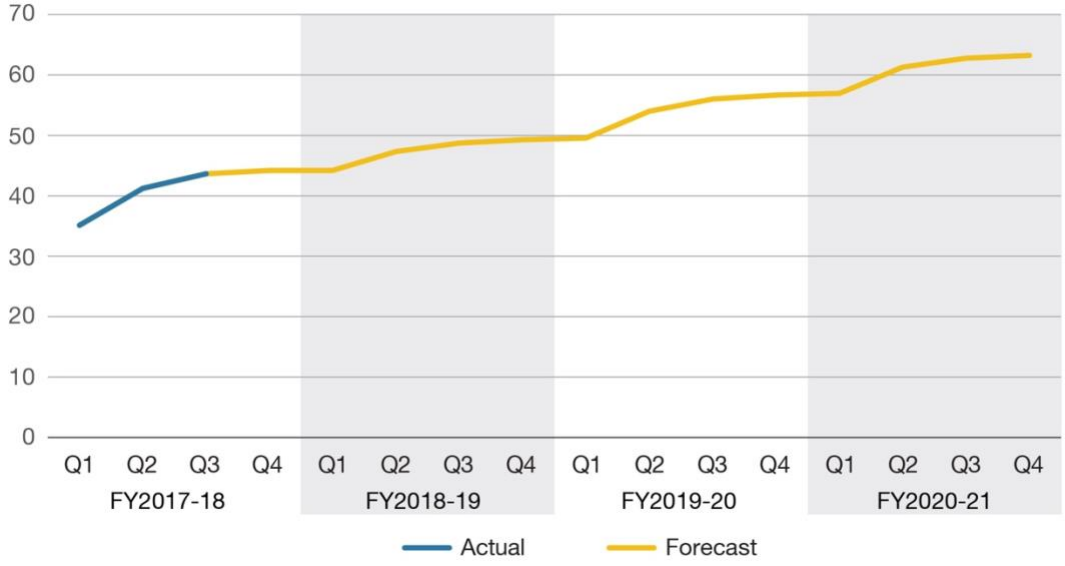
Due to these anticipated improvements and the trends seen over the past year, overall CCSB enrollment is expected to rise modestly through FY 2020-21. The Base enrollment forecast (see Figure 3) takes into account the overall size and expected growth of the small business exchange market in California, of which CCSB currently holds a 9 percent share.

Covered California for Small Business Forecast Assumptions

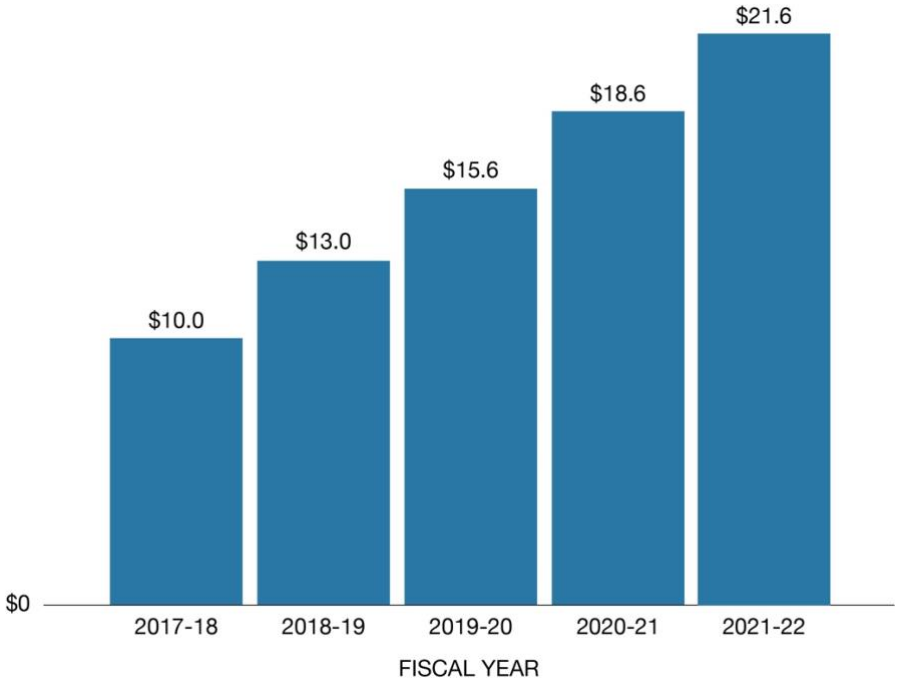
The Base forecast assumes that the Covered California for Small Business market share will grow to 10 percent in 2018 and 2019 and to approximately 11 percent thereafter.

Beginning in 2017, the assessment rate levied by Covered California on CCSB plans was 5.2 percent of gross health plan premiums. This rate will continue for plan year 2019.

Figure 3
Covered California for Small Business
Base Estimate Enrollment and Revenue Scenarios



Covered California for Small Business Revenue
(Base forecast — in millions)



The **high** alternative assumes that the market share increases to 20 percent by 2022. The **low** alternative assumes that CCSB's share drops from its current 9 percent to approximately 8 percent (see Table 4).

Table 4
Covered California for Small Business

	Fiscal Year End of Year Enrollment				Fiscal Yr Assessment Fee Revenue ($millions)			
	2017-18	2018-19	2019-20	2020-21	2017-18	2018-19	2019-20	2020-21
High	45,359	54,028	68,482	84,014	$10.0	$13.5	$17.8	$23.3
Base	44,952	50,112	57,689	64,357	$10.0	$13.0	$15.6	$18.6
Low	44,848	48,440	52,601	55,118	$10.0	$12.8	$14.7	$16.4

The Base revenue and enrollment estimate that is used for this budget is illustrated in Table 5.

Table 5
Covered California Revenue and Enrollment Summary
(Base enrollment estimate)

Market	**Plan Assessment Revenue ($millions), Cash Basis**			
	2017-18	**2018-19**	**2019-20**	**2020-21**
Individual Market	$316.3	$338.1	$323.6	$324.6
CCSB	$10.0	$13.0	$15.6	$18.6
Total Revenue	$326.3	$351.1	$339.2	$343.2
Effectuated Enrollment (mills., year-end)	1.36	1.20	1.15	1.13

VI. Multi-Year Forecast and Reserves

Covered California's budget development for fiscal year (FY) 2018-19 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.

As a result of a planning process that is steered by Covered California's guiding financial principles, the organization is well positioned as it faces uncertainty created by recent federal decisions.

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 an unanticipated fiscal event.
- Remain financially nimble to assure the ability to transition should significant changes occur.

Covered California expects that it will begin FY 2018-19 with an operating reserve of approximately $314 million, together with a reserve for capital projects, pending board approval, of approximately $10 million.

The multi-year forecast prepared in conjunction with the FY 2018-19 planning process reflects the estimated impact of current market uncertainties on Covered California's enrollment. Most notable is the impact of the individual mandate penalty elimination. The Tax Cuts and Job Act, passed into law in December 2017, "zeroes out" the penalty payment for individuals who fail to maintain minimum essential coverage beginning after Dec. 31, 2018. With the help of analyses provided by PricewaterhouseCoopers,

Covered California modeled the potential impact of these events and estimates that on-exchange losses could potentially range from 94,000 to 243,000 effectuated enrollees in 2019. Additionally, the losses would be weighted to individuals with better health status, which could lead to a deterioration in the risk mix and a possible 5 to 8 percent incremental increase in premiums, over the increase in medical costs. The impact of these changes would also be felt in lesser amounts in the following years.

The proposed budget for FY 2018-19 uses the Base estimate enrollment, as displayed in Table 6. 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.

The Covered California: Multi-Year Financial Forecast Base Enrollment Estimate (Table 6) reflects the proposed plan assessment of 3.75 percent of premium for 2019, which is subject to board adoption. The subsequent years reflect Covered California's plan to continue to reduce the plan assessment rate as a percentage of premium to 3.5 and then 3.25 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 has been modified to show the estimate of how the plan assessment rate equates to a cost on a per-member per-month basis. (This modification is an insurance industry standard measure 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 not independent of the rising costs of health care). On a per-member, per-month basis, Covered California's plan assessment for FY 2018-19 equates to about $13.87 when spread across both on-exchange policies and mirrored off-exchange policies, and $22.48 if spread only across the on-exchange enrollment. Using the per-member, per-month basis, the multi-year forecast also has been revised to reflect the annual change in the per-member, per-month costs on a year-over-year basis — projecting an increase of 4.1 percent for FY 2018-19, and then increases of 5.5 and 1.2 percent respectively in the next two fiscal years.

Table 6
Covered California
Multi-Year Financial Forecast Base Enrollment Estimate

Dollars in Millions	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
Effectuated Enrollment (fiscal year end)	1,355,520	1,201,447	1,148,049	1,131,528
Opening Reserve Balance	$303.0	$313.6	$314.5	$296.7
Plan Assessments-Cash Basis	$326.3	$351.1	$339.2	$343.2
Projected Operating Expenditures	($305.6)	($340.2)	($347.1)	($342.7)
Margin Contribution - Cash Basis	$20.7	$10.9	($7.9)	$.5
Capital Projects Reserve	($10.0)	($10.0)	($10.0)	($10.0)
Year-End Operating Reserve	$313.6	$314.5	$296.7	$287.1
Number of months of reserve	**11.1**	**10.9**	**10.4**	**9.9**

Plan Year	**2018**	**2019**	**2020**	**2021**
Individual Market		Proposed	Tentative	Tentative
Total Annual Individual Market Premium ($ millions)	$14,065	$13,887	$14,995	$16,109
Plan Assessment Rate - Percentage ***On Exchange***	4.00%	3.75%	3.50%	3.25%
Plan Assessment Rate - Percentage ***On/Off Exchange***	2.5%	2.3%	2.2%	2.0%
Average Monthly Gross Premium	$540	$599	$677	$738
Premium Growth Assumptions	18.4%	11.0%	13.0%	9.0%
Plan Assessment Estimated Per Member/Per Month ***On Exchange***	$21.60	$22.48	$23.71	$24.00
Plan Assessment Estimated Per Member/Per Month ***On/Off Exchange***	$13.32	$13.87	$14.62	$14.80
Plan Assessment Estimated PMPM Year-over-Year Change	+18.4%	+4.1%	+5.5%	+1.2%

Base Enrollment Estimate

The estimated impact of the elimination of the individual mandate penalty on enrollment and average premiums in the Base enrollment scenario includes reductions of effectuated on-exchange enrollment of approximately 162,000 in 2019, 72,000 in 2020 and 34,000 in 2021. The estimated impact also includes potential overall reductions in enrollment on- and off-exchange of approximately 316,000 in 2019, 149,000 in 2020 and 73,000 in 2021. Additionally, it reflects projections of increases in average premiums, including the growth in medical costs, of 11 percent, 13 percent and 9 percent, in 2019, 2020 and 2021. Consequently, the multi-year forecast projects assessment revenues of $351.1 million in FY 2018-19, $339.2 million in FY 2019-20 and $343.1 million in FY 2020-21. The forecast reflects a $340.2 million operating budget in FY 2018-19, and assumes operating budgets of $347.1 million for FY 2019-20 and $342.7 million for FY 2020-21.

Revenues from plan assessments are projected to be slightly higher than operating expenditures in FY 2018-19. 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 may exceed revenues in FY 2019-20 and at a moderated rate beyond that. The plan provides an operating reserve of approximately 10 to 11 months through FY 2020-21.

The plan assessment rate reflects the proposed reduction to 3.75 percent of premium for 2019, with possible reductions to 3.5 percent in 2020, and a further reduction to 3.25 percent in 2021. 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 2017-18 with a reserve of approximately $314 million, representing 11 months of the proposed FY 2018-19 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 nine to 12 months in the near term.

Given the uncertainties facing Covered California's enrollment outlook, this reserve strategy has provided Covered California with the opportunity to propose an operating budget in FY 2018-19 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 used the analyses performed by PricewaterhouseCoopers to consider the impact of alternative low and high enrollment scenarios on its multi-year outlook.

Low Enrollment Alternative

The estimated impact of the elimination of the individual mandate penalty in the low scenario includes reductions in on-exchange effectuated enrollment of approximately 243,000, 98,000 and 40,000, in 2019, 2020 and 2021, respectively, and increases in average premiums, including the growth in medical costs, of 13 percent in 2019, 14 percent in 2020, and 10 percent in 2021. In the low enrollment scenario, the multi-year forecast projects assessment revenues of $341.4 million in FY 2018-19, $310.6 million

in FY 2019-20, and $303.5 million in FY 2020-21. Although not reflected in Table 7, should enrollment fall to levels portrayed in the low scenario, it would be necessary to decrease operating expenditures to adjust to appropriate baseline funding for operations.

The impact of the low enrollment alternative on the multi-year forecast is illustrated in Table 7.

Table 7
Covered California
Multi-Year Financial Forecast Low Enrollment Estimate

Dollars in Millions	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
Effectuated Enrollment (fiscal year end)	1,355,520	1,099,969	997,568	955,749
Opening Reserve Balance	$303.0	$313.6	$304.9	$258.5
Plan Assessments-Cash Basis	$326.3	$341.5	$310.7	$303.6
Projected Operating Expenditures	($305.6)	($340.2)	($347.1)	($342.7)
Margin Contribution - Cash Basis	$20.7	$1.3	($36.4)	($39.1)
Capital Projects Reserve	($10.0)	($10.0)	($10.0)	($10.0)
Year-End Operating Reserve	$313.6	$304.9	$258.5	$209.4
Number of months of reserve	**11.1**	**10.5**	**9.1**	**7.2**

Plan Year	**2018**	**2019**	**2020**	**2021**
Individual Market		Proposed	Tentative	Tentative
Total Annual Individual Market Premium ($ millions)	$14,065	$12,946	$13,381	$14,102
Plan Assessment Rate - Percentage ***On Exchange***	4.00%	3.75%	3.50%	3.25%
Plan Assessment Rate - Percentage ***On/Off Exchange***	2.5%	2.3%	2.2%	2.0%
Average Monthly Gross Premium	$540	$610	$696	$765
Premium Growth Assumptions	18.4%	13.0%	14.0%	10.0%
Plan Assessment Estimated Per Member/Per Month ***On Exchange***	$21.60	$22.89	$24.35	$24.87
Plan Assessment Estimated Per Member/Per Month ***On/Off Exchange***	$13.32	$14.12	$15.02	$15.34
Plan Assessment Estimated PMPM Year-over-Year Change	+18.4%	+5.9%	+6.4%	+2.1%

High Enrollment Alternative

The estimated impact of the elimination of the individual mandate penalty in the high scenario includes reductions in on-exchange effectuated enrollment of approximately 94,000, 51,000 and 25,000, in 2019, 2020 and 2021, respectively, and increases in average premiums, including the growth in medical costs, of 9 percent, 13 percent and 8 percent, in 2019, 2020 and 2021, respectively. In the high enrollment scenario, the multi-year forecast projects assessment revenues of $357.7 million in FY 2018-19, $359.3 million in FY 2019-20 and $371.4 million in FY 2020-21.

The impact of the high alternative on the multi-year forecast is illustrated in Table 8.

Table 8
Covered California
Multi-Year Financial Forecast High Enrollment Estimate

Dollars in Millions	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
Effectuated Enrollment (fiscal year end)	1,355,520	1,277,201	1,251,985	1,250,960
Opening Reserve Balance	$303.0	$313.6	$321.2	$323.5
Plan Assessments-Cash Basis	$326.3	$357.7	$359.4	$371.5
Projected Operating Expenditures	($305.6)	($340.2)	($347.1)	($342.7)
Margin Contribution - Cash Basis	$20.7	$17.5	$12.3	$28.8
Capital Projects Reserve	($10.0)	($10.0)	($10.0)	($10.0)
Year-End Operating Reserve	$313.6	$321.2	$323.5	$342.3
Number of months of reserve	**11.1**	**11.1**	**11.3**	**11.8**

Plan Year	**2018**	**2019**	**2020**	**2021**
Individual Market		Proposed	Tentative	Tentative
Total Annual Individual Market Premium ($ millions)	$14,065	$14,628	$16,061	$17,331
Plan Assessment Rate - Percentage ***On Exchange***	4.00%	3.75%	3.50%	3.25%
Plan Assessment Rate - Percentage ***On/Off Exchange***	2.5%	2.3%	2.2%	2.0%
Average Monthly Gross Premium	$540	$589	$665	$718
Premium Growth Assumptions	18.4%	9.0%	13.0%	8.0%
Plan Assessment Estimated Per Member/Per Month ***On Exchange***	$21.60	$22.28	$23.29	$23.35
Plan Assessment Estimated Per Member/Per Month ***On/Off Exchange***	$13.32	$13.74	$14.36	$14.40
Plan Assessment Estimated PMPM Year-over-Year Change	+18.4%	+3.1%	+4.5%	+0.3%

VII. FY 2017-18 Budget Comparison to FY 2018-19

As illustrated in Table 9, the FY 2018-19 operating budget provides $340.2 million to carry out the department's mission. In addition to general salary increases, benefit increases, supplemental pension payments and Pro Rata, the most significant changes include increases for the Service Center and the Consumer Experience Division, as well as Technology. This budget also includes $10.0 million for capital projects, resulting in an overall budget of $350.2 million.

Table 9
Covered California FY 2017-18 Budgeted and Projected Expenditures Compared to FY 2018-19 Proposed Budget

	2017-18 Budget	2017-18 Projected	2018-19 Budget	Year over Year Budget Difference
Outreach & Sales, Marketing	$ 107,306,637	$ 103,247,168	$ 107,436,537	$ 129,900
Service Center & Consumer Experience	$ 92,301,578	$ 98,265,989	$ 104,876,819	$ 12,575,241
Technology	$ 62,585,340	$ 55,442,040	$ 70,101,195	$ 7,515,855
Administration	$ 41,798,398	$ 37,017,686	$ 41,355,213	$ (443,185)
Plan Management & Evaluation	$ 15,565,671	$ 11,607,125	$ 16,474,101	$ 908,430
Total Operating Budget	$ 319,557,625	$ 305,580,008	$ 340,243,865	$ 20,686,241
Capital Projects Reserve	$ -	$ 10,000,000	$ 10,000,000	$ 10,000,000
Total	**$ 319,557,624**	**$ 315,580,008**	**$ 350,243,865**	**$ 30,686,241**

What follows is a brief overview of the funding changes for each organizational unit between the FY 2017-18 budget of $319.6 million and the FY 2018-19 operating budget of $340.2 million.

Outreach and Sales, Marketing: The FY 2018-19 budget includes $107.4 million for outreach and marketing efforts to inform Californians about Covered California's products and retain those who are already enrolled. The budget supports a $6.5 million Navigator program and $45.0 million for paid media, which aid in informing Californians about our programs, encouraging retention of those who have enrolled and maintaining a favorable risk mix.

Service Center and Consumer Experience: The FY 2018-19 budget of $104.9 million reflects an increase of $10.0 million from the FY 2017-18 Service Center budget and also includes $2.6 million for the Ombuds Office and the new Consumer Experience Division. This new division has enterprise-wide responsibility for developing policies to optimize the consumer experience through the health care coverage journey.

Technology: The FY 2018-19 budget of $70.1 million includes $5.7 million in Information Technology (IT) infrastructure investments and $36.9 million for CalHEERS. Future savings are expected as work is transitioned from contractors to Covered California IT staff.

Administration: The FY 2018-19 budget is consistent with FY 2017-18 funding with $24.0 million for personal services and $14.5 million for contracts, including $500,000 for the development and implementation of the Covered California Leadership Academy and other expenses that provide an array of central support services to Covered California.

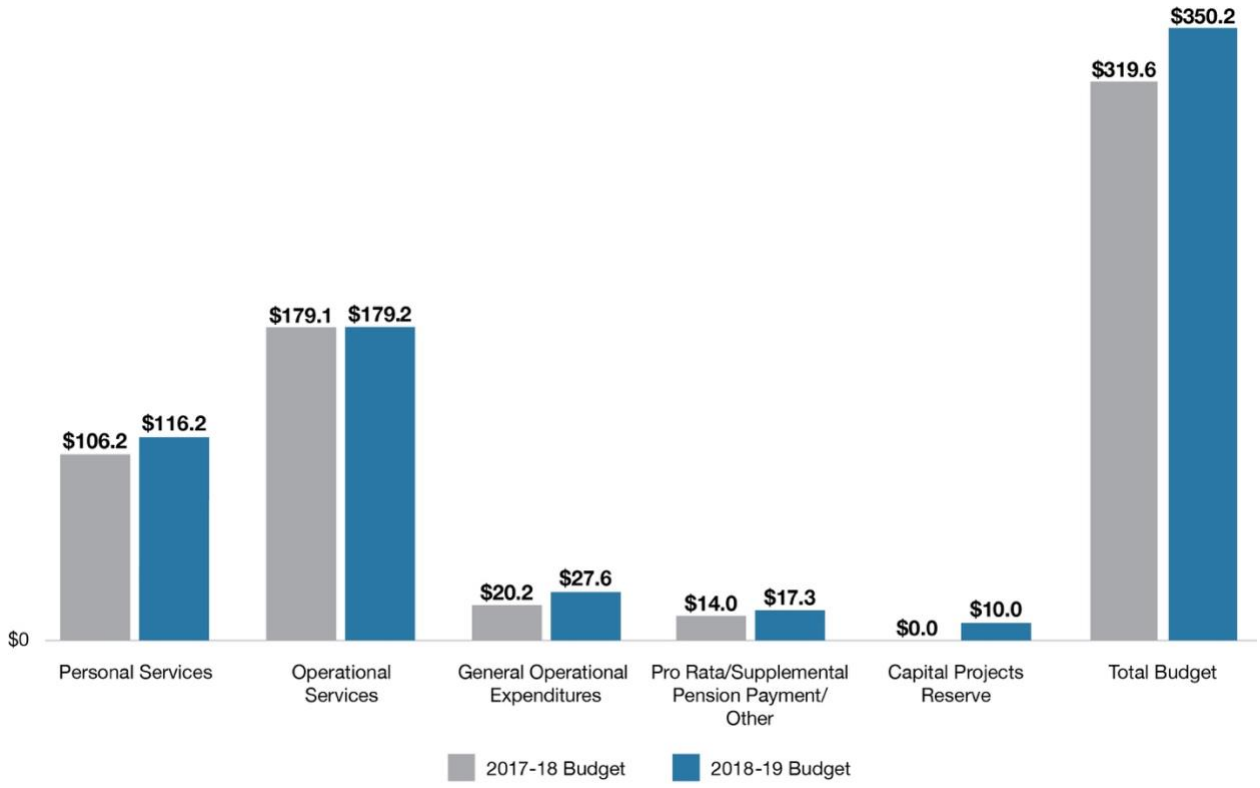
Plan Management and Evaluation: The FY 2018-19 budget includes $8.0 million for personal services and $7.4 million for contracts and other expenses. Additional resources to support the health care marketplace will enable Covered California to achieve its goals through the effective management and coordination of activities between Covered California and its health plans.

A brief overview of funding changes by expense category comparing the operating budgets of fiscal years 2017-18 and 2018-19 follows.

Figure 4

Expense Category: FY 2017-18 Compared to FY 2018-19

(Dollars in millions)



Personal Services: FY 2018-19 costs for personal services are approximately $10.0 million higher than FY 2017-18, which is attributed to new positions, bargained general salary increases and a 2 percent increase to benefits costs.

Operational Services: The FY 2018-19 operational services funding is consistent with FY 2017-18. These costs include contractual spending such as paid media, CalHEERS, Service Center surge vendor, Navigators and CCSB sales and administrative support. While the operational services budget has increased for CalHEERS and CDSS, this has been accomodated through an alignment of existing spending to a level sufficient to support operational needs.

General Operational Expenditures: The general operational expenditure budget has increased by $7.4 million, which is largely attributed to IT infrastructure and postage costs previously funded under contracts. This cost is slightly offset by savings in general operational expenditure funding, which has also been aligned to a level consistent with operational needs.

Pro Rata, Supplemental Pension Payment and Other: The FY 2018-19 budget includes $14.8 million for Pro Rata, an increase of $800,000 from FY 2017-18. Starting in FY 2018-19, a supplemental pension payment of $1.5 million will be assessed to the California Health Trust Fund, per Senate Bill 84. This requires all General Fund, special and non-governmental cost funds to pay their proportionate share of the state's unfunded pension liability.

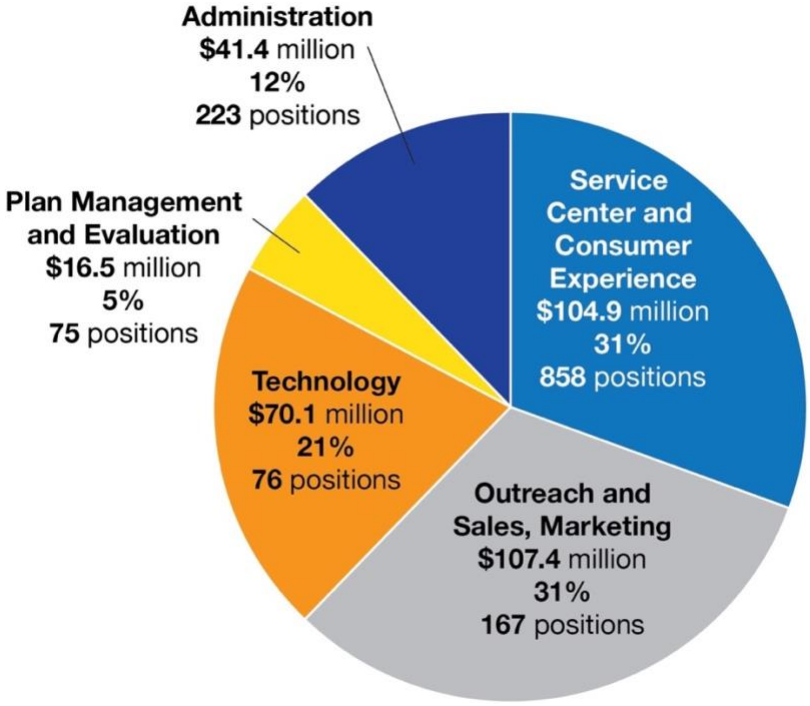
Capital Projects Reserve: To continue to provide adequate funding for the acquisition or construction of capital assets that are facility related, the FY 2018-19 budget allocates $10.0 million to the capital-projects reserve to adequately address the capital needs that will result from the impending expiration of existing lease agreements.

VIII. FY 2018-19 Proposed Operating Budget

The fiscal year 2018-19 Covered California operating budget, presented in Figure 5, provides the resources to support the acquisition, retention, support and management of Covered California's 1.4 million enrollees while providing adequate funding to allow the organization to navigate through the uncertainty caused by recent federal decisions.

The budget framework is informed by Covered California's financial guiding principles and strategic pillars, the FY 2017-18 projected expenditures, the 2018 enrollment and revenue forecast and the multi-year forecast. The budget provides 1,399 positions and $340.2 million to fund program operations.

Figure 5
Covered California Proposed FY 2018-19 Operating Budget: $340.2 million



From a program-operations perspective, the budget includes resources to fund the following goals:

- $107.4 million for Outreach and Sales, Marketing efforts, including $45.0 million for paid media and a $6.5 million Navigator grant program to inform Californians about Covered California, encourage retention of those who have enrolled and maintain a favorable risk mix.
- $104.9 million for Service Center resources to support enrollment and retention of consumers, providing a level of service comparable to FY 2017-18, and funding to support the new Consumer Experience Division.
- $36.9 million for the FY 2018-19 program requirements of the enrollment and retention IT System as detailed in the CalHEERS road map, and funding for Covered California's portion of additional CalHEERS costs.
- $5.7 million to fund IT infrastructure projects to improve the consumer experience and create operational efficiencies.

This budget seeks to fund 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 2018-19 and reserves are maintained at a level sufficient to address changes in enrollment.

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 in the movement to financial alignment and 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 is lowering its assessment from 4 percent of premiums to 3.75 percent of premiums in the 2019 plan year, which is about 2.3 percent of combined on- and off-exchange premiums. 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 2018-19.

IX. FY 2018-19 Capital Projects Budget

Covered California staff propose establishing in the current fiscal year (2017-18) a capital-projects reserve, intended to be used to pay for capital assets that are facility related, i.e., building improvements, infrastructure assets and ancillary items.

To accommodate its headquarters, service centers and some field sales operations, Covered California currently leases space in numerous locations. In anticipation of the significant facilities costs associated with the impending expiration of these lease agreements beginning in 2019, and to lessen fiscal year budget fluctuations, it is prudent that Covered California establish a capital-projects reserve.

The capital-projects reserve shall:

- Adhere to established Covered California contracting procedures.
- Be funded via an annual allocation as projected below.
- Be used for specific facility projects, subject to board review and approval.
- Be included in the FY 2018-19 budget and all ongoing annual budget books 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.

In order to provide transparency into these activities, starting in FY 2018-19 the budget for the capital-projects reserve will be displayed separately from the operating budget. This approach to distinguish operating expenditures from capital expenditures follows generally accepted accounting principles. The proposed capital-projects reserve and projected expenditures over the multi-year period are displayed in Table 10.

Table 10
Capital Projects Reserve Budget and Expenditures

Dollars in Millions

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Opening Balance	$.0	$10.0	$10.0	$15.0
Capital Projects Budget	$10.0	$10.0	$10.0	$10.0
Projected Capital Expenditures	$.0	$10.0	$5.0	$5.0
Year-End Capital Projects Balance	**$10.0**	**$10.0**	**$15.0**	**$20.0**

X. Covered California FY 2018-19 Operating Budget Program Details

Plan Management and Evaluation 33

Outreach and Sales, Marketing 38

Service Center and Consumer Experience 52

Technology 60

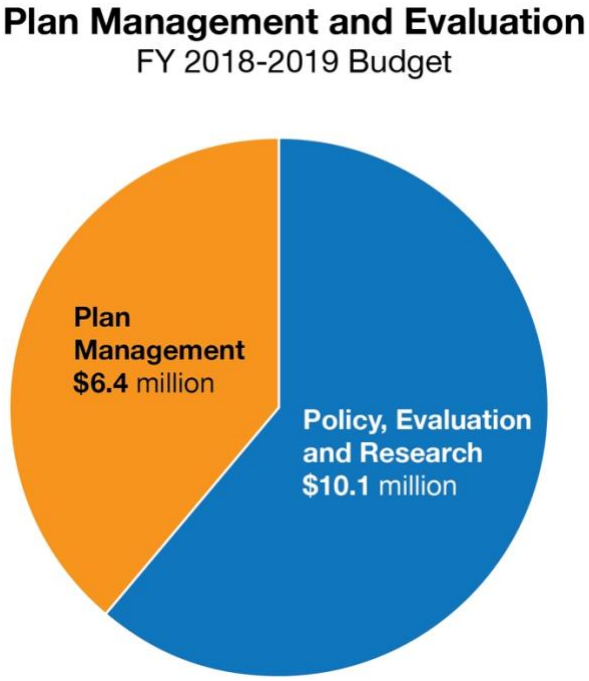
Administration 66

Plan Management and Evaluation

Plan Management and Evaluation includes the Policy, Evaluation and Research Division and the Plan Management Division. The total budget for FY 2018-19 is $16.5 million.

Plan Management and Evaluation Budget

	FY 2016-17		FY 2017-18		FY 2018-19	
	Actual Expenditures		Approved Budget		Proposed Budget	
Positions		59		63		75
Personal Services	$	3,478,420	$	4,511,349	$	5,140,197
Benefits	$	1,654,236	$	2,325,973	$	2,919,184
Contracts	$	5,906,986	$	7,851,960	$	7,145,707
OEE	$	186,760	$	234,000	$	343,500
Total Expenses	**$**	**11,226,402**	**$**	**14,923,282**	**$**	**15,548,587**
ProRata / Sup. Pension Pay./ Other	$	210,536	$	657,271	$	925,513
Total Operating Costs	**$**	**11,436,938**	**$**	**15,580,553**	**$**	**16,474,101**



Plan Management Division

The Plan Management Division's 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.

- Annually certifies and recertifies health and dental plan issuers.
- Updates and develops new patient-centered benefit designs.
- Works closely with issuers to ensure contract compliance and effective partnerships with regulators.
- Assists with quality improvement and delivery-system reform.

Activities Supporting Covered California's Mission and Strategy

- Certification and recertification efforts that promote rate moderation and meaningful plan options.
- Working with health plan issuers to refine and execute quality-improvement strategies.
- Ensuring enrollee access to primary care and 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.
- Reviewing 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.

Key Accomplishments for 2017-18

- Negotiated premiums and service area changes, and certified 11 health plan issuers for 2018. In 2018, more than 82 percent of consumers could choose from three or more issuers.
- In the absence of a federal commitment to continue funding cost-sharing reduction reimbursements, Covered California's issuers added a surcharge to Silver-tier products in 2018.
    - Because the surcharge was only applied to Silver-tier plans, nearly four out of five consumers saw their premiums stay the same or decrease, since the amount of financial help they received also rose.
    - Those who did not get financial help had the option to enroll in Silver plans without the surcharge.

- Ensured continuous coverage for 153,000 Anthem enrollees who lost access to their health plan, including those who did not actively choose a new plan.
- Launched an integrated provider directory on CoveredCA.com, making it easier for consumers to understand which providers were available as they considered all their health plan options.

Plan Management Division Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	28	30	34
Personal Services	$ 1,937,866	$ 2,339,988	$ 2,517,276
Benefits	$ 870,565	$ 1,204,289	$ 1,435,719
Contracts	$ 1,445,168	$ 1,982,960	$ 1,801,522
OEE	$ 98,932	$ 135,000	$ 236,500
Total Expenses	**$ 4,352,531**	**$ 5,662,237**	**$ 5,991,017**
ProRata / Sup. Pension Pay./ Other	$ 99,915	$ 312,986	$ 419,566
Total Operating Costs	**$ 4,452,446**	**$ 5,975,223**	**$ 6,410,583**

Budget Highlights and Key Changes

- To support the Health Equity Initiative, this budget includes an additional four positions, including three health program specialist II positions and one research program specialist II to assist with strengthening Covered California's relationships with qualified health plan and dental plan issuers, consumer advocates, other constituents, Covered California consumers and California communities.
- The contracts budget includes:
    - $1,007,460 for consulting services.
    - $552,000 for actuarial services.
    - $85,500 for project management.
    - $75,000 for quality assurance.
    - $51,562 for medical advisory and support.
    - $30,000 for student assistants.

Policy, Evaluation and Research Division

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

- Acts as an advisor and resource to management for 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 member communications regarding eligibility and enrollment.
- Directs Covered California Healthcare Evidence Initiative and organization-wide governance of high-priority, high-visibility research efforts.
- Manages Covered California's member surveys.
- Coordinates with state departments to improve transitions of members between Medi-Cal and Covered California coverage.
- Publicly reports data and develops reports on critical issues to inform policy development and strategies.

Activities Supporting Covered California's Mission and Strategy

- Under the Healthcare Evidence Initiative, analyze consumer access to care through clinical, enrollment and qualitative survey data, and identify opportunities for improvements.
- In partnership with Plan Management and the chief actuary, provide data and models to describe the consumer response to the prior year's products and price in support of rate negotiations.
- Continue to refine eligibility processes to ensure compliance and provide a simple and positive consumer experience, including for consumers transitioning between Medi-Cal and Covered California coverage.

Key Accomplishments for FY 2017-18

- Published data-supported analyses for various federal, state and private health care proposals. (Available at http://hbex.coveredca.com/data-research/.)
- Coordinated with internal and external partners to develop outreach strategy for consumers transitioning from Medi-Cal to Covered California.

- Worked with National Opinion Research Center (NORC) to field Covered California's 2018 member survey.

Policy, Evaluation and Research Division Budget

	FY 2016-17		FY 2017-18		FY 2018-19	
	Actual Expenditures		Approved Budget		Proposed Budget	
Positions		31		33		41
Personal Services	$	1,540,554	$	2,171,361	$	2,622,921
Benefits	$	783,671	$	1,121,684	$	1,483,464
Contracts	$	4,461,818	$	5,869,000	$	5,344,185
OEE	$	87,828	$	99,000	$	107,000
Total Expenses	**$**	**6,873,871**	**$**	**9,261,045**	**$**	**9,557,570**
ProRata / Sup. Pension Pay./ Other	$	110,621	$	344,285	$	505,947
Total Operating Costs	**$**	**6,984,492**	**$**	**9,605,330**	**$**	**10,063,517**

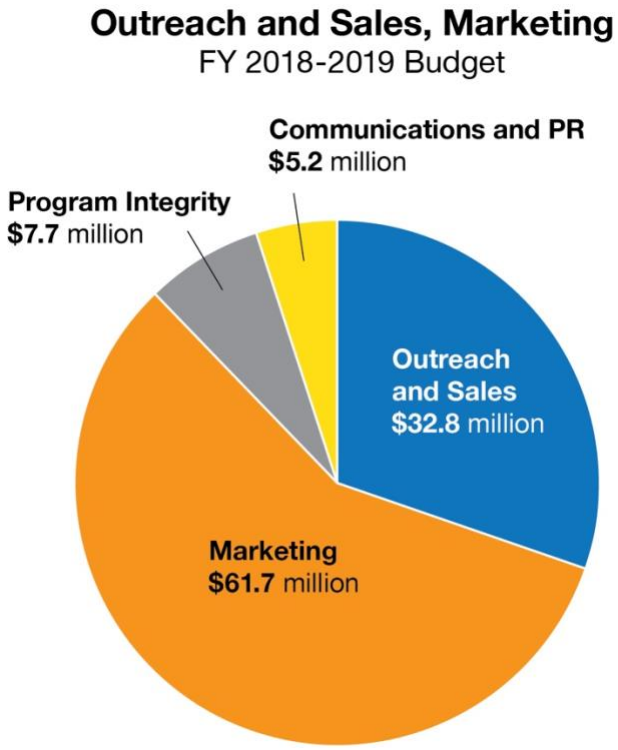
Budget Highlights and Key Changes

- This budget includes a total of eight new positions as follows:
  - Eligibility Branch: one career executive assignment (CEA) position (A), one health program specialist I, one health program specialist II, and two associate governmental program analysts to add leadership, specialist and analyst support to restructure the Eligibility Branch and to create an Eligibility Experience Team.
  - Evaluation and Research Branch: one research manager to assist with the improvement of output and day-to-day operations, and to provide specialized support for each of the branch's teams.
  - Policy Branch: one staff services manager I, and one health program specialist II to enable regular and ongoing monitoring of existing policies to ensure that policies, processes and system rules continue to meet the needs of our consumers and service channels.
- The contracts budget includes:
  - $3,604,185 for analytic services.
  - $950,000 for consulting services.
  - $750,000 for readability and translation.
  - $30,000 for student assistants.

Outreach and Sales, Marketing

Outreach and Sales, Marketing includes the following divisions: Outreach and Sales, Marketing, Program Integrity, and Communications and Public Relations. The total budget for FY 2018-19 is $107.4 million.

	FY 2016-17		FY 2017-18		FY 2018-19	
	Actual Expenditures		Approved Budget		Proposed Budget	
Positions		157		168		167
Personal Services	$	9,341,899	$	11,051,675	$	10,709,090
Benefits	$	4,383,560	$	5,576,754	$	6,028,138
Contracts	$	76,879,379	$	88,076,671	$	85,689,000
OEE	$	811,061	$	888,500	$	2,924,500
Total Expenses	**$**	**91,415,899**	**$**	**105,593,600**	**$**	**105,350,728**
ProRata / Sup. Pension Pay./ Other	$	560,240	$	1,752,724	$	2,085,809
Total Operating Costs	**$**	**91,976,139**	**$**	**107,346,324**	**$**	**107,436,537**



Outreach and Sales Division

The purpose of the Outreach and Sales Division is to educate, support and empower Covered California's 20,000 sales partners in order to drive enrollment and increase the number of insured Californians. The division oversees contract, compliance, regulatory and policy responsibility for all sales-channel partner programs to ensure program integrity and consumer protection.

Covered California's sales partners are Certified Insurance Agents, Navigators, Certified Application Entities and Plan-Based Enrollers. They enroll more than half of all Covered California consumers.

The Outreach and Sales Division consistently seeks to develop new and innovative ways to connect consumers to coverage and works closely with our sales partners to enroll diverse populations.

The Outreach and Sales Division includes the following program areas:

- Agent Program Management: oversees policy, contracts and compliance for more than 13,000 Certified Insurance Agents.
- Accounts Team: regulates the Navigator grant program and oversees policy, contracts and compliance, as applicable, for Navigators, Plan-Based Enrollers and Certified Application Entities.
- Business Development: field outreach team supporting all certified enrollers.
- Certification Services: certification of all non-insurance agent enrollers, including 500 certified entities and more than 5,000 certified counselors.
- Distribution Services: develops communications and conducts training. Manages storefronts, the events program, portals, the "Help on Demand" consumer referral program, the service center and CalHEERS in support of sales-channel partners.
- Sales Division Analytics: monthly sales reporting, support of the Salesforce.com sales system and maintaining "hot spot" maps using geographic information software.
- Covered California for Small Business.

Key Outreach and Sales Activities

- Managing the Navigator grant program, including awarding funding to entities based on the results of a request for application, measuring performance against targets and adjusting awards based on performance within the grant year.
- Developing and implementing the sales strategy for both the individual and small business exchanges.

- Implementing an agency agreement that brings Covered California's Agent Management program into alignment with the agency and agent business model used by the insurance industry in California.
- Building and managing productive relationships with all sales-channel partners to promote community-level outreach and enrollment throughout California.
- Sales channel training, communication, support, contracting and compliance.
- Development and oversight of client-management tools and technology.
- Developing and managing online sales-channel partner tool kits.
- Ongoing development of certified enroller and agent portals in CalHEERS.
- Maintaining a high-performing Sales Call Center.
- Maintaining the storefront and events programs and webpages.
- Maintaining "hot spot" heat maps to identify pockets of uninsured consumers and inform outreach strategies.
- Providing access to enrollment marketing materials.
- Using innovation to make it easier for consumers to get local help to enroll from certified enrollment partners by offering the following tools on Covered California's "Find Local Help" webpage: the Help on Demand referral tool and tools to find certified storefront locations, local enrollment events and certified sales partners in their community.

Key Outreach and Sales Accomplishments for FY 2017-18

- Updated Covered California's heat maps, informing strategies to reach and enroll subsidy-eligible uninsured consumers across all communities, including the underserved. The maps, powered by geographic information software, identify race and ethnicity demographics. Heat maps are used to 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 Nov. 17, 2016, through Nov. 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 in a plan through Covered California.
- Led more than 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 local Medi-Cal representatives, colleges and local 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)

CCSB's mission is to provide a cost-efficient exchange that promotes fair competition and efficiencies through technology and administration in order to provide employers, their employees and their families with more plan choice and access to affordable coverage.

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

Key Small Business Activities

- Launch an employer renewal portal that will enable CCSB customers to renew online and lets employees make new plan selections.
- Develop a comprehensive customer-retention strategy plan.
- Develop an online employer-direct enrollment portal that provides employers the opportunity to purchase coverage directly from CCSB.
- Fill gaps in our current portfolio of plans to address customer and agent requests for more competitive plan offerings.
- Develop additional sales channels to broaden CCSB's channel-partner portfolio, which will drive the growth needed to achieve financial sustainability.
- Continue to assess operations to ensure CCSB is easy to do business with and to lower CCSB's operating costs.

Key Small Business Accomplishments in FY 2017-18

- CCSB 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 towards CCSB's sustainability target of 58,000 members.
- CCSB eligibility and enrollment regulations for permanent rulemaking were submitted to the Office of Administrative Law and will go into effect Sept. 30, 2018.
- CCSB launched EaseCentral, an integrated software platform, to give small businesses and their employees' access to CCSB's plan choices, which will lead to better efficiencies for consumers' access to care.

Outreach and Sales Division Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	57	59	58
Personal Services	$ 3,707,307	$ 4,031,048	$ 3,803,637
Benefits	$ 1,673,133	$ 2,008,373	$ 2,093,355
Contracts	$ 24,569,197	$ 25,186,671	$ 25,748,000
OEE	$ 494,520	$ 354,000	$ 420,000
Total Expenses	**$ 30,444,157**	**$ 31,580,092**	**$ 32,064,992**
ProRata / Sup. Pension Pay./ Other	$ 203,399	$ 615,540	$ 740,730
Total Operating Costs	**$ 30,647,556**	**$ 32,195,632**	**$ 32,805,723**

Budget Highlights and Key Changes

- This contracts budget includes:
  - $15,534,000 for CCSB administrative and agent support.
  - $6,475,000 for Navigators.
  - $1,300,000 for project management.
  - $1,244,000 for other projects.
  - $795,000 for infrastructure projects.
  - $400,000 for consulting services.

Marketing Division

Covered California's outreach, marketing and education efforts factor in key demographic, educational, economic, social and cultural attributes and lifestyle drivers to define target audiences. Marketing tailors relevant communications to motivate consumers to enroll in and keep health insurance through Covered California.

- Performs market and consumer research to understand the consumer mindset.
- Creates the marketing strategy, grounded in qualitative and quantitative research, to attain the organization's objectives and achieve enrollment goals.
- Develops, executes and monitors marketing campaigns that align with an approved strategy, including media planning and buying, advertising creative development and production, and digital and social media.
- Develops, executes and monitors a lead-nurturing process to facilitate sales conversion among consumers who expressed initial interest in the brand.
- Develops, executes and monitors a customer-relationship marketing program that focuses on retention and renewal. This program deepens member relationships through personalized, timely and relevant communications that build consumer loyalty and advocacy.
- Analyzes results from a return on investment standpoint and recommends improvements.

Activities Supporting Covered California's Mission and Strategy

- Optimize customer conversion, retention and renewal by using a personalized customer-relationship marketing approach.
- Continue to focus advertising campaigns on motivating Californians to enroll during open enrollment and special enrollment and highlight the value of having health insurance.
- Continue the efficient and effective use of social media to expand customer outreach, improve brand engagement and improve customer service.
- Continue to capture and convert consumers who express initial interest in the brand, acquired through marketing, outreach and education efforts.
- Continue to promote dental, vision and other new services.

- Maximize marketing's return on investment by leveraging insights from consumer research, adjusting campaign functionalities based on marketing analytics and optimizing media-spend effectiveness.
- Continue conducting consumer research to inform the open-enrollment and special-enrollment marketing campaigns, including quantitative and qualitative studies across five segments (multi-segment, African American, Asian/Pacific Islander, Hispanic and LGBTQ) and in multiple languages.

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 (multi-segment, African American, Asian/Pacific Islander, Hispanic and LGBTQ) and media channel (television, radio, newspapers, out-of-home, digital, search and paid social).
- In collaboration with the Policy Division, Covered California IT 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, producing better results versus similar campaigns that use manually uploaded data.
- The retention and renewal program effectively targeted existing members, using email and direct mail, contributing to nearly 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.

Marketing Division Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	24	26	26
Personal Services	$ 1,657,832	$ 1,945,313	$ 1,785,215
Benefits	$ 756,622	$ 1,002,824	$ 1,019,001
Contracts	$ 49,937,683	$ 60,108,000	$ 56,564,000
OEE	$ 46,501	$ 108,500	$ 2,053,000
Total Expenses	**$ 52,398,638**	**$ 63,164,637**	**$ 61,421,216**
ProRata / Sup. Pension Pay./ Other	$ 85,642	$ 271,255	$ 320,845
Total Operating Costs	**$ 52,484,280**	**$ 63,435,892**	**$ 61,742,061**

Budget Highlights and Key Changes

- The contract budget includes:
  - $45,000,000 for marketing contracts.
  - $2,500,000 for market research.
  - $4,727,369 for collateral, fulfillment and printing.
  - $2,292,631 for voter registration.
  - $2,000,000 for strategic initiatives.
  - $44,000 for various other services.

Program Integrity Division

The Program Integrity Division collaborates with all divisions 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 department-wide compliance with federal and state regulations and mandates.

- Manages, monitors and oversees all data integrity initiatives to improve data consistency and accuracy within the core systems of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and external entities.
- Manages and oversees the user acceptance testing (UAT) process with divisions by testing CalHEERS key functionalities prior to implementation to reduce the number of critical system issues.
- Performs prioritization on CalHEERS issues and conducts post-implementation review of system functionalities with divisions to improve operational efficiencies and compliance.
- Oversees and monitors an enterprise-wide risk-management reporting process to assist divisions in their risk analysis and evaluation of organizational operations, internal controls, policies and procedures.
- Monitors and oversees an integrated and enterprise-wide fraud management program within Covered California, which requires collaboration and partnership with various internal and external entities.
- Manages and performs independent external and internal audit functions and services to improve divisions' operational efficiencies and compliance with federal and state regulations and mandates.

Activities Supporting Covered California's Mission and Strategy

- Improve CalHEERS when consumers apply for and enroll in a health plan through Covered California to enhance the consumer experience.
- Improve division compliance with federal and state regulations and mandates.
- Improve data accuracy and consistency within CalHEERS to improve federal reporting and enhance the reliability of data-driven business analytics for Covered California's policy decision-making process.
- Implement various reporting tools and processes to identify risks for mitigation efforts and areas that may require additional improvements to operational efficiencies and effectiveness.

Key Accomplishments for FY 2017-18

- Enhanced the existing process of using key performance indicators (KPI) 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 improvements 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 consumer 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 for 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.

Program Integrity Division Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	57	63	63
Personal Services	$ 2,621,449	$ 3,665,531	$ 3,596,784
Benefits	$ 1,327,324	$ 1,861,566	$ 2,050,761
Contracts	$ 414,826	$ 640,000	$ 935,000
OEE	$ 120,489	$ 336,000	$ 303,500
Total Expenses	**$ 4,484,088**	**$ 6,503,097**	**$ 6,886,046**
ProRata / Sup. Pension Pay./ Other	$ 203,399	$ 657,271	$ 777,431
Total Operating Costs	**$ 4,687,487**	**$ 7,160,368**	**$ 7,663,477**

Budget Highlights and Key Changes

- The contract budget includes:
  - $535,000 for external audit services.
  - $300,000 for various other services.
  - $100,000 for consulting services.

Communications and Public Relations Division

The Communications and Public Relations Division is responsible for the ongoing public information and public relations functions of Covered California.

- Develops, coordinates and executes an extensive proactive program of media relations and public communications, including a large-scale open-enrollment launch effort, press conferences, press releases, op-eds, speechwriting, speakers' bureau coordination, message development, video creation and production, as well as daily responses to complex and sensitive media inquiries.
- Provides spokesperson services in English, Spanish and other languages for non-English media outlets.
- Designs and executes communications plans to reach specific ethnic groups such as Latinos, African Americans and Asian/Pacific Islanders.
- Spearheads the design of and updates all content for CoveredCA.com. Maintains coherence of content through the English and Spanish mirrored websites.
- Provides high-quality graphic design services for divisions throughout the organization.

Activities Supporting Covered California's Mission and Strategy

- Develop an overarching strategy for Covered California's public-facing website content, which includes CoveredCA.com and HBEX.coveredca.com.
- Provide regularly updated information to the media. Create a strategic approach for general press, as well as targeted-segmented audience media tailored to their specific needs and formats.
- Provide communications expertise and support to other divisions to further their goals.
- Strengthen the Communications and Public Relations Division within Covered California, identifying functions, skills and training.

Key Accomplishments for FY 2017-18

- Conducted a four-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 successful media bus tour generated more than 235.9 million media impressions and an advertising value of $8.7 million. The bus 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.
- The CoveredCA.com website was upgraded in October 2017, enabling it to be accessed and navigated easily on all mobile devices.
- Developed more “Real Stories” videos of Californians sharing their experiences with Covered California. The Real Stories page on CoveredCA.com now features dozens of videos.
- Planned and coordinated successful targeted-segment outreach and media activities to reach Latinos, African Americans, Asian/Pacific Islanders, and LGBTQ communities, which included the following: TV and radio interviews on ethnic broadcast stations, Spanish TV phone banks, various ethnic media roundtables, print-ready articles to ethnic publications, faith-based outreach (e.g., the “Souls to Enroll” campaign, enrollment events at Hindu temples), and participation in special community events (e.g., the Kingdom Day Parade, booths at pride festivals).
- 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.

Communications and Public Relations Division Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	19	20	20
Personal Services	$ 1,355,311	$ 1,409,783	$ 1,523,453
Benefits	$ 626,481	$ 703,991	$ 865,020
Contracts	$ 1,957,673	$ 2,142,000	$ 2,442,000
OEE	$ 149,551	$ 90,000	$ 148,000
Total Expenses	**$ 4,089,016**	**$ 4,345,774**	**$ 4,978,473**
ProRata / Sup. Pension Pay./ Other	$ 67,800	$ 208,658	$ 246,804
Total Operating Costs	**$ 4,156,816**	**$ 4,554,432**	**$ 5,225,277**

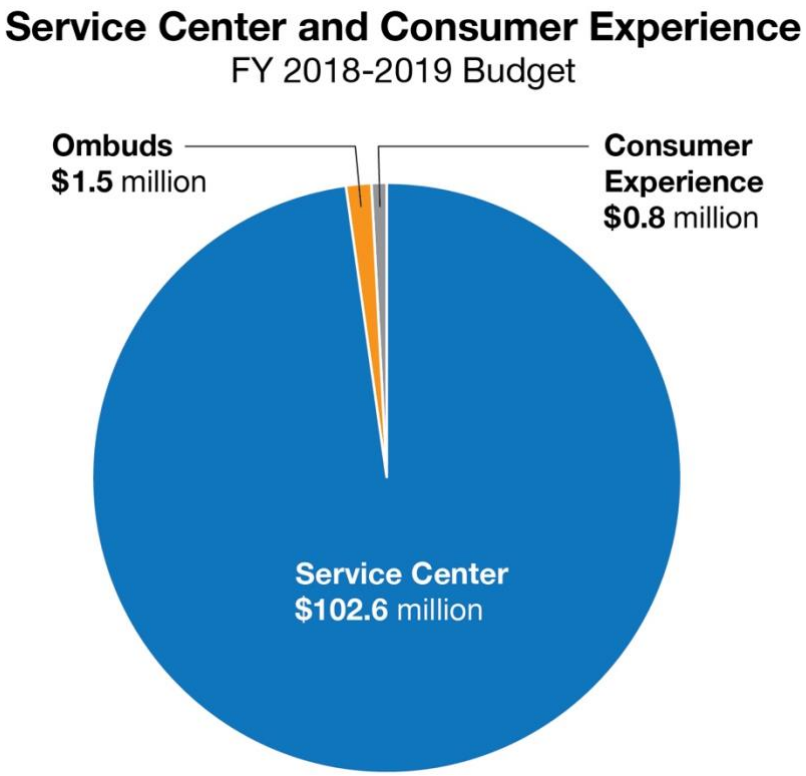
Budget Highlights and Key Changes

- The contract budget includes:
  - $2,400,000 for public relations services.
  - $42,000 for student assistants.

Service Center and Consumer Experience

Service Center and Consumer Experience includes the following divisions: Service Center, Ombuds Office and Consumer Experience. The total budget for FY 2018-19 is $104.9 million.

	FY 2016-17 Actual Expenditures	FY 2017-18 Approved Budget	FY 2018-19 Proposed Budget
Positions	843	850	858
Personal Services	$ 30,452,735	$ 34,119,384	$ 36,744,381
Benefits	$ 15,813,089	$ 17,053,957	$ 20,326,862
Contracts	$ 30,052,330	$ 26,987,438	$ 32,679,366
OEE	$ 5,279,652	$ 5,473,647	$ 4,538,339
Total Expenses	**$ 81,597,806**	**$ 83,634,426**	**$ 94,288,948**
ProRata / Sup. Pension Pay./ Other	$ 3,008,166	$ 8,867,948	$ 10,587,871
Total Operating Costs	**$ 84,605,972**	**$ 92,502,374**	**$ 104,876,819**



Service Center

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 consumers 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.

- 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.
- Assists and participates in the implementation of administrative law judge (ALJ) decisions.

Activities Supporting Covered California’s Mission and Strategy

- Controlling operational costs in order to deliver products and services that offer a high value to our consumers.
- Adding new technology and Service Center tools to effectuate operational efficiencies to better serve consumers.
- Investing in staff training and development to maximize workforce performance.
- Streamlining business processes to seek operational efficiencies and increase quality of work.

Key Accomplishments for FY 2017-18

- Handled more than 1.9 million consumer calls from July 2017 through mid-February 2018.
- Completed more than 503,629 manual work streams and continued to plan for ongoing workflow.
- 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 through consistency and efficiencies.
- Partnered with the IT Division for successful transition of Service Center technology.
- Processed and resolved more than 7,500 IRS Form 1095-A disputes.
- 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 12,900 escalations and formal complaints.
    - Closed 12,798 consumer appeals.
    - Implemented more than 5,800 administrative law judge decisions.

Service Center Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	843	837	838
Personal Services	$ 30,452,735	$ 33,436,126	$ 35,588,975
Benefits	$ 15,813,089	$ 16,701,745	$ 19,667,356
Contracts	$ 30,052,330	$ 26,532,948	$ 32,504,366
OEE	$ 5,279,652	$ 5,415,147	$ 4,484,339
Total Expenses	**$ 81,597,806**	**$ 82,085,966**	**$ 92,245,036**
ProRata / Sup. Pension Pay./ Other	$ 3,008,166	$ 8,732,321	$ 10,341,067
Total Operating Costs	**$ 84,605,972**	**$ 90,818,287**	**$ 102,586,104**

Budget Highlights and Key Changes

- This budget includes a $5.43 million increase for the partnership with California Department of Social Services (CDSS) for the Covered California fair share of federally mandated assistance with appeals.
- The contracts budget includes:
  - $18,825,000 for call center support.
  - $11,721,359 for an agreement with CDSS for administrative law judge services to adjudicate appeals support.
  - $1,698,007 for various other services.
  - $250,000 for project management.
  - $10,000 for mailing and courier services.

Ombuds Office

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. Additionally, the Ombuds Office identifies systemic challenges affecting consumers and promotes solutions to prevent issues from recurring.

- Clarifies and explains Covered California's divisions and policies to consumers who have sought assistance from the Ombuds Office.
- Assists consumers in understanding the outcomes and resolutions to their Covered California case.
- Ensures correct implementation of administrative law judge decisions on Covered California appeal cases.
- Works closely with Covered California consumer advocates, health insurers, the 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.

Activities Supporting Covered California's Mission and Strategy

- Identifying systemic issues and solutions to decrease enrollment barriers and enhance the overall consumer experience.
- Continue to assist consumers with proper and timely customer service from several customer service channels.
- Ensuring the organization remains in compliance with state law by implementing appeals decisions within the required timeframe.

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.
- On-boarded 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, email and a downloadable PDF contact form.
- Created and implemented an Ombuds portion of the Covered California Customer Relations Management (CRM) tool to help track and identify consumer issues.

Ombuds Office Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	0	13	13
Personal Services	$ -	$ 683,258	$ 693,949
Benefits	$ -	$ 352,212	$ 396,106
Contracts	$ -	$ 454,490	$ 175,000
OEE	$ -	$ 58,500	$ 40,000
Total Expenses	**$ -**	**$ 1,548,460**	**$ 1,305,055**
ProRata / Sup. Pension Pay./ Other	$ -	$ 135,627	$ 160,422
Total Operating Costs	**$ -**	**$ 1,684,087**	**$ 1,465,477**

Budget Highlights and Key Changes

- The contract budget includes:
  - $100,000 for the Ombuds program.
  - $75,000 for various other services.

Consumer Experience Division

In the ongoing effort to optimize the consumer experience, Covered California is creating a new Consumer Experience Division to coordinate work underway across the organization to optimize the consumer's overall health coverage journey. This is fundamental to Covered California's purpose of making health insurance more affordable and easier to purchase for individuals and small businesses.

The division will develop, implement and refine an organization-wide multidisciplinary consumer-experience strategic approach, including new efforts to measure the consumer experience directly to monitor how the experience changes over time relative to a baseline. This division aims to further Covered California's mission to increase the number of insured Californians and ensure consumers are empowered to choose the health plans and providers that give them the best value. The work of this office will align directly with the Covered California's strategic initiative to create a positive consumer experience.

Key Activities

- 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 enhancing and 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.

Consumer Experience Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	0	0	7
Personal Services	$ -	$ -	$ 461,457
Benefits	$ -	$ -	$ 263,400
Contracts	$ -	$ -	$ -
OEE	$ -	$ -	$ 14,000
Total Expenses	**$ -**	**$ -**	**$ 738,856**
ProRata / Sup. Pension Pay./ Other	$ -	$ -	$ 86,381
Total Operating Costs	**$ -**	**$ -**	**$ 825,237**

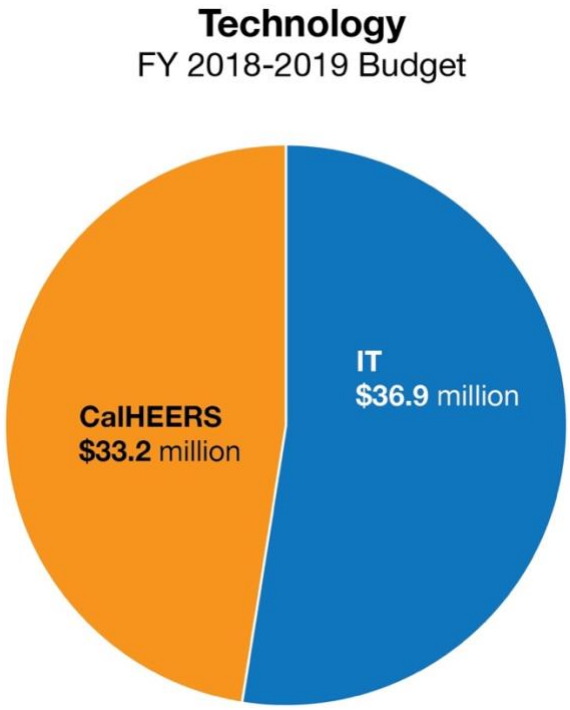
Consumer Experience Changes

- The budget includes seven new positions, a career executive assignment (CEA) position (B), one staff services manager I (specialist), three health program specialist II positions, one associate government program analyst and one staff services analyst for the Consumer Experience Division.

Technology

Technology includes the Information Technology (IT) Division and the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The total budget for FY 2018-19 is $70.1 million.

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	55	72	76
Personal Services	3,580,520	$ 5,069,764	5,929,139
Benefits	1,540,966	$ 2,502,744	3,332,603
Contracts	44,507,265	$ 48,051,868	46,513,100
OEE	6,559,762	$ 6,226,805	13,388,500
Total Expenses	**$ 56,188,513**	**$ 61,851,181**	**$ 69,163,342**
ProRata / Sup. Pension Pay./ Other	$ 196,262	$ 751,167	937,853
Total Operating Costs	**$ 56,384,775**	**$ 62,602,348**	**$ 70,101,195**



Information Technology Division

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.

- Provides governance and management over the Covered California Enterprise IT architecture and IT projects.
- Analyzes, develops, implements, maintains and operates Covered California business applications and technical solutions.
- Protects, stores, monitors and manages access and security of Covered California data assets.
- Manages and oversees the technical infrastructure and network for Covered California.
- Staffs and operates a full Service Desk for Covered California.

Activities Supporting Covered California's Mission and Strategy

- Continue work on enhancing the Customer Relationship Management (CRM) tools available to Service Center representatives assisting consumers and agents.
- Implement additional consumer experience improvements, including additional opportunities for self-service through the Interactive Voice Response system such as password resets, consumer surveys and requests for information.
- Pilot an automated solution for the processing of consumer verification documents.
- Extend marketing capabilities beyond paper and email to text messaging.
- Continue work to enhance Covered California's technology tools for Certified Enrollment Counselors and Certified Insurance Agents.
- Continue to perform security assessments to ensure Covered California's compliance with Minimum Acceptable Risk Standards for Exchanges (MARS-E).

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 has also been improved so there will be noticeably faster upload times for consumers.
- 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 onboarding and managing 5,000 enrollment partners.
- Completed required IRS Safeguard review documentation including the Safeguard security report.
- Established Covered California's Continuous Security Monitoring program.

Information Technology Division Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	55	72	76
Personal Services	$ 3,580,520	$ 5,069,764	$ 5,929,139
Benefits	$ 1,540,966	$ 2,502,744	$ 3,332,603
Contracts	$ 3,527,044	$ 13,667,138	$ 9,628,474
OEE	$ 6,559,762	$ 6,226,805	$ 13,388,500
Total Expenses	**$ 15,208,292**	**$ 27,466,451**	**$ 32,278,716**
ProRata / Sup. Pension Pay./ Other	$ 196,262	$ 751,167	$ 937,853
Total Operating Costs	**$ 15,404,554**	**$ 28,217,618**	**$ 33,216,569**

Budget Highlights and Key Changes

- This budget includes four new positions: two information technology specialist I positions and one information technology manager II for the Enterprise Project Management Office, and one information technology specialist I for the Service Desk.
- Realignment of the contract and OEE budgets to reflect the classification of the actual expenditures.

- The contract budget includes:
    - $3,618,374 for infrastructure projects.
    - $1,500,000 for Service Center support.
    - $1,120,000 for advanced data reporting.
    - $1,095,000 for security.
    - $1,000,000 for project management efforts.
    - $1,000,000 for consulting services.
    - $295,100 for other contracts.

California Healthcare Eligibility, Enrollment and Retention System (CalHEERS)

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) project is the system jointly sponsored by Covered California and the 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.

- Enhancement, maintenance and operations of the CalHEERS solution to support eligibility determination and enrollment in Covered California and Medi-Cal, including the technical infrastructure for Covered California Service Center.
- 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.

Activities Supporting Covered California's Mission and Strategy

- Continue 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 equip authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensure business partners are able to receive, exchange and reconcile appropriate consumer information in a timely fashion.
- Strive to continuously streamline and enhance the consumer experience during enrollment and while transitioning between various programs available through the Affordable Care 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.

CalHEERS Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	0	0	0
Personal Services	$ -	$ -	$ -
Benefits	$ -	$ -	$ -
Contracts	$ 40,980,221	$ 34,384,730	$ 36,884,626
OEE	$ -	$ -	$ -
Total Expenses	**$ 40,980,221**	**$ 34,384,730**	**$ 36,884,626**
ProRata / Sup. Pension Pay./ Other	$ -	$ -	$ -
Total Operating Costs	**$ 40,980,221**	**$ 34,384,730**	**$ 36,884,626**

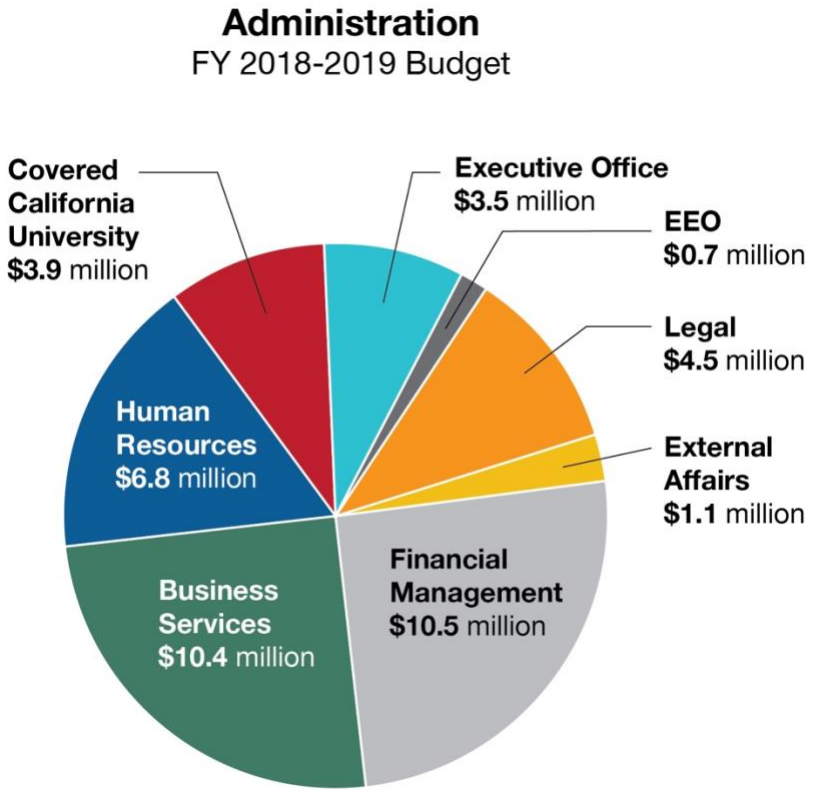
Budget Highlights and Key Changes

- Option-year negotiations with Accenture to continue operations and maintenance services after the end of the base contract term.
- This budget assumes a cost allocation percentage (CAP) of 87.86 percent DHCS and, 12.14 percent Covered California from July 2018 to September 2018, and an October 2018 to June 2019 CAP of 87.62 percent DHCS and 12.38 percent Covered California.
- The contracts budget includes:
    - $36,884,626 for program partners.

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 2018-19 is approximately $41.4 million.

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	209	220	223
Personal Services	13,436,557	15,587,345	15,541,112
Benefits	6,501,590	8,446,443	8,541,179
Contracts	5,819,717	8,140,500	7,118,076
OEE	5,371,164	7,380,847	7,402,986
Total Expenses	**$ 31,129,028**	**$ 39,555,135**	**$ 38,603,353**
ProRata / Sup. Pension Pay./ Other	$ 745,797	$ 2,295,234	2,751,859
Total Operating Costs	**$ 31,874,825**	**$ 41,850,369**	**$ 41,355,213**



Executive Office

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 the broad community of individuals and groups we work with to provide our 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 our efforts to meet our goals and serve our consumers. The Executive Office includes two positions for talent management.

Key Activities

- Develops and implements high-level strategies to ensure the availability of affordable health insurance as well as enhancing 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 and Covered California's operations. Facilitates communication and productive relationships between the board and various stakeholders, such as consumers, providers, health plans and employers.
- Implements the Leadership Academy to ensure Covered California has a strong bench of future leaders who can navigate the organization through complex changes and constant challenges facing state exchanges.

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. Talent management and succession planning supports the overall strategic plan and vision.

Talent Management Key Activities

- Assists leadership in identifying common themes for improvement at the department and division level, and creates an overall engagement strategy.
- Oversight responsibilities for ensuring effective employee recognition is incorporated into the organizational culture in support of Covered California's strategic pillars and primary 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, sustainable succession plan for key senior roles.
- Conceptualizes, builds and rolls out learning solutions that center on career development and career ladders, as well as increase the team's ability to be net talent exporters.
- Conceptualizes, builds and rolls out a comprehensive career development program. Such a program invests in the professional development of employees, results in knowledge transfer throughout the department, increases employee engagement and retention and prepares employees for career advancement within Covered California.

Talent Management Key Accomplishments

- 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 acknowledgment through formal, informal and everyday recognition. Such strategies targeted establishing and maintaining a recognition culture at Covered California.
- Implemented 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 that is consumer focused, data driven, team based, continuously improving and based on population.
- Implemented a comprehensive Career Management & You program that will establish an environment at Covered California that promotes job mastery, professional development and career-planning activities.

Implementation of the Leadership Academy

- The purpose of the Covered California Leadership Academy is to ensure that managers and key staff at Covered California are equipped to successfully manage and lead the organization. The 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.

- The Covered California Leadership Academy program will be delivered to a cohort of 15 to 20 selected managers in 13 full-day classes over a period of five to six months. Covered California intends to offer one Academy cohort per year. Over time, Covered California would like to enroll 200 to 300 managers in the Academy program.

Executive Office Budget

	FY 2016-17		FY 2017-18		FY 2018-19	
	Actual Expenditures		Approved Budget		Proposed Budget	
Positions		10		8		8
Personal Services	$	1,213,879	$	1,258,307	$	1,603,313
Benefits	$	464,799	$	647,433	$	915,171
Contracts	$	1,493,419	$	400,000	$	301,500
OEE	$	96,085	$	89,000	$	610,000
Total Expenses	**$**	**3,268,182**	**$**	**2,394,740**	**$**	**3,429,984**
ProRata / Sup. Pension Pay./ Other	$	35,684	$	83,463	$	98,721
Total Operating Costs	**$**	**3,303,866**	**$**	**2,478,203**	**$**	**3,528,705**

Budget Highlights and Key Changes

- The other expenses budget includes $500,000 for the Leadership Academy.
- The contract budget includes:
  - $196,000 for consulting services.
  - $105,500 for various other services.

Equal Employment Opportunity Office

The Equal Employment Opportunity (EEO) Office is responsible for developing, implementing, coordinating and monitoring the EEO and Reasonable Accommodation programs. It reports on appointments and brings issues of concern regarding equal employment opportunity to the executive director and recommends appropriate action. The EEO Office provides department-wide leadership and advice to staff and management on the implementation and maintenance of non-discrimination policies, procedures and practices.

- Acts as an advisor and 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.
- 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.
- 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.

Activities Supporting Covered California's Mission and Strategy

- Coordinating and monitoring 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.
- Coordinating and monitoring processes that ensure customers' language needs are met and available bilingual resources are used as needed.
- Responding to customer complaints of unfair treatment or discrimination because of race, color, national origin, age, disability or sex.
- Fostering a healthful work environment by providing non-discrimination and diversity training to employees and management within the organization.

Key Accomplishments for FY 2017-18

- 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.

Equal Employment Opportunity Office Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	0	2	4
Personal Services	$ -	$ 133,900	$ 216,088
Benefits	$ -	$ 68,895	$ 123,343
Contracts	$ -	$ 290,500	$ 287,700
OEE	$ -	$ 15,000	$ 13,000
Total Expenses	**$ -**	**$ 508,295**	**$ 640,131**
ProRata / Sup. Pension Pay./ Other	$ -	$ 20,866	$ 49,361
Total Operating Costs	**$ -**	**$ 529,161**	**$ 689,491**

Budget Highlights and Key Changes

The budget includes two additional positions, one staff services manager I and one associate governmental program analyst, to maintain a fully functioning EEO program relative to Covered California's size as mandated by federal laws.

- The contract budget includes:
  - $210,000 for legal services.
  - $77,700 for other EEO consulting services.

Office of Legal Affairs

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

- Promulgates regulations with the Office of Administrative Law incorporating Covered California's policies and procedures.
- Maintains the Covered California Privacy Office, which oversees the protection of consumers' personal information.
- Coordinates with the 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 comment 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 division support.

Activities Supporting Covered California's Mission and Strategy

- Conduct 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.
- Promulgate regulations to ensure Covered California's policies are legally enforceable and the public is aware of the rules and requirements to participate in Covered California.
- Develop 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 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 on complicated issues.
- Began the permanent rule-making process for the eligibility and enrollment regulations for both 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 appeal process with the U.S. Department of Health and Human Services.

Office of Legal Affairs Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	27	25	25
Personal Services	$ 1,493,508	$ 1,872,464	$ 1,829,200
Benefits	$ 700,989	$ 916,901	$ 1,019,590
Contracts	$ 363,809	$ 1,300,000	$ 1,267,500
OEE	$ 75,352	$ 112,500	$ 53,000
Total Expenses	**$ 2,633,658**	**$ 4,201,865**	**$ 4,169,289**
ProRata / Sup. Pension Pay./ Other	$ 96,347	$ 260,822	$ 308,504
Total Operating Costs	**$ 2,730,005**	**$ 4,462,687**	**$ 4,477,794**

Budget Highlights and Key Changes

- The contract budget includes:
  - $907,500 for various services.
  - $285,000 for background and fingerprinting.
  - $75,000 for consulting services.

External Affairs

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

- 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 resolution for cases brought forward by legislative offices, stakeholders and Covered California leadership and staff.

Activities Supporting Covered California's Mission and Strategy

- Developing governmental and stakeholder outreach and engagement strategies, including proactive and strategic engagement on Covered California initiatives.
- Monitoring and analyzing legislation affecting Covered California, its consumers and the health insurance market.
- Maintaining open communication and coordination with Covered California stakeholders, as well as federal, state and local government officials.
- Engaging in and providing support for special projects and matters that involve multiple divisions within the organization.
- Serving as Covered California's liaison to California's tribal governments.

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 452 escalated consumer cases, between May 2017 and April 2018, spanning a variety of areas, including Form 1095-A disputes, enrollment issues and payment inquiries.
- Provided routine updates and information 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.

External Affairs Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	7	8	8
Personal Services	$ 454,828	$ 527,651	$ 534,789
Benefits	$ 194,965	$ 271,906	$ 305,257
Contracts	$ 1,400	$ 105,000	$ 73,000
OEE	$ 47,339	$ 69,000	$ 54,000
Total Expenses	**$ 698,532**	**$ 973,557**	**$ 967,046**
ProRata / Sup. Pension Pay./ Other	$ 24,979	$ 83,463	$ 98,721
Total Operating Costs	**$ 723,511**	**$ 1,057,020**	**$ 1,065,768**

Budget Highlights and Key Changes

- The contracts budget includes:
  - $43,000 for tribal consultations.
  - $30,000 for student assistants.

Financial Management Division

The Financial Management Division (FMD) plans, implements and guides all financial activities of Covered California, 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.

- Financial planning and analysis of revenues and expenditures, including economic analysis and forecasting.
- Prepares Covered California's annual Budget Book.
- 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.
- Pays carriers, general agents and agents for Covered California for Small Business (CCSB), and performs accounts receivables and reconciliations for the CCSB program.
- Receives, prepares and distributes payroll warrants.
- Prepares budgetary and legislative annual financial statements in compliance with generally accepted accounting principles (GAAP).

Activities Supporting Covered California's Mission and Strategy

- Supporting a culture of continual improvement for budget, forecasting and accounting practices, policies, procedures and systems to better support division operations.
- Pursuing department-wide efforts to evaluate, streamline and prioritize division functions to identify efficiencies and improve customer service to maximize enrollment and retention.
- Continuing to support department-wide efforts to develop policies, procedures, strategies and systems to enhance these critical efforts.

Key Accomplishments for FY 2017-18

- Published Covered California's FY 2017-18 Budget Book, which includes a multi-year financial summary of all revenues, expenditures and staffing used by each of Covered California's divisions.

- Completed FY 2015-16 and 2016-17 financial statements and Single Audit Report required by OMB Uniform Guidance. 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.

- Began implementation of the Financial Information System for California (FI$Cal) system, which provides the state an integrated financial management system. The objective of FI$Cal is to streamline and automate 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 Covered California for Small Business's carrier, general agent and agent reports using FMD's Structured Query Language (SQL) database. This reconciliation allows FMD to validate and analyze information among various reports for Covered California for Small Business employer groups and their members.

- Employee development for Financial Management staff, supervisors and managers in the form of instructor-led team-building sessions such as LEAN – White Belt training, as well as DiSC training.

- Operational improvements, which include the launch of a GAAP Unit to support the need for GAAP-compliant financial statements.

Financial Management Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	55	58	58
Personal Services	$ 3,641,587	$ 4,295,318	$ 3,807,801
Benefits	$ 1,625,029	$ 1,946,277	$ 2,068,659
Contracts	$ 2,744,738	$ 4,603,250	$ 3,560,000
OEE	$ 250,972	$ 461,000	$ 318,000
Total Expenses	**$ 8,262,326**	**$ 11,305,845**	**$ 9,754,460**
ProRata / Sup. Pension Pay./ Other	$ 196,262	$ 605,107	$ 715,730
Total Operating Costs	**$ 8,458,588**	**$ 11,910,952**	**$ 10,470,190**

Budget Highlights and Key Changes

- The contracts budget includes:
  - $2,400,000 for CCSB accounting services.
  - $850,000 for FI$Cal consulting services.
  - $310,000 for various other services.

Administrative Services Division

The Administrative Services Division provides an array of central support services to provide Covered California's board, staff and customers with the most effective and efficient level of administrative services to achieve Covered California's divisional and operational objectives. These services are provided through the Business Services Branch, the Human Resources Branch and Covered California University.

Business Services Branch

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 our physical resources through facilities operations.

- Administers all contracting activities for Covered California and provides consulting services to divisions. Maintains the records for all contracts for Covered California and responds to audit requests regarding those activities.
- Administers all goods and services purchasing for Covered California divisions.
- 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 (CCAM), records management, forms management, recycling, asset management and space planning.
- Ensures all Covered California facilities are well maintained and secure.

Activities Supporting Covered California's Mission and Strategy

- Continue to improve processing times and quality of services for all business services requests.
- Automate and streamline business services-related functions to improve operational efficiency and effectiveness.
- Continue to successfully achieve all business services activities and implement all legislatively mandated policies and procedures.

Key Accomplishments for FY 2017-18

- In collaboration with FMD, designed and implemented the transition to FI$Cal for Covered California. The agency will be live in FI$Cal in July of 2018. This transition involved designing and planning, change management and communication plans for Covered California to ensure a successful and quick transition to this new system.

- Provided contracting services for more than 17,000 Certified Insurance Agents; Certified Enrollment Entities; Navigators; health plans, dental plans and third-party administrators; personal services; operational services and non-monetary agreements.
- Processed more than 800 purchase orders for divisions' requests.
- 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 location, and ice machine installation at two Service Center locations.
- Established the Special Projects Unit within the branch to provide a hands-on approach in 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.
- Acquired the response office to assist with space needs at the Exposition location. Completed the tenant improvements and established a new lease for this much-needed space. Additionally, conducted a re-stacking project at the Exposition office to understand division-space boundaries for current needs.
- Completed tenant improvements at the Rancho Cordova Service Center to install additional external security cameras, Americans with Disabilities Act (ADA) door assist operators and other building improvements. These additions will provide additional security and easier accessibility for the facility, thus improving employee morale.

Business Services Branch Budget

	FY 2016-17		FY 2017-18		FY 2018-19	
	Actual Expenditures		Approved Budget		Proposed Budget	
Positions		33		36		38
Personal Services	$	1,816,607	$	2,145,411	$	2,223,038
Benefits	$	865,485	$	1,018,822	$	1,216,045
Contracts	$	450,514	$	383,750	$	412,500
OEE	$	4,611,415	$	6,256,647	$	6,056,986
Total Expenses	**$**	**7,744,021**	**$**	**9,804,630**	**$**	**9,908,568**
ProRata / Sup. Pension Pay./ Other	$	117,757	$	375,584	$	468,927
Total Operating Costs	**$**	**7,861,778**	**$**	**10,180,214**	**$**	**10,377,495**

Budget Highlights and Key Changes

- This budget includes two new positions, one associate governmental program analyst for the Special Projects Unit and one staff services manager I for the Health and Safety Unit.
- The contracts budget includes:
  - $135,000 for health, safety and wellness.
  - $125,000 for project management.
  - $125,000 for student assistants.
  - $24,000 for operational maintenance.
  - $3,500 for mailing and courier services.

Human Resources Branch

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.

- Consults with hiring managers and personnel liaisons, reviews applications, processes requests for personnel actions, verifies minimum qualifications and approves hires in accordance with delegated authority.
- Develops personnel procedures, coordinates pre-employment services, issues personnel bulletins, generates and distributes personnel reports.
- Oversees timekeeping and reporting, advising managers accordingly and processing all personnel, payroll and benefits.
- Advises and serves as a resource for all labor-relations activities with employee organizations, employee representatives, job stewards and third-party reviewers and control agencies.
- Administers workers' compensation, Return-to-Work, Family and Medical Leave Act (FMLA) and California Family Rights Act (CFRA) claims and requests in accordance with applicable laws and internal policies.
- Monitors state and federal human resources policy changes, including union contracts and governor mandates. Updates Covered California human resources policies and procedures as needed.

Activities Supporting Covered California's Mission and Strategy

- Automate and streamline human resources services provided to internal and external customers.
- Continue to pursue technological advances that improve operating efficiencies.
- Collaborate with each division to implement continuous improvement of organizational culture and maintain a workplace that fosters a healthy, positive and respectful work environment.
- Strive to foster excellence by empowering professional development and creating innovation solutions using service, tools and technology that bridge challenges and business needs to deliver a diversified, high-performance workforce.

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.
- Implemented new recruitment strategies, including successfully implementing the Covered California Careers Facebook page; participating in over 30 recruitment events; creating a pipeline of more than 1,000 job seekers and redesigning the California Health Benefit Exchange careers website to provide a more robust site 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 Form 700 filings.
- Completed administrative procedures for the telework program and alternate workweek schedules.
- Implemented the Human Resources (HR) Weekly Announcement, to be 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.

Human Resources Branch Budget

	FY 2016-17		FY 2017-18		FY 2018-19	
	Actual Expenditures		Approved Budget		Proposed Budget	
Positions		47		52		51
Personal Services	$	3,091,334	$	3,416,997	$	3,398,417
Benefits	$	1,834,277	$	2,604,950	$	1,832,246
Contracts	$	402,465	$	608,000	$	753,376
OEE	$	206,290	$	259,700	$	206,000
Total Expenses	**$**	**5,534,366**	**$**	**6,889,647**	**$**	**6,190,040**
ProRata / Sup. Pension Pay./ Other	$	167,715	$	542,510	$	629,349
Total Operating Costs	**$**	**5,702,081**	**$**	**7,432,157**	**$**	**6,819,389**

Budget Highlights and Key Changes

- This budget includes limited-term funding for one year for four senior personnel specialists to assist with current PI audit efforts.
- The contracts budget includes:
  - $265,376 for human resources and employee services.
  - $150,000 for audit services.
  - $150,000 for consulting services.
  - $120,000 for examination lists and hiring.
  - $60,000 for unemployment.
  - $8,000 for various other services.

Covered California University

Covered California University (CCU) is the enterprise-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 Customer Relationship Management (CRM) Knowledgebase and the Absorb Learning Management System (LMS).

- 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 Medi-Cal to Covered California transition, 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.

Activities Supporting Covered California's Mission and Strategy

- Develop and apply content standardization and best practices to all courses and knowledge materials across the organization.
- Leverage 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 Accomplishments for FY 2017-18

- Instituted a proactive, collaborative project plan for CalHEERS releases. The training and knowledge teams' work in tandem ensured that we were 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 (LMS) 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.

Covered California University Budget

	FY 2016-17	FY 2017-18	FY 2018-19
	Actual Expenditures	**Approved Budget**	**Proposed Budget**
Positions	30	31	31
Personal Services	$ 1,724,814	$ 1,937,297	$ 1,928,467
Benefits	$ 816,046	$ 971,259	$ 1,060,868
Contracts	$ 363,372	$ 450,000	$ 462,500
OEE	$ 83,711	$ 118,000	$ 92,000
Total Expenses	**$ 2,987,943**	**$ 3,476,556**	**$ 3,543,835**
ProRata / Sup. Pension Pay./ Other	$ 107,052	$ 323,419	$ 382,545
Total Operating Costs	**$ 3,094,995**	**$ 3,799,975**	**$ 3,926,381**

Budget Highlights and Key Changes

- The contract budget includes:
  - $362,500 for training services.
  - $50,000 for licenses.
  - $50,000 for student assistants.

XI. Budget and Planning Process

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 in order 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 Jan. 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 Jan. 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 2017-18, 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 proposed budget reflects no anticipated cost shifts or cost increases in programs in FY 2018-19.

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