



Board of Directors Finance Committee

April 14, 2022

Board of Directors

Finance Committee

Fiscal Year 2022 Budget Report

Fiscal Year 2023 Proposed Budget

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Fiscal Year 2022 Budget Report

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FY 2022 Budget vs. Actuals Summary

Operating Budget - Q3 Fiscal Year-to-Date				
	Approved	Adjusted		Variance
	Budget		Actuals	
AHCT	\$ 24,628,236		\$ 22,194,958	\$(2,433,278)
DSS Shared Cost	14,658,198		14,027,647	(630,551)
Total	\$ 39,286,434		\$ 36,222,605	\$(3,063,829)

FY 2022 Budget vs. Actuals

OPERATING BUDGET - July 1, 2020 to Mar 31, 2022

	Budget	Actuals	Variance	
Revenues				
Grants	\$ 574,060	\$ 363,393	\$ (210,667)	Timing of grant reimbursement
Interest Income	28,472	18,927	(9,545)	
Marketplace Assessments	23,792,196	23,572,657	(219,539)	Assessment decline
Total Revenue	\$ 24,394,728	\$ 23,954,977	\$ (439,751)	
Expenses				
Salaries	\$ 5,874,840	\$ 5,795,066	\$ (79,774)	Variances due to timing ↓
Fringe Benefits	2,481,193	2,295,688	(185,505)	
Temporary Staffing	317,219	379,636	62,417	
Contractual	11,035,206	10,242,844	(792,362)	
Equipment and Maintenance	2,196,640	2,259,997	63,357	
IT Enhancements	2,112,475	675,663	(1,436,812)	
Supplies	9,905	2,516	(7,389)	
Travel	33,875	11,082	(22,793)	
Other Administrative	566,883	532,466	(34,417)	
Total Operating Expenses	\$ 24,628,236	\$ 22,194,958	\$ (2,433,278)	
Costs Shared with DSS	14,658,198	14,027,647	(630,551)	
AHCT and DSS Total Expenses	\$ 39,286,434	\$ 36,222,605	\$ (3,063,829)	

*3rd Quarter Budget Report (as of March 31, 2022)

FY 2022 Proposed Final Budget Summary

Operating Budget - FY 2022 Proposed Final Budget			
	FY 2022 Approved Adjusted Budget	FY 2022 Proposed Final Budget	Variance
AHCT	\$ 33,121,511	\$ 33,121,511	\$ -
DSS Shared Cost	21,174,273	21,174,273	-
Total	\$ 54,295,784	\$ 54,295,784	\$ -

FY 2022 Proposed Final Budget

	FY 2022 Approved Adjusted Budget	Changes	FY 2022 Proposed Final Budget	
Revenue				
Grants	\$ 533,334	25,000	\$ 558,334	Connecticut Health Foundation Grant for Broker Academy
Reserve Funding	643,209	440,120	1,083,329	All-Payer Claims Database (APCD) cost - Legislative mandate
Investment Income	37,772	(22,713)	15,059	
Marketplace Assessments	31,907,196	(442,407)	31,464,789	Assessment revenue declined by \$442k in the second half of the fiscal year
Total Revenue	\$ 33,121,511	\$ -	\$ 33,121,511	
Budgeted Expenses				
Salaries	\$ 8,000,934	\$ (107,888)	\$ 7,893,046	Decrease due to employee turnover
Fringe Benefits	3,352,974	(238,814)	3,114,160	Decrease due to turnover & lower medical insurance cost
Temporary Staffing	286,000	189,260	475,260	Used contract work to cover gap in vacant positions
Contractual	13,741,652	2,435	13,744,087	
Equipment and Maintenance	3,415,271	448,311	3,863,582	APCD cost to Office of Health Strategy - Legislative mandate
IT Enhancements	3,081,798	(236,753)	2,845,045	Actual projects costs lower than projected
Supplies	18,653	(6,500)	12,153	
Travel	87,000	(50,051)	36,949	Decrease in travel due to continuing pandemic
Other Administrative	1,137,229	-	1,137,229	
Total Operating Expenses	\$ 33,121,511	\$ -	\$ 33,121,511	
Costs Shared with DSS	\$ 21,174,273	-	\$ 21,174,273	
AHCT and DSS Total Expenses	\$ 54,295,784	\$ -	\$ 54,295,784	

FY 2022 Projected Reserve Fund Balance

AHCT fiscal 2022 year-end reserve is projected at \$20.8 million

	<u>Amount</u>	<u>Months of Operating Funding</u>
<u>Audited Reserve As of June 30, 2021</u>	<u>23,946,990</u>	8.2
Subtract: Reserve Funded Projects (approved in FY2019)	(504,000)	
Subtract: American Rescue Plan Act (ARPA) Costs	(769,372)	
Subtract: FY2021 Carryover	(1,045,186)	
Subtract: Covered Connecticut	(643,209)	
Add: Grant Reimbursement for ARP	307,393	
Subtract: FY2022 APCD Cost*	(440,120)	
Projection at June 30, 2022	<u>\$ 20,852,496</u>	7.1

* Pending approval

Fiscal Year 2023 Proposed Budget

Focused on 3 Strategic Initiatives

IT Investment | Cybersecurity | Health Disparities

To Support our Mission:

To increase the number of insured residents, improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and provider that give them the best value.

Fiscal Year 2023 Proposed Operating Budget

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FY 2023 Proposed Budget Summary

	FY 2022 Final Adjusted Budget	FY 2023 Proposed Budget	YoY Change
AHCT	\$ 33,121,511	\$ 34,360,028	\$ 1,238,517
DSS Shared Cost	21,174,273	20,486,273	(688,000)
Total	\$ 54,295,784	\$ 54,846,301	\$ 550,517

FY 2023 Proposed Budget

	FY 2022 Final Adjusted Budget	FY 2023 Proposed Budget	YoY Change	
Revenue				
Grants	\$ 558,334	\$ 266,000	\$ (292,334)	Center for Medicare & Medicaid Services (CMS) Grant
Reserve Funding	1,083,329	1,200,000	116,671	Fund new system enhancements
Investment Income	15,059	24,892	9,833	
Marketplace Assessments	31,464,789	32,869,136	1,404,347	Represents proposed new assesment rate beginning in January 2023
Total Revenue	\$ 33,121,511	\$ 34,360,028	\$ 1,238,517	
Budgeted Expenses				
Salaries	\$ 7,893,046	\$ 8,366,342	\$ 473,296	Hired employees instead of contracting and budgeted salary increases
Fringe Benefits	3,114,160	3,469,582	355,422	6% increase in Medical Insurance plus other benefits increases
Temporary Staffing	475,260	397,855	(77,405)	
Contractual	13,744,087	13,028,643	(715,444)	Covered CT work completed and contractual work converted to staff.
Equipment and Maintenance	3,863,582	4,009,318	145,736	Increase in maintenance costs
IT Enhancements	2,845,045	3,835,174	990,129	New system enhancements
Supplies	12,153	15,349	3,196	
Travel	36,949	74,000	37,051	
Other Administrative	1,137,229	1,163,765	26,536	
Total Operating Expenses	\$ 33,121,511	\$ 34,360,028	\$ 1,238,517	
Costs Shared with DSS	\$ 21,174,273	\$ 20,486,273	\$ (688,000)	
AHCT and DSS Total Expenses	\$ 54,295,784	\$ 54,846,301	\$ 550,517	

FY 2023 Proposed Budget - Shared Cost with Department of Social Services (DSS)

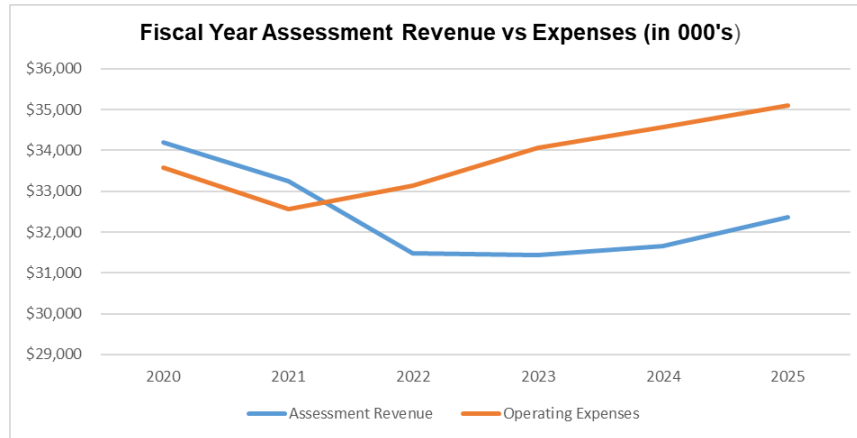
Budget Category	DSS SHARED COST BUDGET		
	FY 2022 Final Adjusted Budget	FY 2023 Proposed Budget	Variance
Temporary Staffing	\$862,645	\$862,645	-
IT Maintenance & Development	4,297,187	4,297,187	-
Operations	15,056,349	15,056,349	-
DSS (100%)	270,091	270,091	-
Total - State General Fund	\$20,486,273	\$20,486,273	\$ -
Total - Federally Funded	\$688,000	\$0	\$ (688,000)
Total - DSS Shared Budget	\$21,174,273	\$20,486,273	\$ (688,000)
Capital Improvements (86%)	\$3,096,000	\$1,376,000	\$ (1,720,000)

Assessment

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Assessment Revenue and Operating Cost Outlook

Assessment revenues have declined over the last 3 fiscal years, while operating expenses have increased and are projected to outpace revenues on average \$2.8 million through fiscal year 2025.



	Actuals			Projections		
	2020	2021	2022	2023	2024	2025
Assessment Revenue	\$ 34,203	\$ 33,249	\$ 31,479	\$ 31,446	\$ 31,650	\$ 32,360
Operating Expenses	\$ 33,583	\$ 32,560	\$ 33,129	\$ 34,064	\$ 34,575	\$ 35,094
Variance	\$ 620	\$ 689	\$ (1,650)	\$ (2,622)	\$ (2,925)	\$ (2,734)

Why Revenues Are Declining & Operating Costs Are Increasing

Revenues are declining due to the shrinking of small group market caused by employers moving to self insured products.

New costly requirements by the Centers for Medicare & Medicaid Services (CMS), the State and the Internal Revenue Service (IRS).

Examples:

- Meeting security demands in an ever-changing digital environment.
- Legislative requirement to assess to fund the All-Payer Claims Database (APCD).
- Implementing system changes, operationalizing, and marketing new Special Enrollment Periods.

How AHCT is Addressing Fiscal Challenges

To meet the declining revenues and additional demands on the budget

- AHCT has lowered operational costs by 10% and created efficiencies to meet the organizational objectives.
- AHCT utilized \$2.5 million in reserves for unexpected projects and initiatives and proposed additional \$1.2 million from reserves for FY 2023.
- AHCT received \$1.1 million in grant funding for projects.

To sustain the level of support and service our customers need and to support our core mission and vision, AHCT recommends additional funding for FY 2023.

Proposed Assessment Recommendation

AHCT recommends increasing the assessment rate from 1.65% to 1.80%

- This will generate an additional \$2.8 million in revenue (calendar year) which includes \$1.4 million for the FY 2023 budget. This will fund the All-Payer Claims Database mandate, address declining revenues and rising operational costs.
- The proposed assessment rate would be effective Jan 1, 2023.

How AHCT Assessment Compares to Other Exchanges

AHCT has not raised the assessment rate over the last seven years.

Raising the assessment rate from 1.65% to 1.80% will still result in the lowest rate in the country.

State	Assessment Fee Structure
CT	1.65%
MD	2.00%
WA	2.00%
ID	2.29%
FFE	2.75%
NV	3.05%
CA	3.25%
CO	3.50%
MN	3.50%
MA	2.5-3%

FFE – Federally Facilitated Exchange

Assessment Impact on Premiums

- The average premium cost (before subsidies) will increase by \$1.00 per month for each individual consumer who buys individual, small group, and dental plans.
- Connecticut consumers receiving Advance Premium Tax Credits (APTC) will see an average reduction of 5 cents per month.
- Currently 83% of QHP enrollees receive APTC to reduce monthly premiums.

Grant and Project Updates

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Grant Updates

- AHCT has applied for 5 grants in FY2022, 2 have been awarded and 3 grants are pending award.
- The first grant awarded was in September 2021 for \$1.1M by Centers for Medicare & Medicaid Services to fund certain modernization initiatives. AHCT has been approved to fund the following 6 projects and the status updates are below.

American Rescue Plan Act (ARPA) - Update						
Project Name	Funding Source	DSS Allocation	Total Project Budget	Spend	Budget Remaining	Status
ARP - Technology Update	Grant	None	\$ 307,393	\$ 307,393	\$ -	Completed
(3) IT Security Audits	Grant	None	180,288	41,970	\$ 138,318	In Progress
Security Incident and Event Management (SIEM) System	Grant	None	105,812	31,000	\$ 74,812	In Progress
Enhanced Account Home and Service Solution (EHASS)	Grant	None	513,900	-	\$ 513,900	In Progress
Total			\$ 1,107,393	\$ 380,363	\$ 727,030	

- The second grant awarded was in December 2021 for \$25,000 to fund the Broker Academy outreach and recruiting. There are 3 additional grants pending award up to \$425,000 for operation of the program.

Capital Improvement Projects (CIP-R) Funded by Reserve*

Project 2019.002 – Department of Social Services (DSS) is not providing funding for this project, however AHCT will proceed with a smaller project scope.

FY 2019 Capital Improvement Projects Update - Reserves							
Project Number	Project Name	Funding Source	DSS Amount	AHCT Amount	Total Budget	YTD Estimated Spend	Comments
2019.001	Technology refresh, move to open source and cloud-based technology from IBM products	Reserves	\$ 1,376,000	\$ 224,000	\$1,600,000	\$ -	Pending DSS Approval
2019.002	Technology Refresh move to user friendly Notices Engine and convert existing Notices to new technology	Reserves	-	280,000	280,000	-	Pending Assessment
Total			\$ 1,376,000	\$ 504,000	\$1,880,000	\$ -	

Projects Funded from Operating Budget*

Carry-forward projects from FY 2021 to FY 2022

- Projects were initiated and funded in FY 2021 but not completed by the end of the fiscal year.
- These projects have all been completed and are under budget by \$60,870.

FY 2021 On-going Project Plan Update				
Project Name	FY 2021 Carry-forward FY 2022	FY 2022 YTD Actuals	Remaining Balance	Status
Sytem Enhancements	\$ 962,813	\$ 912,381	50,432	Completed
Data transfer efforts for Covered CT	40,020	40,000	20	Completed
Health Disparities Website Development	42,353	31,935	10,418	Completed
	\$ 1,045,186	\$ 984,316	\$ 60,870	

*Update

Adjournment