



## Finance Committee

### Regular Meeting

Legislative Office Building, Room 1B

300 Capitol Avenue, Hartford

November 14, 2019

2:00 p.m.

Meeting Minutes

**Members Present:** Chair Anne Foley on behalf of Melissa McCaw, Office of Policy & Management (OPM) Secretary; Victoria Veltri; Thomas McNeill; Commissioner Deidre Gifford, Department of Social Services (DSS); Heather Aaron on behalf of Commissioner Renee Coleman-Mitchell, Department of Public Health (DPH)

**Access Health CT (AHCT) Staff:** James Michel; Susan Rich-Bye; Darrell Hill; Sinisa Crnkovic; Ireneusz Swiecki

### I. Call to Order and Introductions

The Regular Meeting of the Connecticut Health Insurance Exchange Finance Committee was called to order at 2:00 p.m.

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

Anne Foley requested a motion to approve the April 11, 2019 Finance Committee Special Meeting Minutes. Motion was made by Victoria Veltri and seconded by Deidre Gifford. Thomas McNeill abstained. ***Motion passed.***

### III. FY 2019 Year End Budget Report (Discussion)

Darrell Hill, Director of Finance, provided the Finance Update. He presented the Fiscal Year (FY) 2019 Year End Budget Report. Mr. Hill noted that FY 2019 has ended on June 30. The revenues came in slightly above the final adopted budget. The expenditures are about \$4 million below budget. The most significant variances were in the contractual and IT enhancements. The variances were due to timing of projects, sequencing of enhancements and improved budget management. Mr. Hill noted that FY2019 Carry-Forward Projects represent on-going projects

with purchase orders encumbered but not liquidated at June 30, 2019. Mr. Hill enumerated some of these ongoing projects and indicated that the cost share with the Department of Social Services (DSS) amounted to \$18,409,011 in FY2019 with the total AHCT and DSS expenses of \$48,918,005, a \$3,075,076 variance from \$51,993,081 from the FY2019 adopted budget.

Mr. Hill went on to describe the unrestricted net position for the FY2019, which amounted to \$24,332,143, an increase of \$3,850,145 from the prior FY. That amount is decreased by the FY2019 Carry-forward of \$2,719,098. The total net estimated increase is \$1,131,047. Ms. Foley inquired about the FY2019 Financial Statement increase of \$3,850,145 and where this amount had been derived. Mr. Hill noted that difficulty in having it cross-walked has to do with financial accounting – the General Accepted Accounting Practices (GAAP). The unrestricted net position is from the financial statement perspective on the budgetary basis. The net operating income and budgetary income are different in the amount of few hundred thousand dollars. The budgetary schedule exists that does that crosswalk and shows the actual expenditures for the year, the adjustment for the \$2.7 million. Depreciation and amortizations are added there as well.

Ms. Veltri inquired about the healthy amount of the reserves that an organization such as AHCT should have, and how it compares with other Exchanges. Mr. Hill noted that given the uniqueness of the organization and comparison with other state-based exchanges and other quasi-public agencies in the state, there are some significant swings that suggest that there is no right target, but rather that reserves should be maintained at the level to allow for continuity of operations and the ability to address financial variances. Ms. Foley asked for more detailed information on the budgetary reserves of other state-based exchanges for the next Finance Committee meeting. Mr. Hill noted that some exchanges are part of the state governments and they have no reserves since they are a part of their respective states' budgets. Mr. Hill added at the end FY 2019, reserves represented approximately 9 months of operating budget.

#### **D. FY 2020 Q1 Budget Report**

Mr. Hill went on to summarize the FY2020 1<sup>st</sup> Quarter Budget Report – Operating and Capital Improvements. Mr. Hill mentioned three projects that are in progress. They were initiated in FY2019 and are ongoing. Mr. Hill went on to explain FY2020 Budget vs. Actual through September 30, 2019. The total operating expenses were \$5,718,094 and are less than the adopted budget of \$6,175,533. Total AHCT and DSS expenses were also less than anticipated in the original budget and amounted to \$9,932,464, a variance of \$894,086. AHCT is not proposing any changes to the Adopted FY2020 Budget.

Mr. Hill provided an analysis of the FY2020 Adjusted Budgets as it relates to the shared costs with DSS for the 1<sup>st</sup> Quarter Budget Report. The Capital Improvements Projects are financed from the AHCT's reserves. In FY2020, the proposed budget for IT-enhancements was increased and asked about the reason for that action. Mr. Hill pointed out that during FY2019, AHCT began migrating expenses from contractual to IT enhancements line items for the reason of conveying the magnitude of AHCT's efforts in that area. Mr. Hill stated that decreases in the revenues are

derived from the assessments. The yield is the earned premium calculation from the applicable carriers' premiums in Connecticut, which has resulted in the fluctuation of the marketplace assessment. Mr. Hill pointed out that the FY 2020 AHCT budget is \$33,643,924 while the DSS cost allocation is \$20,344,270. The FY 2020 Adjusted Budget is \$53,988,194.

**E. FY 2020 Capital Improvement Plan Update**

Mr. Hill went on to summarize the FY 2019 Capital Improvement Projects (CIP-R). They are financed from the reserves authorized by the project name and amount for expenditure by the Board of Directors. Two of those projects are pending DSS funding approval. Another one, the Economic Waiver Modeling for Potential State Reinsurance Program, is in the planning stages and it is pending Board of Directors approval.

Ms. Veltri provided additional information on the project that would require engaging a contractor to perform actuarial and economic modeling to inform a potential State of Connecticut Section 1332 Waiver Application to the U.S. Department of Health and Human Services for a potential State Reinsurance Program. A five-year actuarial model would be required to be presented to the federal government. Mr. Michel provided a high-level overview of the possible reinsurance program and its possible implications if it were enacted. The Connecticut General Assembly would need to approve such a measure which would have to be signed by the Governor to be implemented. Ms. Rich-Bye added that the reinsurance program would cover the entire individual market on and off-Exchange.

Chairwoman Foley requested a motion to approve the FY 2020 Capital Improvement Plan Update as presented by Exchange staff. Motion was made by Victoria Veltri and seconded by Thomas McNeill. **Motion passed unanimously.**

Chairwoman Foley requested a motion to approve the FY 2020 Capital Improvement Plan Update as presented by Exchange staff. Motion was made by Victoria Veltri and seconded Deidre Gifford. Heather Aaron inquired about funding for the modeling of the 1332 waiver application. Mr. Michel stated that will be financed by AHCT reserve funds. Ms. Foley indicated that AHCT will pay for the study. Ms. Veltri added that the state of Connecticut would need to come up with a revenue for its share of the reinsurance program. Mr. Michel noted that no more than \$100,000 would be used to complete this study. **Motion passed unanimously.**

**F. Adjournment**

Chairwoman Anne Foley requested a motion to adjourn. Motion was made by Deidre Gifford and seconded by Victoria Veltri. **Motion passed unanimously.** Meeting adjourned at 2:36 p.m.