

Finance Committee Meeting

April 26, 2017



Agenda

Access Health CT Finance Subcommittee

NOTICE OF SPECIAL MEETING AND AGENDA

Date: Wednesday, April 26, 2017
Time: 11:00 AM to 1:00 PM
Location: Holiday Inn (Suite 202)
100 East River Drive, East Hartford
Conference: None

	AGENDA ITEM	REQUESTED ACTION
I.	Call to Order and Introductions	
II.	Meeting Minutes February 10, 2017	Discussion and Vote
III.	2018 Fiscal Year Operating Budget & Sustainability	Discussion and Vote
IV.	Meeting Adjournment	

Documentation pertinent to discussion:

1. February 10, 2017 Meeting Minutes
2. 2018 Fiscal Year Operating Budget & Sustainability

Votes

- February 10, 2017 Special Meeting Minutes
- 2018 Fiscal Year Operating Budget & Sustainability

2018 Fiscal Year Operating Budget
&
Sustainability
April 2017



2018 Fiscal Year Operating Budget & Sustainability

Operating Budget

- The 2018 AHCT budget of \$30.7M is \$5.2M or 14.5% less than the Q2, 2017 forecast of \$35.9M. On a gross expense basis, including costs shared with the Department of Social Services (DSS), 2018 is \$54.6M , which is \$9.7M or 15% less than the Q2 2017 forecast of \$64.2M.
- The decrease in the AHCT budget relates to the new call center and the per member per month (PMPM) billing structure, as well as the continued maturation of the Integrated Eligibility System (IES) resulting in less Information Technology (IT) development. Expenses for Marketing were also reduced.
- The All Payer Claim Database (APCD) will be moved from AHCT to a State of Connecticut agency, and, as a result, has been removed from the budget and contributes to the decrease.
- The decrease in gross expense relates to a reduction in IT development and continuation of directly billing vendor charges to both AHCT and DSS for their respective shares.
- The Operating Budget reflects the following items:
 - Operating expenses were constrained to equal the amount of estimated marketplace assessments for Calendar Year 2018
 - The Affordable Care Act (ACA) and all its components continue for the 2nd half of FY 2018
 - The IES continues to be the system for Qualified Health Plan (QHP), Medicaid and Children’s Health Insurance Program (CHIP) eligibility
 - Approach to outreach does not change
- The budget is presented as a component of the projected financial statements of AHCT, including a statement of revenues, expenses and changes in net position; a statement of net position; and a statement of cash flows. This represents a view of the expected financial position, revenue and expenses, and cash position of AHCT at June 30, 2018. The budget in the normal line item format is included as a portion of the statement of revenues, expenses and changes in net position.

2018 Fiscal Year Operating Budget & Sustainability

Sustainability

- 2018 will be the fifth year of the marketplace assessment. The actual assessment will be calculated on CY 2016 Statewide Individual, Small Group and Dental premium. This timing is used to be able to rely on the most recent officially filed data by licensed carriers in the State.
- In 2015, the Board of Directors approved a marketplace assessment rate of 165 bps for two calendar years, 2016 and 2017.
- The analysis on page 6 displays an estimated projection of 2018 assessments at 165 bps. The projection considered statewide premium from CY 2015 & 2016 Annual Statements filed by insurance carriers licensed in the State of Connecticut. The trend indicated an overall premium reduction of a little more than 1%.
- The historical results of the marketplace assessments since inception are also presented on page 6.
- For CY 2018, AHCT staff recommends maintaining the marketplace assessment at a rate of 165bps.

2018 Fiscal Year Operating Budget & Sustainability

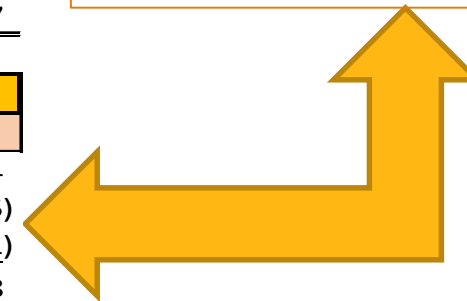
FY18 Budget vs. Q2 FY17 Reforecast - AHCT

PROJECTED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
	Q2, FY17 RFCST	FY18 BUDGET	VARIANCE
Grants	\$ 1,465,829	\$ -	\$ (1,465,829)
Marketplace Assessments	\$ 32,150,000	\$ 30,779,214	\$ (1,370,786)
Interest Income	\$ 48,473	\$ 43,287	\$ (5,186)
Revenue	\$ 33,664,302	\$ 30,822,501	\$ (2,841,802)
Salaries	\$ 8,065,818	\$ 7,327,147	\$ 738,671
Fringe Benefits	\$ 2,419,745	\$ 2,427,628	\$ (7,882)
Temporary Staffing	\$ 908,653	\$ 515,738	\$ 392,915
Contractual	\$ 16,386,620	\$ 12,946,850	\$ 3,439,770
Equipment and Maintenance	\$ 4,010,263	\$ 3,159,047	\$ 851,216
Supplies	\$ 18,055	\$ 26,206	\$ (8,151)
Travel	\$ 128,816	\$ 131,299	\$ (2,483)
Other Administrative	\$ 1,234,405	\$ 1,228,886	\$ 5,520
Operating Expenses	\$ 33,172,375	\$ 27,762,801	\$ 5,409,574
Depreciation	\$ 1,067,240	\$ 217,890	\$ 849,350
Total Expenses	\$ 34,239,615	\$ 27,980,691	\$ 6,258,924
			\$ -
Change in Net Position	\$ (575,312)	\$ 2,841,810	\$ 2,266,497

RECONCILIATION OF OPERATING EXPENSES TO OPERATING BUDGET & GROSS EXPENSES			
	Q2, FY17 RFCST	FY18 BUDGET	VARIANCE
Operating Expenses	\$ 33,172,375	\$ 27,762,801	\$ 5,409,574
IT Development	\$ 2,737,805	\$ 2,828,550	\$ (90,745)
Pre-Paid Expenses	\$ (36,643)	\$ 74,128	\$ (110,771)
Operating Budget	\$ 35,873,537	\$ 30,665,479	\$ 5,208,058
Costs shared with DSS	\$ 26,780,518	\$ 23,892,644	\$ 2,887,874
AHCT Grants	\$ 1,566,781	\$ -	\$ 1,566,781
Gross Expenses	\$ 64,220,836	\$ 54,558,123	\$ 9,662,713

Variations

- Salary & Fringe costs reflect reorganization and increase in benefit costs.
- Temporary Staffing, Contractual, Equipment and Maintenance and IT Development – See page 5 for detail



2018 Fiscal Year Operating Budget & Sustainability Analysis of Shared Costs with DSS

	GROSS EXPENSE			DSS ALLOCABLE			AHCT
	Q2, FY17 RFCST	FY18 Budget	Variance	Q2, FY17 RFCST	FY18 Budget	Variance	FY18 Budget
BEST Staffing Dev (84%)	\$ 677,165	\$ -	\$ 677,165	\$ 568,818	\$ -	\$ 568,818	\$ -
BEST Staffing (80%)	\$ 960,692	\$ 1,621,251	\$ (660,559)	\$ 768,553	\$ 1,297,001	\$ (528,448)	\$ 324,250
BEST Staffing via DSS	\$ 40,000	\$ 40,000	\$ 0	\$ -	\$ -	\$ -	\$ 40,000
AHCT Staffing (80%)	\$ 66,393	\$ -	\$ 66,393	\$ 53,115	\$ -	\$ 53,115	\$ -
AHCT Staffing	\$ 556,138	\$ 151,488	\$ 404,650	\$ -	\$ -	\$ -	\$ 151,488
Temporary Staffing	\$ 2,300,388	\$ 1,812,739	\$ 487,649	\$ 1,390,486	\$ 1,297,001	\$ 93,486	\$ 515,738
IT Development (84%)	\$ 158,500	\$ -	\$ 158,500	\$ 133,140	\$ -	\$ 133,140	\$ -
Hosting (80%)	\$ 1,521,156	\$ 1,540,000	\$ (18,844)	\$ 1,216,925	\$ 1,232,000	\$ (15,075)	\$ 308,000
Security (80%)	\$ 729,800	\$ 1,116,310	\$ (386,510)	\$ 583,840	\$ 893,048	\$ (309,208)	\$ 223,262
Testing (84%)	\$ 386,090	\$ -	\$ 386,090	\$ 324,315	\$ -	\$ 324,315	\$ -
Testing (80%)	\$ 314,080	\$ 1,068,800	\$ (754,720)	\$ 251,264	\$ 855,040	\$ (603,776)	\$ 213,760
DSS Only Projects (100%)	\$ 660,160	\$ 796,640	\$ (136,480)	\$ 660,160	\$ 796,640	\$ (136,480)	\$ -
IT Allocable	\$ 3,769,786	\$ 4,521,750	\$ (751,964)	\$ 3,169,644	\$ 3,776,728	\$ (607,084)	\$ 745,022
Call Center (80%)	\$ 21,029,265	\$ 16,654,910	\$ 4,374,355	\$ 16,823,412	\$ 13,323,928	\$ 3,499,484	\$ 3,330,982
Operations (80%)	\$ 2,994,269	\$ 2,795,000	\$ 199,269	\$ 2,395,415	\$ 2,236,000	\$ 159,415	\$ 559,000
Non-IT Allocable	\$ 24,023,534	\$ 19,449,910	\$ 4,573,624	\$ 19,218,827	\$ 15,559,928	\$ 3,658,899	\$ 3,889,982
Accounting	\$ 88,125	\$ 75,000	\$ 13,125	\$ -	\$ -	\$ -	\$ 75,000
APCD	\$ 1,405,813	\$ -	\$ 1,405,813	\$ -	\$ -	\$ -	\$ -
Call Center (Brokers)	\$ 716,781	\$ -	\$ 716,781	\$ -	\$ -	\$ -	\$ -
Legal	\$ 635,800	\$ 213,800	\$ 422,000	\$ -	\$ -	\$ -	\$ 213,800
Marketing	\$ 4,176,278	\$ 2,966,406	\$ 1,209,872	\$ -	\$ -	\$ -	\$ 2,966,406
SHOP	\$ 502,342	\$ 450,000	\$ 52,342	\$ -	\$ -	\$ -	\$ 450,000
Plan Management	\$ 340,000	\$ 300,000	\$ 40,000	\$ -	\$ -	\$ -	\$ 300,000
Verifications	\$ 2,032,976	\$ 1,591,949	\$ 441,026	\$ -	\$ -	\$ -	\$ 1,591,949
IT Development	\$ 1,058,831	\$ 2,690,000	\$ (1,631,169)	\$ -	\$ -	\$ -	\$ 2,690,000
1095 Projects	\$ 35,028	\$ -	\$ 35,028	\$ -	\$ -	\$ -	\$ -
Other	\$ 164,995	\$ 24,690	\$ 140,305	\$ -	\$ -	\$ -	\$ 24,690
Non-Allocable	\$ 11,156,969	\$ 8,311,846	\$ 2,845,124	\$ -	\$ -	\$ -	\$ 8,311,846
Contractual	\$ 38,950,290	\$ 32,283,506	\$ 6,666,784	\$ 22,388,472	\$ 19,336,656	\$ 3,051,816	\$ 12,946,850
M&O (80%)	\$ 3,751,950	\$ 3,233,734	\$ 518,216	\$ 3,001,560	\$ 2,586,987	\$ 414,573	\$ 646,747
M&O	\$ 3,306,393	\$ 2,512,300	\$ 794,093	\$ -	\$ -	\$ -	\$ 2,512,300
Equipment & Maintenance	\$ 7,058,344	\$ 5,746,034	\$ 1,312,309	\$ 3,001,560	\$ 2,586,987	\$ 414,573	\$ 3,159,047
IT Development (84%)	\$ -	\$ 800,000	\$ (800,000)	\$ -	\$ 672,000	\$ (672,000)	\$ 128,000
IT Development	\$ 4,081,620	\$ 2,700,550	\$ 1,381,070	\$ -	\$ -	\$ -	\$ 2,700,550
IT Development	\$ 4,081,620	\$ 3,500,550	\$ 581,070	\$ -	\$ 672,000	\$ (672,000)	\$ 2,828,550
GRAND TOTAL	\$ 52,390,641	\$ 43,342,829	\$ 9,047,812	\$ 26,780,518	\$ 23,892,644	\$ 2,887,874	\$ 19,450,185

2018 Fiscal Year Operating Budget & Sustainability Marketplace Assessment and Cash Flows

(\$'s in 000's)					
Premium Base Year	Marketplace Premium	Assessment Collection Year	Assessment Rate	Calendar Year Marketplace Assessment	Fiscal Year Marketplace Assessment Revenue
2012	\$ 1,846,453	2014	0.0135	\$ 24,927	\$ 12,464
2013	\$ 2,141,986	2015	0.0135	\$ 28,917	\$ 26,861
2014	\$ 2,023,311	2016	0.0165	\$ 33,385	\$ 30,455
2015	\$ 1,875,737	2017	0.0165	\$ 30,949	\$ 32,150
2016	\$ 1,854,935	2018	0.0165	\$ 30,606	\$ 30,779

PROJECTED STATEMENTS OF CASH FLOWS			
	Q2, FY17 RFCST	FY18 BUDGET	VARIANCE
Beginning Cash Balance	\$ 24,008,231	\$ 14,895,818	\$ (9,112,414)
Assessment	\$ 33,000,676	\$ 30,779,214	\$ (2,221,462)
Medicaid Recovery	\$ 30,638,994	\$ 24,241,902	\$ (6,397,092)
Other	\$ 89,331	\$ 43,287	\$ (46,044)
Grant - Federal	\$ 3,588,599	\$ -	\$ (3,588,599)
Total Cash Receipts	\$ 67,317,600	\$ 55,064,402	\$ (12,253,198)
Total Cash Payments	\$ 76,430,014	\$ 52,467,517	\$ (23,962,497)
Cash Flow Surplus/Deficit (-)	\$ (9,112,414)	\$ 2,596,885	\$ 11,709,299
Ending Cash Balance	\$ 14,895,818	\$ 17,492,703	\$ 2,596,885

Reserves*

- Q2, FY17 Reforecast: 5 months
- FY18 Budget: 7 months

*Based on Ending Cash Balance over Fiscal Year Operating Budget.



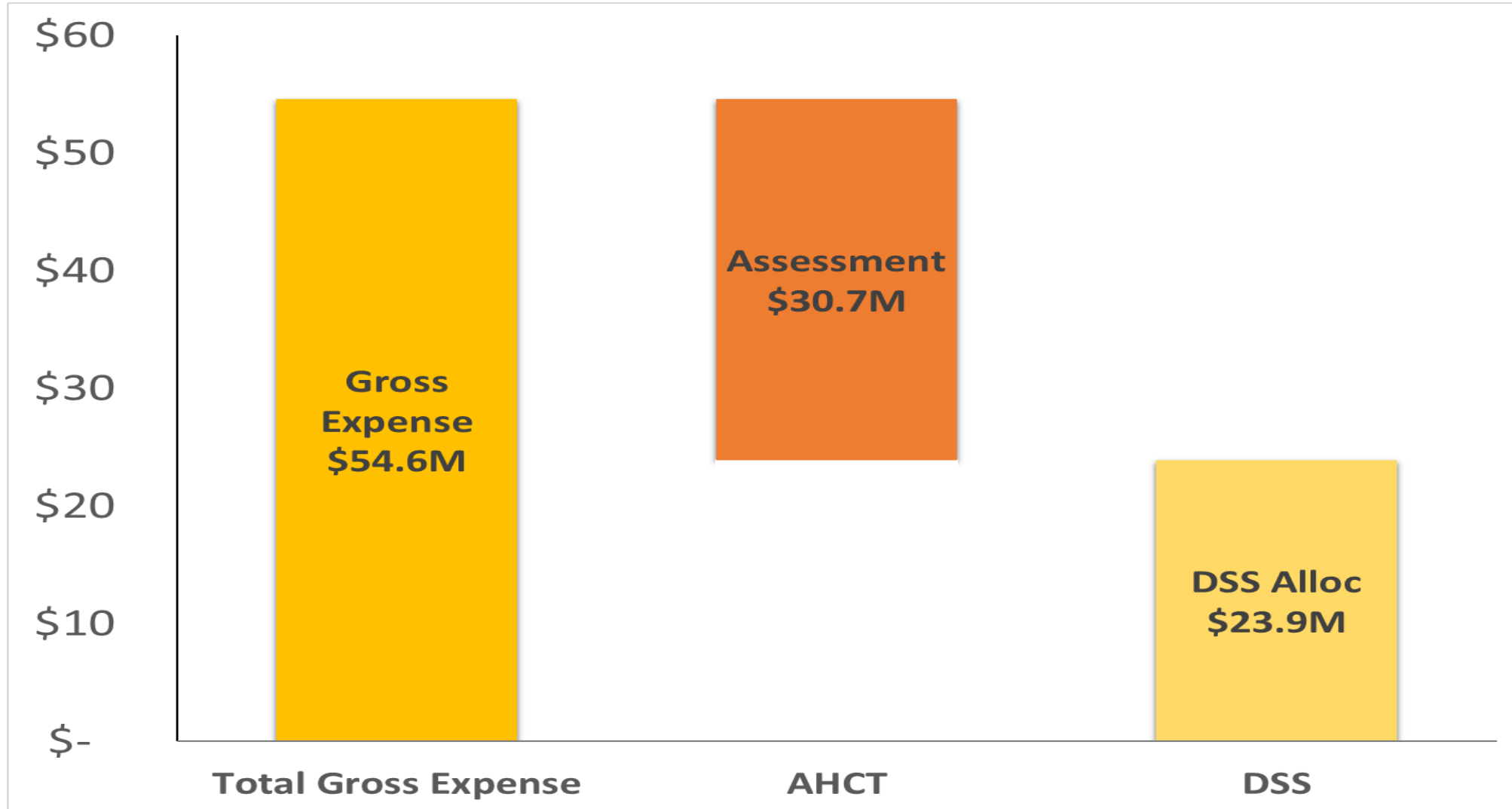
2018 Fiscal Year Operating Budget & Sustainability

Statement of Net Position

PROJECTED STATEMENTS OF NET POSITION				
	Q2, FY17 RFCST	FY18 BUDGET	VARIANCE	
Cash - Operating and STIF	\$ 14,895,818	\$ 17,492,703	\$ (2,596,885)	
Cash - SHOP	\$ 641,468	\$ 641,468	\$ -	
Cash and Cash Equivalents	\$ 15,537,286	\$ 18,134,171	\$ (2,596,885)	
Accounts Receivable	\$ 4,029,861	\$ 3,778,026	\$ 251,834	
Pre-Paid Expenses	\$ 150,378	\$ 224,506	\$ (74,128)	
Current Assets	\$ 19,717,525	\$ 22,136,704	\$ (2,419,179)	
	\$ -			
IT Development (In progress)	\$ 2,048,404	\$ 4,876,954	\$ (2,828,550)	
Fixed Assets	\$ 7,315,680	\$ 7,097,790	\$ 217,890	
Security Deposit	\$ 8,653	\$ 8,653	\$ -	
Non-Current Assets	\$ 9,372,738	\$ 11,983,397	\$ (2,610,660)	
Total Assets	\$ 29,090,262	\$ 34,120,101	\$ (5,029,839)	
Accounts Payable	\$ 1,470,838	\$ 1,723,231	\$ (252,392)	
Accrued Expenses	\$ 3,061,079	\$ 4,899,292	\$ (1,838,214)	
DSS Reimbursement	\$ (6,854,570)	\$ (6,757,147)	\$ (97,423)	
Current Liabilities	\$ (2,322,653)	\$ (134,624)	\$ (2,188,029)	
Beginning Net Position	\$ 31,988,228	\$ 31,412,915	\$ 575,312	
Change In Net Position	\$ (575,312)	\$ 2,841,810	\$ (3,417,122)	
Ending Net Position	\$ 31,412,915	\$ 34,254,725	\$ (2,841,810)	
Total Liabilities and Net Position	\$ 29,090,262	\$ 34,120,101	\$ (5,029,839)	

2017 Fiscal Year Operating Budget & Sustainability Funding Sources

in \$ Millions



2018 Fiscal Year Operating Budget & Sustainability

FY18 Salaries

DEPARTMENT	Q2, FY17 RFCST	FY18 BUDGET	VARIANCE
APCD	\$ 241,110	\$ 43,469	\$ 197,640
Administration	\$ 690,330	\$ 424,501	\$ 265,829
Finance	\$ 910,839	\$ 868,902	\$ 41,937
Human Resources	\$ 319,522	\$ 324,164	\$ (4,642)
Information Technology	\$ 945,751	\$ 1,030,519	\$ (84,769)
Legal	\$ 636,414	\$ 623,606	\$ 12,808
Marketing (incl. Sales)	\$ 767,502	\$ 616,643	\$ 150,858
Plan Management	\$ 308,482	\$ 358,934	\$ (50,452)
TO&A	\$ 327,908	\$ 280,271	\$ 47,637
Operations (incl. SHOP)	\$ 734,734	\$ 656,152	\$ 78,582
Outreach	\$ 407,944	\$ 394,332	\$ 13,612
Customer Service	\$ 1,463,800	\$ 1,403,189	\$ 60,611
Training	\$ 311,484	\$ 302,464	\$ 9,020
Total Salaries	\$ 8,065,818	\$ 7,327,147	\$ 738,671
Headcount	98	92	6

Salary of \$7.3M excludes a 33% benefits load.

FTEs include:

- 82 Permanent employees
- 33 Durational employees (10 FTEs)

2018 Fiscal Year Operating Budget & Sustainability Risks and Opportunities

- Risks and opportunities to the AHCT 2018 budget include
 - Risks
 - Repealing and replacing the ACA
 - Continued transition of new call center vendor
 - Federal Medicaid changes
 - Funding shortfalls
 - Benefit costs
 - Opportunities
 - Call center
 - Business Process Outsourcing (BPO)
 - New products
 - Greater collaboration with marketplace carriers
 - Focus on small business

2017 Fiscal Year Operating Budget & Sustainability

Q2, 2017 Fiscal Year Forecast vs. Actuals - AHCT

Through 9 Months

Category	Q2 Reforecast March YTD	Actuals March YTD	Variance March YTD
Salaries	\$5,987,458	\$5,849,534	\$137,924
Fringe Benefits	\$1,847,298	\$2,024,709	(\$177,411)
Temporary Staffing	\$701,302	\$698,157	\$3,145
Contractual	\$13,145,674	\$12,726,751	\$418,923
Equipment and Maintenance	\$4,939,899	\$4,249,565	\$690,335
Supplies	\$11,446	\$8,142	\$3,304
Travel	\$88,191	\$69,778	\$18,413
Other Administrative	\$847,343	\$859,654	(\$12,311)
Total Expense	\$27,568,612	\$26,486,291	\$1,082,321

The favorable variance is primarily due to timing differences relating to information technology development expenses .

Adjournment