



## Finance Committee

**Regular Meeting**  
**Connecticut Historical Society**  
**Dangremond Meeting Room**  
**1 Elizabeth Street, Hartford**  
**April 11, 2019**  
**10:00 a.m.**  
**Meeting Minutes**

**Members Present:** Anne Foley on behalf of Melissa McCaw, Office of Policy & Management (OPM) Secretary; Robert Tessier; Michael Gilbert on behalf of Commissioner Roderick Bremby, Department of Social Services (DSS); Victoria Veltri; Robert Scalettar, M.D.

**Access Health CT (AHCT) Staff:** James Michel; Darrell Hill; Sinisa Crnkovic; Rajiv Chawla

**The Regular Meeting of the Connecticut Health Insurance Exchange Finance Committee was called to order at 10:00 a.m.**

### **I. Call to Order and Introductions**

Chairwoman Anne Foley called the meeting to order at 10:00 a.m.

Chairwoman Foley requested a motion to amend the Agenda to reorder Items III – V as follows:

Item III: FY 2019 – 3<sup>rd</sup> Quarter Budget Report – Operating (Discussion and Vote)

Item IV: FY 2019 – 3<sup>rd</sup> Quarter Budget Report – Capital (Discussion and Vote)

Item V: FY 2020 Proposed Budget (Discussion and Vote)

Motion was made by Robert Tessier and seconded by Victoria Veltri. **Motion passed unanimously.**

### **II. Vote: Review and Approval of Minutes**

Anne Foley requested a motion to approve the January 10, 2019 Finance Committee Special Meeting Minutes. Motion was made by Robert Tessier and seconded by Victoria Veltri. **Motion passed unanimously.**

### **III. FY 2019 – 3<sup>rd</sup> Quarter Budget Report – Operating (Discussion and Vote)**

Darrell Hill, Director of Finance, provided the Budget Update. Mr. Hill summarized the FY 2019 – 3<sup>rd</sup> Quarter Operating Budget Report. Mr. Hill noted that revenues have increased slightly, while expenditures have decreased based on the timing of invoices. Mr. Hill provided a summary of revenues and expenses, noting that revenue adjustments are based on timing of budgeting, receipt of payments, and increased interest earnings. In addition, the expense variance is due primarily to timing of projects, receipt of related invoices, and vacancy savings. Mr. Hill added that the majority of the expenditures are related to Information Technology (IT) for both maintenance and enhancements.

Mr. Hill reminded the Finance Committee of the annual call center true up that is based on the contract year that runs through late August, which resulted in an adjustment from budget by a \$295,000 payment from AHCT to DSS in December of 2018. Ms. Foley inquired about the differences between both types of variances that were reported. Mr. Hill stated that the largest variances are due to project timing and the related invoices. The second largest variances are salaries and fringe benefits related to positions that were budgeted for but were vacant for various durations during the fiscal year.

Mr. Hill presented an overview of the Operating Budget from July 1, 2018 through March 31, 2019. Mr. Hill pointed out that marketplace assessments reflect a positive variance of \$150,000; which is reflective of the adjustment from projected to actual invoices for the 2019 calendar year. Mr. Hill explained that this adjustment is normal as when the budget is developed, the first six months of marketplace assessments are known (July – December), and projected for the second six months of the fiscal year (January – June). The marketplace assessment payments are for the calendar year January through December, and AHCT receives the information from CMS in December. Carriers are invoiced in January, with the payment(s) being due either in the middle of March or quarterly in the middle of March, June, September and December.

Mr. Michel added that the marketplace assessment rate has not changed. What has changed, though, are the premium amounts on which the marketplace assessment is based. The interest income is reflective of an improvement in the management of funds.

Mr. Hill advised that investment interest rate increases and improved management, implemented by Mr. Michel, provides for additional interest income and decreased exposure. Mr. Hill described how AHCT invests its idle funds. Mr. Michel emphasized that AHCT has improved its funds investment strategies, which are more secure. Mr. Hill referenced the 2<sup>nd</sup> Quarter Budget Report when AHCT began moving expenses from Contractual to IT Enhancements to better reflect AHCT's significant IT expenditures, noting that some Contractual maintenance and operations expenditures are shared with the Department of Social Services (DSS).

Mr. Hill added that during the third quarter AHCT continued its review of IT expenditures and moved additional expenses from Contractual to IT Enhancements. Ms. Foley inquired about the largest Contractual components. Mr. Hill responded that AHCT's portion of the call center contract is the largest portion. Mr. Michel added that scanning and mailing are large contractual obligations as well, and most of those contractual obligations are shared with DSS. Mr. Hill noted that in the case of IT development, when projects are in the planning phase - expenditures can be relatively small and slow, but when development and testing work starts - invoicing and expenditures increase. AHCT budgeted the year assuming a fairly straight-line schedule of expenditures, but in the initial phases, it is slower. Mr. Hill described the shared costs with DSS, which amounted to \$13,866,477.

Mr. Hill described the FY 2019 3<sup>rd</sup> Quarter Adjusted Operating Budget, which takes into account the actual expenditures for the first nine months and projected expenditures for the 4<sup>th</sup> Quarter of the fiscal year. Mr. Hill noted that the adjusted IT Enhancements are a little below \$3.4 million. The Contractual line decreased to \$13.6 million. Mr. Hill added that \$20.1 million of the DSS shared costs include not only the State's General Fund, but also Federal funding allocated for DSS operations. Mr. Hill noted that the Contractual line continues to be AHCT's largest expenditure, noting that the Contractual line has decreased during the 3<sup>rd</sup> Quarter; however, there is a corresponding increase in the IT Enhancements line as mentioned previously.

Robert Tessier asked how much of the adjustments, in the 3<sup>rd</sup> Quarter Budget Report - Operations, are related to the delay in starting the capital improvement projects because of Federal funding. Mr. Hill responded that there are no delays related to Federal funding for the Capital Improvement Program - Operations (CIP-O) projects. The projects shown in FY 2019 CIP-O are AHCT only. Mr. Michel emphasized that reinvestment in our IT systems is critical to AHCT's operations.

Chairwoman Foley requested a motion to approve the 3<sup>rd</sup> Quarter Budget Report - Operating as presented by Exchange Staff. Motion was made by Robert Tessier and seconded by Victoria Veltri. ***Motion passed unanimously.***

#### **IV. FY 2019 – 3<sup>rd</sup> Quarter Budget Report – Capital**

Mr. Hill explained the different funding sources for capital projects. Mr. Hill noted that CIP-R projects are financed from reserves, authorized by project name and amount, for expenditure by the Board of Directors. The CIP-O projects are funded from the operating budget that is adopted by the Board of Directors. Mr. Hill noted that AHCT updated its DSS shared allocation from 80% to 84%, per the Memorandum of Agreement. In addition, the two 100% AHCT CIP-R projects were completed for less than the original estimates. This resulted in over \$332,000 being returned as unobligated into reserves. Mr. Michel added AHCT will continue to hire Connecticut vendors whenever possible.

Mr. Hill provided a summary of the CIP-R and the CIP-O projects. Rajiv Chawla, Director of Information Technology, provided an overview of IT enhancements currently underway. Mr. Gilbert summarized DSS's share that is received from the Federal government and described the process of the shared services component. Ms. Foley inquired about the timeframe for the completion of certain projects. Mr. Gilbert explained the approval process of individual contracts, as well as funding from the federal government. Mr. Michel stated that AHCT has been meeting with DSS on a regular basis to discuss projects and other related issues. Providing exceptional customer experience is always a priority, and it will become more visible when some of those projects are implemented. Mr. Chawla explained that the technology refreshment allows AHCT to perform tasks in-house that were previously undertaken by vendors. Discussion ensued around reducing the overall costs by potentially introducing open source software to the organization's operations. Mr. Hill provided a brief overview of the FY 2019 Capital Improvement Projects CIP-O update that contains 22 projects noting that the majority of the projects are budgeted under IT Enhancements.

Mr. Hill noted that the presentation of CIP-O projects is a transparent representation to the Finance Committee of the projects included in the operating budget. Mr. Michel pointed out that AHCT wanted to provide a breakdown of how the organization plans to invest its funds. He added that the current operational environment is flexible, and certain changes would need to be made to adjust to a given situation. AHCT must remain flexible due to possible changes affecting operations on both the Federal and State levels.

Mr. Michel enumerated initiatives that AHCT has undertaken this year. AHCT is encouraging health insurance enrollees to choose a Primary Care Physician (PCP), as well as to use their insurance by having an annual physical. Mr. Michel added that AHCT has contracted with a vendor that is researching the uninsured population. Results from this research will be very important for AHCT to better understand how to reach and serve this population. Mr. Michel stated that investment in technology is designed to improve efficiency and customer satisfaction.

Mr. Hill explained the tabular summary of the AHCT net equity position. Mr. Hill noted that the projected reserves at the end of the current fiscal year, which ends on June 30, 2019, is \$19,529,996; which represents approximately seven (7) months of working capital. Mr. Hill stressed that the projected net equity is dependent on projected CIP Project costs avoidance combined with the projected Net Operating Surplus of \$840,000; which aggregates to \$1,172,000. Mr. Hill noted that reserves are used to meet cash flow needs as revenues are spread throughout the fiscal year with a concentration in March and quarterly thereafter when marketplace assessment payments are received. The reserves support AHCT operations through the first and the second quarter of the fiscal year. Mr. Michel added that it is all cash flow and it is monitored on a daily basis.

Ms. Foley inquired how the \$19.5 million figure equates to seven (7) months of working capital, and about other exchanges' reserves. Mr. Michel stated that AHCT is in a healthy financial position. Mr. Michel added that other exchanges are structured and operate differently than

AHCT and have different funding formats. The D.C. Health Link Exchange finances operate through the Washington D.C. budget authority that must be approved by the City Council and Congress. Some Exchanges are part of the DSS-type state agencies. Ms. Foley inquired if an association exists that examines the exchanges and how they operate. Mr. Michel responded that the National Academy for State Health Policy (NASHP) is that organization.

Mr. Hill conveyed that healthy reserves typically range between six (6) and nine (9) months depending on the nature of the business. This range of working capital provides a company with sufficient cash to manage the timing of revenue receipts, absorb unplanned expenditures, and maintain a continuity of operations reserve. Mr. Michel stated that other Exchanges' finances were examined; however, their structures are different than AHCT's, and it may not be an equivalent comparison. Mr. Michel added that having 7-8 months of reserves gives AHCT the necessary flexibility to potentially absorb the negative variances that may occur in the future. Mr. Tessier asked for additional information about state-based exchanges that have received revenue from their respective state budgets.

Chairwoman Foley requested a motion to approve the FY 2019 – 3<sup>rd</sup> Quarter Budget Report – Capital as presented by Exchange Staff. Motion was made by Victoria Veltri and seconded by Robert Tessier. ***Motion passed unanimously.***

#### **V. Fiscal Year 2020 Proposed Budget**

Mr. Hill provided an overview of the budget development process and the year-over-year budget variance summary including shared costs with DSS. The proposed total FY 2020 Operating Budget is \$53,988,194; of which \$20,344,271 are DSS shared costs, and \$33,643,924 are AHCT. Mr. Hill provided additional information about the FY 2020 CIP-R Budget, which is a continuation of the three (3) remaining projects approved in the FY 2019 CIP-R Budget. The amounts and allocation are unchanged from the FY 2019 approvals of AHCT \$874,002; and DSS Shared cost of \$4,588,513; totaling \$5,462,515. Mr. Hill continued by presenting the FY 2020 Proposed Operating Budget referencing tabular and graphic representations of the categories of revenues and expenditures that include the following major line items: Marketplace Assessments, Salaries, Fringe Benefits, Temporary Staffing, Contractual, Equipment & Maintenance, IT Enhancements, and Other.

Mr. Tessier asked for clarification on the variance pertaining to salaries. Mr. Hill responded that this information is compared with two different benchmarks. The first is the FY 2019 Adopted Budget, which has the full year of salaries. The second is the 3<sup>rd</sup> Quarter Budget Report that captures vacancy savings accumulated throughout the fiscal year. Mr. Hill stated that the prorated 3% proposed salary increases for AHCT's employees, all non-union, is most accurately reflective of the \$319,906 shown in the Variance to the FY 2019 Adopted Budget that includes the full year of salaries. Discussion ensued about the calculation of salaries and fringe benefits.

Mr. Michel provided a summary of the Human Resources Committee's prior work regarding the employee performance-based review system. Ms. Foley expressed her reservations about supporting this pattern every year. Mr. Michel noted that prospective employees need to be

offered competitive benefit packages. It is sometimes difficult to fill certain positions. AHCT is trying to balance the concerns raised and the need to employ qualified personnel. Mr. Tessier pointed out that the Human Resources Committee and the Leadership Team worked hard for AHCT to recognize employee achievement and contributions. Mr. Tessier noted that running AHCT has been difficult due to the politics surrounding the ACA nationally, not so much in Connecticut. This was one of the reasons why AHCT and the Human Resources Committee wanted to consciously engage employees and support them. Mr. Michel stated that AHCT needs to be competitive to retain employees because sometimes employees who are trained and gain experience end up leaving after a few months because of a better career opportunity somewhere else.

Mr. Hill provided an overview of the shared costs with DSS including the FY 2020 CIP-R previously presented. Mr. Michel stated that as AHCT becomes more efficient, and starts saving more funds, they will be reinvested. AHCT plans on reducing its operating costs by 25%. All of those savings will be reinvested in our IT system.

Chairwoman Foley requested a motion to approve the FY 2020 Proposed Budget as presented by Exchange Staff. Motion was made by Robert Tessier and seconded by Victoria Veltri. ***Motion passed unanimously.***

## **VI. Adjournment**

Chairwoman Foley requested a motion to adjourn. Motion was made by Robert Tessier and seconded by Victoria Veltri. ***Motion passed unanimously.*** Meeting adjourned at 11:27 a.m.