



Board of Directors Finance Committee

April 11, 2024

Finance Committee Meeting Agenda

A. Call to Order and Introductions

B. Public Comment

C. Vote: Review and Approval of Minutes (Nov. 9, 2023)

D. Fiscal Year 2024 – 3rd Quarter Budget Report – Operating (Vote)

E. Investment Report

F. Proposed Amendment to the Investment Policy

G. Fiscal Year 2025 – Proposed Operating Budget (Vote)

H. Reserves Policy (Possible Vote)

I. Adjournment

Mission: To decrease the number of uninsured residents, improve the quality of healthcare, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health coverage that give them the best value.

Vision: Provide Connecticut residents with access to the most equitable, simple and affordable health insurance products to foster healthier communities.

Public Comment

Vote

Review and Approval of Minutes

Fiscal Year 2024 Q3 Budget

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FY 2024 Budget vs. Actuals Summary

Operating Budget - FY 2024 Q3 Fiscal Year-to-Date

	FY20224 Budget	Actuals	Variance
AHCT	\$22,286,370	\$22,109,697	\$ (176,673)
DSS Shared Cost	15,385,110	16,509,461	1,124,351
Total	\$37,671,480	\$38,619,158	\$ 947,678

FY 2024 Budget vs. Actuals

OPERATING BUDGET - July 1, 2023 to Mar 31, 2024		
Budget	Actuals	Variance

Revenues

Grants	\$ 50,000	\$ 40,000	\$ (10,000)	
Interest Income	691,370	851,909	160,539	Interest Rate increased
Other Revenue	22,244	25,184	2,940	
Marketplace Assessments	24,173,798	24,482,336	308,538	Calendar Year 2024 Assessment revenue higher than projected.
Total Revenue	\$ 24,937,412	\$ 25,399,429	\$ 462,017	

Expenses

Salaries	\$ 6,405,453	\$ 6,283,692	\$ (121,761)	Vacancy Savings
Fringe Benefits	2,925,412	2,760,590	(164,822)	Vacancy Savings & Employee health plan selections
Temporary Staffing	340,003	358,533	18,530	
Contractual	9,030,958	9,092,919	61,961	
Equipment and Maintenance	2,563,699	2,521,126	(42,573)	
IT Enhancements	365,117	370,182	5,065	
Supplies	11,445	9,864	(1,581)	
Travel	27,481	36,656	9,175	
Other Administrative	616,802	676,135	59,333	Timing of insurance renewals.
Total Operating Expenses	\$ 22,286,370	\$ 22,109,697	\$ (176,673)	

Costs Shared with DSS	15,385,110	16,509,461	1,124,351	
AHCT and DSS Total Expenses	\$ 37,671,480	\$ 38,619,158	\$ 947,678	

Full Year 2024 Budget after 3rd Quarter – Summary

Operating Budget - FY 2024 Q3 Budget			
	FY2024 Adopted Budget	FY2024 Q3 Adjusted Budget	Variance
AHCT	\$ 33,625,702	\$ 33,625,702	\$ -
DSS Shared Cost	20,486,273	20,486,273	-
Total	\$ 54,111,975	\$ 54,111,975	\$ -

Full Year 2024 Budget after 3rd Quarter

FY2024 Adopted Budget	FY2024 Q3 Adjusted Budget	Variance (Q3 vs Adopted)
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Revenue

Grants	\$ 100,000	\$ 100,000	\$ -	
Interest Income	759,445	957,934	198,489	Interest rates have remained steady.
Other Revenue	26,400	31,784	5,384	
Marketplace Assessments	32,739,857	33,332,336	592,479	Calendar Year 2024 Assessment higher than projected.
Total Revenue	\$ 33,625,702	\$ 34,422,054	\$ 796,352	

Budgeted Expenses

Salaries	\$ 8,796,244	\$ 8,570,063	\$ (226,181)	Vacancy Savings
Fringe Benefits	3,935,030	3,719,058	(215,972)	Vacancy Savings
Temporary Staffing	453,145	465,236	12,091	
Contractual	12,639,086	12,790,329	151,243	Increased cost of Operations/Call Center mainly due to Medicaid Unwind.
Equipment and Maintenance	4,573,600	4,765,089	191,489	Increase in cost of system maintenance.
IT Enhancements	1,937,644	2,006,491	68,847	Expecting to start system enhancements earlier than anticipated.
Supplies	15,163	13,995	(1,168)	
Travel	74,000	74,538	538	
Other Administrative	1,201,790	1,220,903	19,113	Rent, Insurance, Utilities, Staff development and other general expenses.
Total Operating Expenses	\$ 33,625,702	\$ 33,625,702	\$ -	

Costs Shared with DSS	\$ 20,486,273	\$ 20,486,273	-
AHCT and DSS Total Expenses	\$ 54,111,975	\$ 54,111,975	\$ -

FY 2024 Q3 Budget – Shared Cost with Department of Social Services (DSS)

Budget Category	DSS SHARED COST BUDGET		
	FY 2024 Adopted Budget	FY 2024 Q3 Adjusted Budget	Variance
Temporary Staffing	\$687,974	\$660,962	\$ (27,012)
IT Maintenance & Development	4,471,859	4,498,870	\$ 27,012
Operations	15,056,349	15,056,349	-
DSS (100%)	270,091	270,091	-
Total - DSS Shared Budget	\$20,486,273	\$20,486,273	\$ 0

Projects Funded from Operating Budget*

Carry-forward projects from FY 2023 to FY 2024

- Projects were initiated and funded in FY 2023 but not completed by the end of the fiscal year.

Project Name	DSS Allocation	Total Project Budget	FY 2023 Actuals	FY 2023 Carry-forward FY 2024	FY 2024 YTD Actuals	Remaining Balance	Status
Governance Risk and Compliance System	None	\$ 201,980	\$ 19,517	\$ 182,463	\$ 151,171	\$ 31,292	In Progress
Medicaid Unwind	None	2,700,000	493,937	2,206,063	1,636,617	569,447	In Progress
Resources to assist with IRS/CMS changes to compliance requirements	None	423,240	109,615	313,625	301,502	12,123	In Progress
Sytem Enhancements	None	2,375,000	-	2,375,000	2,155,313	219,688	In Progress
		\$ 5,700,220	\$ 623,069	\$ 5,077,151	\$ 4,244,602	\$ 832,549	

*Update

Vote

Investment Report – Summary

- Objective for AHCT exchange funds is obtaining the maximum rate of return while preserving the principal and providing immediate liquidity.
- AHCT invests in the State of Connecticut Treasurer’s Short-Term Investment Fund (STIF).
- The STIF is available for use by the State’s funds and agencies, public authorities and municipalities and other political subdivisions of the State.
- State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.
- These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board and are regulated under the State statutes and subject to annual audit by the Auditors of Public Accounts.

Investment Report*

Investment of Exchange Funds

- In FY2024 Funds were invested in STIF (Short-Term Investment Fund)
- See attached Report

State Exchange Funds	FY2024 Q3 YTD Actuals
STIF (Short-Term Investment Fund) interest earned	\$ 851,909

401a Management

- Employer contributions of 401a retirement plan is provided through MissionSquare.
- A report from MissionSquare is attached that provides a list of investment options for employees for their 401a retirement accounts.

- Access Health CT investment portfolio is in compliance with our Investment Policy.
- Access Health CT is able to meet its expenditure requirements for the next 9 months.

Investment Policy

Investment Policy Changes

- **Added 457b administration.**
- **Updated titles of officers to match current organizational structure.**

FY 2025 Proposed Budget

Focused on 3 Strategic Initiatives

IT Investment | Cybersecurity | Health Disparities

To Support our Mission:

To decrease the number of uninsured residents, improve the quality of healthcare, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health coverage that gives them the best value.

FY 2025 Proposed Budget – Summary

	FY2024 Adopted Budget	FY2025 Proposed Budget	YoY Change
AHCT	\$ 33,625,702	\$ 37,178,117	\$ 3,552,415
DSS Shared Cost	20,486,273	20,486,273	-
Total	\$ 54,111,975	\$ 57,664,390	\$ 3,552,415

FY 2025 Proposed Budget

	FY2024 Adopted Budget	FY2025 Proposed Budget	Variance (FY2025 vs FY2024)	
Revenue				
Grants	\$ 100,000	\$ 100,000	\$ -	
Interest Income	759,445	693,333	(66,112)	Anticipating lower interest rates in FY2025.
Other Revenue	26,400	29,784	3,384	Rebate revenue
Marketplace Assessments	32,739,857	36,355,000	3,615,143	Based on approved assessment rate increase of 0.2%.
Total Revenue	\$ 33,625,702	\$ 37,178,117	\$ 3,552,415	
Budgeted Expenses				
Salaries	\$ 8,796,244	\$ 8,983,833	\$ 187,589	Budgeted 3% merit increase based on performance.
Fringe Benefits	3,935,030	4,023,200	88,170	
Temporary Staffing	453,145	754,524	301,379	Additional resources to help with CMS/IRS Audits.
Contractual	12,639,086	14,443,869	1,804,783	Increased cost in Marketing & additional IT initiatives.
Equipment and Maintenance	4,573,600	5,171,326	597,726	Increase in APCD cost & IT maintenance.
IT Enhancements	1,937,644	2,468,213	530,569	System improvements/upgrades & testing.
Supplies	15,163	15,944	781	
Travel	74,000	100,000	26,000	Increased travel costs post-covid.
Other Administrative	1,201,790	1,217,208	15,418	Rent, Insurance, Utilities, Staff development and other general expenses.
Total Operating Expenses	\$ 33,625,702	\$ 37,178,117	\$ 3,552,415	
Costs Shared with DSS	\$ 20,486,273	\$ 20,486,273	-	
AHCT and DSS Total Expenses	\$ 2,841,810	\$ 57,664,390	\$ 3,552,415	

FY 2025 Proposed Budget – Shared Cost with Department of Social Services (DSS)

Budget Category	DSS SHARED COST BUDGET		
	FY 2024 Adopted Budget	FY 2025 Proposed Budget	Variance
Temporary Staffing	\$687,974	\$696,443	8,469
IT Maintenance & Development	4,471,859	4,463,390	(8,469)
Operations	15,056,349	15,056,349	-
DSS (100%)	270,091	270,091	-
Total - DSS Shared Budget	\$20,486,273	\$20,486,273	\$ 0

FY 2025 Projected Reserve Fund Balance

AHCT Fiscal 2025 year-end Reserve balance is projected at \$19.3 million.

<u>Reserve As of June 30, 2023 (Audited)</u>	\$ 23,598,910
Subtract: FY2023 Carryover	(5,077,151)
Add: FY2024 Unbudgeted Revenue	796,352
Projection at June 30, 2025 (Projected)	<u>\$ 19,318,111</u>

Months of Operating Funding
7.6
6.2

Vote

Proposed Reserve Funds Policy

Reserve Funding Research

- Based on a report from “Insurance Business America,” 23 US-based insurance companies' cybersecurity has been breached in last 12 months.
- Insurance businesses and the Healthcare industry are prime targets for cyberattacks because of the type of data they house (PII) and their connection to other institutions (finance, government, etc.).

Examples of Recent Incidents

- In 2023, Medicaid managed-care non-profit CareSource was sued for \$9.9M after a data-breach.
- In 2018, the City of Atlanta had to pay \$17M to restore critical police services and the city's court system.

Reserve Funding Research

- What would it cost AHCT in case of a cyber breach event (i.e. complete shutdown of our system, worst case scenario)?

Area Impacted	Details	Amount
Technology	Breach investigation and Remediation, including rebuilding of HOST Servers, System restoration and UAT Testing.	\$ 1,894,000
Marketing	If we had to run a marketing campaign for a whole year, including printing and mailing	\$ 20,000,000
Operations	Identity Restoration \$4.25/person	\$ 4,462,500
	Credit Monitoring \$42.45/person	\$ 44,572,500
Sub-Total		\$ 70,929,000
Cyber Policy	\$10M Coverage with a \$75,000 deductible	\$ (9,925,000)
Total Cost		\$ 61,004,000

Reserve Funding Research

- **Other Areas of Need for Reserve Funding**
 - Implementing system changes, operationalizing new State of CT/CMS changes.
 - On average we had to implement one (1) major State and/or CMS mandate annually since we started operations.
 - These mandates have cost between \$160k and \$2.7M.
 - Examples of these include: Medicaid Unwind, Verify Lawful Presence, etc.

Proposed Reserve Policy

- **Formalize a Reserve Fund Policy**
 - Determine target reserve amount.
 - Determine intended uses of reserves.

Access Health CT Reserve Funding Actuals				
Fiscal Year	Gross Reserve	Committed Project \$	Net Reserve	# Months of Operating Funding
2016	\$25M	-	\$25M	8.7
2017	\$21.4M	-	\$21.4M	8.0
2018	\$20.5M	-	\$20.5M	7.7
2019	\$24.3M	\$2.7M	\$21.6M	7.7
2020	\$25.9M	\$3.7M	\$22.2M	7.6
2021	\$24.5M	\$4.4M	\$20.1M	7.3
2022	\$23.5M	\$1.7M	\$21.8M	7.6
2023	\$23.6M	\$5.1M	\$18.5M	6.6

Proposed Reserve Policy

- Designated funds set aside by the action of the Exchange's Board of Directors.
- Target amounts: 9 months of operating funding (\$25.2M based on FY 2024 Budget)
- Funded using unspent revenues, adding \$571k in FY 2024.
- Will be used when there is an unanticipated loss of funding, for one-time emergency unbudgeted expenses, sudden increase in expense (e.g., COVID-19, terrorist act).
- A request to use reserve funds will be approved by the AHCT Finance Committee and Board of Directors.

Possible Vote

Adjournment