



Finance Subcommittee

Special Meeting

Connecticut Historical Society, Dangremond Meeting Room

Hartford, CT

April 16, 2018

11:00 a.m. – 12:00 p.m.

Meeting Minutes

Members Present: Benjamin Barnes (Chair); Robert Tessier; Victoria Veltri; Michael Gilbert on behalf of Commissioner Roderick Bremby, Department of Social Services (DSS); Robert Scalettar, M.D., (by phone)

Access Health CT (AHCT) Staff: James Michel; Sinisa Crnkovic

The Special Meeting of the Connecticut Health Insurance Exchange Finance Subcommittee was called to order at 11:06 a.m.

I. Call to Order and Introductions

Chair Benjamin Barnes called the meeting to order at 11:06 a.m.

II. Vote: Review and Approval of Minutes

Benjamin Barnes requested a motion to approve the January 12, 2018 Finance Subcommittee Regular Meeting Minutes. Motion was made by Victoria Veltri and seconded by Robert Tessier. ***Motion passed unanimously.***

III. FY2018 – 3rd Quarter Budget Report

James Michel, Director of Finance, presented the FY2018 3rd Quarter Budget Report. Mr. Michel indicated that currently, Access Health CT (AHCT) is in the process of completing a competitive procurement for new independent auditors. The Exchange is reviewing eight audit firms. New auditors will be chosen by the end of June.

Mr. Michel described financial performance through the third quarter of this Fiscal Year (FY). A favorability of \$2.7 million exists. Some expenditures have been expanded or have not been started yet. The APCD maintenance costs have been reduced, due to the renegotiation of the maintenance contract with the vendor. Robert Tessier inquired about

the amount of savings due to that change. Sinisa Crnkovic, Senior Financial Analyst, indicated that savings produced were approximately \$25,000 a month.

Mr. Michel provided information about budget projections. Additional adjustments in terms of the call center allocations were made. This adjustment will be absorbed by the reserves. Mr. Barnes inquired about the difference between the contractual allocations and the \$1.6 million variance. Mr. Michel stated that it has been included in the FY2018 budget adjustments for the call center already. Mr. Barnes inquired how it adds up to \$0 in expenses. Mr. Barnes inquired whether no option exists to mitigate the \$1.6 million without using the reserves. Mr. Michel stated that it is a very conservative estimate. The budget for the call center is based on membership. In terms of the PMPM, a slightly lower number exists for Medicaid and a bit higher for Qualified Health Plan members (QHP). Mr. Barnes indicated that numbers in columns were redistributed, which provided a result of zero dollars. Mr. Michel stated that Information Technology (IT) related expenses have to be incurred. It is the biggest contractual expense. Temporary staffing is also part of this equation.

Mr. Michel provided information on the services that AHCT shares with the Department of Social Services (DSS). Mr. Michel added that the AHCT share of these expenses, approximately \$7 million, is being shown in the budget. Most of it is the IT development, the call center, and other joint operations. All of the printing and scanning is done by AHCT vendors, and that part is allocated back to DSS. Mr. Barnes inquired why there are \$0 changes on the DSS allocable portion. Mr. Tessier inquired whether the two charts presented have \$0 net changes to the end of the FY. Mr. Michel pointed out that it is AHCT's anticipation. The revenues are coming in as budgeted. Mr. Michel provided additional information, indicating that anything that is not spent is deposited into AHCT's reserves.

Victoria Veltri inquired about the budget line item that deals with the contractual expenditures. Mr. Michel added that data exist to support it. Mr. Michel stated that AHCT is budgeting for what it expects to spend to fund its operations. Mr. Barnes added that it is the committee's and Board of Directors (BOD) members' prerogative to examine the Exchange's departmental financial needs.

Mr. Barnes encouraged staff to change the manner in which budgets are presented. Mr. Barnes added that such changes would include starting with the adopted budget for a year, and presenting everything from that baseline to the current situation and future forecast, ending at the end of the year. Mr. Barnes added that it is reasonable for the management to reallocate funds up to certain levels. Mr. Michel added that when the BOD votes on the AHCT budget, it votes on one given number. The Exchange then should stay within the confines of that amount.

Michael Gilbert inquired about AHCT's budget implications for the DSS budget. DSS may or may not be able to fulfill the allocated shares or the types of activities that are

contemplated when the budget is set. Mr. Barnes inquired about the status of the cost allocation amendment to the MOA. Mr. Michel added that the parties have agreed to the methodology and the numbers, and the language for the amendment is being finalized. Mr. Barnes encouraged AHCT and DSS to sign off on this before the budget is adopted in May by the BOD. Mr. Tessier inquired whether the costs of the call center contract are driven by utilization. Mr. Michel indicated that they are based on membership, which does vary but provides for greater certainty for budget planning purposes than utilization. Mr. Barnes suggested deferring the committee and the BOD's action on the budget until May, and have the amendment completed. Mr. Barnes praised both AHCT and DSS for working to complete this process. Mr. Barnes deferred the vote on the FY2019 Proposed Budget to a future meeting of the Committee.

Chair Barnes requested a motion to approve the FY2018 3rd Quarter Budget Report as presented by Exchange Staff. Motion was made by Robert Tessier and seconded by Victoria Veltri. ***Motion passed unanimously.***

IV. FY 2019 Proposed Budget

Mr. Michel provided an overview of the projected cash flow. Mr. Michel noted that AHCT is projecting to have \$20 million in the bank, which amounts to approximately 8 months of reserves. Ms. Veltri inquired whether AHCT had a requirement on reserves. Mr. Michel stated that no such requirement exists. Ms. Veltri stated that in the case of the insurance fund on a state level, if it were underspent, it would carry against their assessment to the next fiscal year. Ms. Veltri stated that the committee might consider this scenario for the Exchange. Mr. Michel added that, AHCT is always in a two-year lag in the premium figures used for the collection of the assessment. At this time, the Exchange is collecting the 2018 assessment using the 2016 premium figures. The carriers have the opportunity to make adjustments to the figures presented by AHCT as well. The information comes from the Federal Government and from the Connecticut Insurance Department (CID) filings. The current assessment rate is 1.65 percent. Ms. Veltri inquired whether the \$1.6 million for call center expenses was a one time or permanent adjustment. Mr. Michel reiterated that it was a permanent adjustment to reflect the change of the DSS allocation rate from 80-20 to approximately 70-30.

Mr. Michel provided an informational overview of the operating budget. Ms. Veltri inquired whether the reallocation of the APCD funds from AHCT to the Office of Health Strategy are reflected in the budget overview. Mr. Michel indicated that the budget for next year goes down by \$1 million. Mr. Tessier stated that a concern existed due to the assessment amounts decreasing, due to the reduction in coverage in the small group market. Mr. Michel indicated that it has not happened yet. The increase in premiums in previous years is a major factor in a favorable assessment collection. Currently, AHCT is benefiting from the increases in premium, and not necessarily from the increase in membership.

Ms. Veltri inquired about the slight increase in salaries. Mr. Michel pointed out that this number contains a Cost of Living Adjustment (COLA). Mr. Barnes inquired why the Exchange will be paying COLAs this year. Mr. Michel stated that it was budgeted, but the decision has not been made yet. Nothing will be done until the H.R. Committee or the Board approves it. If the money is not spent, it will be deposited into reserves. Mr. Barnes added that it is also the Board's prerogative to act on issues as it deems necessary. Mr. Barnes pointed out that he would be in favor of voting for a budget that would have planned contributions to reserves, and which would also make up for the \$1.6 million that is not favorable, due to changes to the cost sharing structure with DSS. It would be advisable to have a substantial reserve of over 1 year. Mr. Michel added that one concern that may arise with this approach is the possible reaction of the carriers, who may question whether this reserve was excessive.

Mr. Tessier expressed his support of Mr. Barnes' approach about building the reserves higher than the current AHCT reserves. In addition, building a three percent salaries increase, subject to a plan and decision by the BOD at a later date, is advisable due to the volatile environment. Mr. Michel added that the contractual amount is going up. AHCT previously operated storefronts, but instead of this approach, has now organized community events, and Faneuil provides staffing support for those events. Mr. Barnes inquired whether AHCT budgets for depreciation. Mr. Michel stated that the Exchange does not budget for depreciation. The annual audited financial statements reflect the wear and tear on the equipment and software. Mr. Barnes floated the idea of incorporating depreciation as a part of the budget. Mr. Barnes suggested that it might be worth considering. Mr. Tessier added that we should consider a formal policy on the reserves and its purpose. This formal policy would possibly mitigate some of the carriers' concerns.

Mr. Michel provided an overview of the DSS allocations and cash flows for the end of FY2019. Mr. Michel described the Capital Improvement Budget. Mr. Barnes expressed his concern that spending 15 percent of the reserves on improvements and upgrades to the system is not a sustainable approach. Mr. Barnes indicated his reluctance to do that without introducing a reserves policy. Mr. Michel stated that AHCT has not addressed any of the structural issues in the system. Mr. Barnes expressed his reservations about accepting the Capital Improvement Plan at the same time that the Operating Budget is adopted. Mr. Barnes expressed his concern about looking at the one year capital expenditures out of the context of a multiyear plan.

Mr. Barnes stated that different financing solutions may need to be considered if it is an ongoing issue, by either reducing operating expenses or raising the assessment. Mr. Barnes encouraged the staff to present a 5-year plan to the Board.

Victoria Veltri left at 12:20 p.m.

Mr. Michel stated that the staff have created a multi-year plan. This is year one of that plan. At the next Finance Committee meeting, more details for the multi-year plan will be

provided. Mr. Tessier stated that reducing customer disruption and dissatisfaction is part of the equation. Robert Scalettar inquired whether the reserve fund has been used in the past. Mr. Michel indicated that this information could be provided to the committee members, since it was not readily available.

V. Adjournment

Benjamin Barnes requested a motion to adjourn. Motion was made by Robert Tessier and seconded by Michael Gilbert. ***Motion passed unanimously.*** Meeting adjourned at 12:24 p.m.