



Finance Subcommittee

Special Meeting

Legislative Office Building, Room 1B

Hartford, CT

May 10, 2018

1:00 p.m. – 2:30 p.m.

Draft Meeting Minutes

Members Present: Benjamin Barnes (Chair); Robert Tessier; Michael Gilbert on behalf of Commissioner Roderick Bremby, Department of Social Services (DSS)

Members Absent: Victoria Veltri; Robert Scalettar, MD.

Access Health CT (AHCT) Staff: James Michel; Shan Jeffreys (by phone) Sinisa Crnkovic; Rajiv Chawla; Anthony Crowe; Susan Rich-Bye

The Special Meeting of the Connecticut Health Insurance Exchange Finance Subcommittee was called to order at 1:09 p.m.

I. Call to Order and Introductions

Robert Tessier called the meeting to order at 1:09 p.m.

II. Vote: Review and Approval of Minutes

Robert Tessier requested to postpone the approval of the April 16, 2018 Finance Subcommittee Regular Meeting Minutes until quorum was met.

III. FY2019 Proposed Budget

James Michel, Director of Finance, presented the Fiscal Year 2019 (FY19) Proposed Budget. Mr. Michel updated the Committee on the 2019 FY Operating Budget. He outlined a comparison of the FY 19 Proposed Budget to the Reforecast results after the Second Quarter of 2018. Shared Operating costs with DSS are part of the budget. Mr. Michel added that the Request for Proposals (RFP) process has been completed for the new auditors. Eight responses to the RFP have been received. A selection of the new auditing firm has taken place; however, AHCT is not currently at liberty to disclose the name of the new auditor pending conclusion of the negotiations. Mr. Michel added that the Operating Budget includes the proposed three percent salary increase for

the AHCT employees. Mr. Michel emphasized that this proposal would need to be approved by the Human Resources Subcommittee first. AHCT included a 4% increase for health insurance premiums in the FY19 proposed budget, however since the proposed budget was created, the Exchange received a projected increase of 8% for health insurance for FY19. AHCT has enough funding to absorb the additional 4% within the budget. Mr. Michel added that two capital projects were repositioned into the Operating Budget. AHCT will be able to absorb them, since the funding mechanism between AHCT and the Department of Social Services (DSS) allows for that. Mr. Michel provided details of the shared costs between AHCT and DSS.

Mr. Michel presented the Information Technology (IT) and operational cost sharing between the two organizations, including the DSS-allocable part of cost sharing. Rajiv Chawla, Director of IT added that one line item will not occur next year, and another one was misclassified from security into hosting. It was moved back to the security portion. The Memorandum of Understanding (MOU) between AHCT and DSS has been agreed upon, and is awaiting the Commissioner's and the Lieutenant Governor's signatures. Michael Gilbert expressed his appreciation for the AHCT staff that was involved in negotiations on the MOU. Mr. Tessier indicated that it is a very positive development. Mr. Michel echoed Mr. Gilbert's assessment. Mr. Michel thanked DSS staff for working collaboratively with AHCT to achieve the result that is satisfactory to both sides.

Mr. Michel provided an overview of the Proposed Capital Improvement Plan. The total Capital Improvement Budget is about \$6.7 million. Mr. Michel pointed out that about \$2.3 million would come from the AHCT's reserves, while the remaining funds will be paid by DSS. AHCT has five projects, and three of them will be shared with DSS. These projects will help the system to provide improved customer service. It will also be more cost-efficient. Mr. Chawla enumerated various technological improvements that are planned. AHCT has taken many necessary steps to fix issues that, in some cases, stem from the short and rapid implementation of its system in 2012-2013. Mr. Chawla added that by working collaboratively with DSS, AHCT is not only repairing those issues, but also is working on optimizing its platforms to make sure that AHCT meets customer demands and expectations, and is staying aligned with the latest technology advancements in the industry. Those projects include simplification of the website interaction, as well as making shopping and plan selection easier.

Mr. Chawla added that AHCT is moving away from products that are licensed to open-source software solutions. It will produce long-term savings. Mr. Chawla provided information on the changes that are expected in the area of consumer notices. Mr. Tessier inquired whether the new system would be internal or external. Mr. Chawla pointed out that the system would remain external. He summarized the improvements, which include Verification of Lawful Presence (VLP), delivering a new Policy-Based Payment and reconciliation solution, as well as implementing general improvements to the existing Electronic Data Interchange (EDI) process. Mr. Tessier inquired whether the EDI inbound and outbound is between AHCT and the carriers. Mr. Chawla affirmed that it is the case. Mr. Gilbert added that some of the DSS share of funds might need to be adjusted in the advanced planning documents that need to be presented to the federal government for approval. Mr. Tessier inquired about the

additional features for VLP. Susan Rich-Bye stated that when AHCT checks an individual's citizenship status with federal hub sources, AHCT may get information back that conflicts with the individual's application. AHCT has been performing this secondary check manually. This process will be automated now. Mr. Michel added that this switch would provide AHCT with cost savings, since the vendor would not have to send out as many paper notices. Printing and scanning will also be reduced because of the change.

Mr. Michel provided the list of all of the capital projects that are currently included in the Operating Budget. They are not necessarily routine projects. They are one-time expenditures because they do not repeat every year. Most of those projects have no impact to DSS.

Benjamin Barnes arrived at 1:27 p.m.

IV. FY 2019 Proposed Capital Improvement Plan

Anthony Crowe, Director of Operations, provided a summary of the Operations-related projects as a part of AHCT's 2019 Proposed Capital Improvement Budget. Mr. Tessier inquired about the readiness on the carrier side to implement the automation of communication. Mr. Crowe indicated that those discussions have not occurred yet, but they will take place soon. An initial meeting with the carriers took place following the OE period, and they are receptive to this idea. The carriers are also looking to streamline the process with AHCT.

Mr. Chawla provided a summary of the IT-related projects as a part of AHCT's 2019 Proposed Capital Improvement Budget. Mr. Chawla added some components include the way in which AHCT performs its operations internally before the information reaches the carrier. The electronic communication process will also be improved. Mr. Crowe stated that verifications of eligibility would be the main focus over the next two years. This is the beginning of the process. Mr. Chawla added that AHCT currently has a connection with the federal hub, but the data that comes back from there is not always accurate or informative enough. Currently, AHCT generates notices when information cannot be verified electronically, and consumers have to submit documents to AHCT to validate their information. One of the projects will aim at improving the connectivity and getting improved responses from the federal hub. Mr. Crowe pointed out that AHCT is trying to reduce the number of calls to the call center by improving the web portal. Mr. Chawla stated that one of the projects underway is to create a provider directory integration into the plan selection process. This data can be used in two ways. Certain plans being offered for 2019 may require the selection of a Primary Care Physician (PCP). This is where this directory will be beneficial. It will also be used in the customer decision support tool. Mr. Michel added that the appeals section will be removed from the budget since it will continue to be handled by DSS.

Mr. Crowe pointed out that SHOP Phase II Rebranding will be a part of the 2019 Operating Budget as well. Mr. Michel added that last year, SHOP went through the first phase, which included getting a new vendor. Mr. Michel stated that AHCT has been planning to create a subsidiary to offer off-Exchange type products to enhance the lives of the Exchange's

customers.

Mr. Barnes asked why the SHOP Phase II Rebranding, Measuring Marketing Efforts, Plan Management Portal, and Subsidiary Start-Up are placed in the Capital expenditures. Mr. Michel pointed out that they are not necessarily investments, but one-time expenditures in specific areas to be tracked accordingly. Mr. Barnes stated that to some degree, some expenses would reoccur. Mr. Barnes thanked the Finance staff at AHCT for making sure that the use of funding from the reserves for certain projects will be a one-time undertaking. Mr. Michel pointed out that AHCT anticipates having at least \$18.3 million in reserves at the end of FY19. Mr. Michel presented the cash reserves trend from FY12 to the projected FY19. AHCT relied on grants in the first years of its operations. Mr. Gilbert added that AHCT and DSS had an allocation agreement of 80-20, and at that the time it was a fair ratio from the DSS perspective, since some costs can be higher and others lower. Following that, the adjustment of 70-30 ratio allocation was put in place. Further, the agreement on the non-call center operating costs was adjusted to 86-14.

Mr. Michel provided changes to the budget reporting formats. Mr. Barnes stated that it is more in line with the governmental budgeting for agencies. Mr. Barnes stated that the Board of Directors still approves quarterly budget reforecasts. The changes in budget reporting are a good step. Mr. Michel provided an analysis of the marketplace assessment anticipated collections through FY22. Mr. Michel added that the FY21 anticipated assessment is lower, due to the expectation of a reduction in individual premium revenues from 2019 due to the zeroing out of the individual mandate penalty in 2019. The FY22 assessment collection is anticipated to be higher, due to the projected 7 percent growth in premium in the individual market starting in 2020. Mr. Tessier inquired about the study that was used to determine that the 7 percent premium increase would generate a \$3 million increase in the marketplace assessment funds. Mr. Michel pointed out that this study is available, and the AHCT staff will provide the detailed information. If it cannot be fully justified, Wakely will be asked provide detailed analysis of their findings.

V. Assessment Calculation Walkthrough

Pamela Roe, AHCT Comptroller, presented the five-year assessment forecast. Ms. Roe indicated that AHCT collects the premium data from Centers for Medicare and Medicaid Services (CMS) and from the Connecticut Insurance Department (CID) for the dental premiums. These data are two years in arrears. Generally, these data are available to AHCT between November and December of each year. The individual dental data contain the actual numbers, while the small group premiums contain the estimates. The pro-rata calculation of the total Connecticut premiums to the total overall premiums and the percentage is applied to the total group, as well as to calculate the small group estimate. The carriers have the option to replace these estimates with actuals through AHCT's amendment process. Following this step, AHCT staff calculates the Board-approved rate to calculate the assessment. Ms. Roe added that the estimated assessment income is recorded in January for the first quarter. Mr. Tessier inquired whether there are 83 carriers in the individual and small group markets. Ms.

Roe stated that approximately 95 percent of the income from health assessments are spread among approximately 30 carriers, while the remaining 5 percent comes from the dental plans, which is spread over 80 carriers. Those numbers vary slightly from year to year. The total health assessment income billed for 2018 amounted to \$29.5 million and the total dental equaled \$4.7 million. However, the amendment that came in reflected a \$2.8 million reduction. The ending dental assessment is \$1.9 million. The bills are sent out once a year. The carriers have various payment options, which include paying the total amount due by March 31, or issuers make payments quarterly.

Benjamin Barnes requested a motion to approve the April 16, 2018 Finance Subcommittee Special Meeting Minutes. Motion was made by Robert Tessier and seconded by Michael Gilbert. ***Motion passed unanimously.***

Benjamin Barnes requested a motion to approve the FY 2019 Budget as presented by Exchange Staff. Motion was made by Robert Tessier and seconded by Michael Gilbert. ***Motion passed unanimously.***

Benjamin Barnes requested a motion to approve the FY 2019 Proposed Capital Improvement Plan as presented by Exchange Staff. Motion was made by Robert Tessier and seconded by Michael Gilbert. ***Motion passed unanimously.***

VI. 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 2:04 p.m.