



FINANCE SUBCOMMITTEE ACCESS HEALTH CT

**Special Meeting
Legislative Office Building, Room 1B
Hartford, Connecticut
November 3, 2016**

Meeting Minutes

Members Present: Secretary Benjamin Barnes (OPM); Robert Scalettar, MD; Robert Tessier; Victoria Veltri; Michael Gilbert on behalf of Commissioner Roderick Bremby, Department of Social Services (DSS)

Access Health CT (AHCT) Staff – James Wadleigh, Steven J. Sigal, Susan Rich-Bye, Tricia Brunton

The Special Meeting of the Connecticut Health Insurance Exchange Finance Committee was called to order at 2:04 PM

I. Call to Order and Introductions

Secretary Benjamin Barnes called the meeting to order at 2:04 PM

II. Approval of the Minutes

Secretary Barnes requested a motion to approve the May 4, 2016 Finance Committee Special Meeting Minutes. Motion was made by Robert Tessier and seconded by Robert Scalettar. ***Motion passed unanimously.***

III. 2017 Fiscal Year First Quarter Expense Reforecast

Secretary Barnes introduced Steven Sigal, Chief Financial Officer. Mr. Sigal outlined the 2017 Fiscal Year First Quarter Expense Reforecast. The reforecast is about \$1.3 million more than the original budget. The original budget was \$34.6 million. The increase relates to maintenance and operation expenses, which include all of the maintenance contracts for hardware and software, as well as the Integrated Eligibility System (IES). Paper application expenses are also higher than the original budget by approximately \$500,000. Mr. Sigal stated that the Department of Administrative Services Bureau of Enterprise Systems and Technology (BEST) relocated its data center from East Hartford to Groton, which made it difficult to accurately budget the maintenance and operation expense as a data center refresh occurred in conjunction with the relocation.

Also, as a result of the two AHCT carriers' decision not to pay commissions to the brokers selling policies on the Exchange, AHCT, through its Call Center vendor, hired 21 certified brokers to assist customers in choosing appropriate plans. They are non-commissioned, salaried employees. Most of the brokers are durational with a few permanent employee brokers to assist anyone with the Special Enrollment needs after Open Enrollment (OE) ends. This action caused an unanticipated expense of close to \$1 million which was reallocated within the existing budget parameters. Another factor was that the start-up costs with the new Call Center vendor were accelerated. Sixty percent of the start-up costs will be paid up front while the remaining 40% will be amortized over a period of 36 months. This has caused an unfavorable variance of \$1.5 million. The acceleration also caused an unfavorable variance in cost-sharing with the Department of Social Services (DSS). AHCT has offered to assist DSS with their portion of the unfavorable variance. Mr. Sigal noted that the favorability in the gross expenses emanates from a reduction in IT development work and the beginning of direct billing to DSS and AHCT by certain shared vendors

Robert Scalettar asked about the number of brokers who, prior to OE 2017, assisted on-Exchange customers in picking their insurance plans. James Wadleigh responded that about 600 certified brokers assisted AHCT before November 1st. Dr. Scalettar asked how the brokers who were hired by the Call Center are compensated. Susan Rich-Bye responded that these brokers are being paid by the hour. They are seasonal, part-time employees. Dr. Scalettar inquired about funding sources for their employment. Mr. Wadleigh noted that AHCT reduced its advertising budget by approximately \$450,000. In addition, about \$400,000 slated as investment funds were reallocated to pay for the newly hired brokers. Mr. Wadleigh noted that over the last three years, 40% of the AHCT enrollees used a broker. This number is cumulative. Mr. Wadleigh added that about 30,000 customers were associated with a broker with the total enrollment amounting to an average of 100,000. From that point, AHCT noticed that about 40% will re-visit their broker. Ultimately, per AHCT's calculations, about 25,000 enrollees will need a broker to obtain medical insurance through AHCT. Mr. Wadleigh provided an overview of AHCT's calculations to determine the number of brokers needed. Mr. Wadleigh indicated that there was a chance that the 21 brokers who were hired may not be enough to satisfy the demand. Dr. Scalettar commented that carriers stopping broker commissions for on-Exchange plans is discouraging. He added that AHCT properly reacting to the existing situation by providing funds to the Call Center to hire 21 brokers is good news to the Exchange's customers. Mr. Wadleigh responded adding that the elimination of the brokers' commissions by the carriers is good news for the carriers. According to AHCT's estimates, it saves the carriers about \$10 million. Mr. Barnes added that if carriers do not pay broker commissions, medical insurance premiums for the Exchange's customers should be affected in a positive way. Mr. Wadleigh responded that many factors influenced the increase in premiums. Mr. Barnes agreed, but if carriers were required to pay brokers' commissions, the monthly premium cost would have increased.

Dr. Scalettar expressed his concern that due to the carriers not paying commissions to brokers for the on-Exchange plans, the relationships between the brokers and their former clients would disappear. Mr. Wadleigh noted that it is unfortunate that some of these relationships will dissolve. However, he added that some of these brokers are offering their services free of charge for the on-Exchange customers. There are states that allow brokers to charge their customers \$50 to enroll. Mr. Wadleigh added that 70% of AHCT customers who were not using brokers to

help them enroll were de facto subsidizing the 30% who were using brokers. Ms. Rich-Bye added that the Connecticut Insurance Department (CID) has a program that allows brokers to enter consulting business agreements. They have to be licensed with CID. Ms. Rich-Bye indicated that those who choose to enter into a consulting business agreement and charge those fees, would be required to disclose to their customers the cost for their services before helping them enroll. Victoria Veltri added that many brokers did not feel that this option would suit them. Mr. Wadleigh added that AHCT looked to find a middle ground to find the most amicable solution. The lead broker program that was created by AHCT increased the commissions to a level that the carriers were not expecting.

Mr. Sigal described additional variances in the budget. The biggest variances in the budget are temporary staffing, contractual and maintenance and operations. Mr. Sigal explained which services are being cost-shared with DSS. Michael Gilbert clarified the issue of AHCT's cost sharing with DSS. Mr. Gilbert added that DSS is appreciative of the AHCT's offer to DSS. Mr. Sigal noted that the Call Center investment poses both risks and opportunities. AHCT's portion of a budget from July to September 30th is slightly favorable against the original budget by almost \$400,000. Mr. Barnes asked for the explanation of a risk associated with expansion of the mobile app to Medicaid. Mr. Sigal responded that AHCT has a mobile application. It is a convenient tool used by AHCT's customers. Strong interest exists to expand this mobile application to Medicaid recipients. Medicaid recipients will be able to upload necessary documents through this mobile application. It will add costs to the maintenance of that tool. Mr. Barnes added that AHCT expects DSS to contribute to the cost-sharing. Mr. Sigal confirmed. Mr. Barnes inquired if the AHCT's cost-sharing with DSS is stable. Mr. Sigal responded that it depends on the Memorandum of Agreement (MOA), which is not final at this point. One of the items that may be incorporated into the MOA is an outline of collaboratively reviewing costs that could be shared in the future.

Secretary Barnes requested a motion to approve the 2017 Fiscal Year First Quarter Expense Reforecast as presented by Exchange Staff. Motion was made by Robert Tessier and seconded by Robert Scalettar. ***Motion passed unanimously.***

IV. Adjournment

Secretary Barnes requested a motion to adjourn the meeting. Motion was made by Robert Tessier and seconded by Robert Scalettar. ***Motion passed unanimously.*** Meeting adjourned at 2:36 p.m.