



Finance Committee

April 11, 2024
Regular Meeting -- Remote
10:00 a.m.
Meeting Minutes

Members Present: Claudio Gualtieri (Chair) on behalf of Jeffrey Beckham, Secretary, Office of Policy and Management (OPM); Commissioner Andrea Barton Reeves, Department of Social Services (DSS); Commissioner Manisha Juthani, Department of Public Health (DPH); Matthew Brokman

Access Health CT (AHCT) Staff: James Michel; Holly Zwick; Jeanna Walsh; Susan Rich-Bye; Glenn Jurgen; Marquese Davis; Sinisa Crnkovic; Marcin Olechowski

Wakely Consulting: Julie Andrews

A. Call to Order and Introductions

The Regular Meeting of the Connecticut Health Insurance Exchange Finance Committee was called to order at 10:06 a.m. Roll call for attendance was taken.

B. Public Comment

No public comment was submitted.

C. Vote: Review and Approval of Minutes

Chair Claudio Gualtieri requested a motion to approve the November 9, 2023 Regular Meeting Minutes. Motion was made by Matthew Brokman and was seconded by Claudio Gualtieri. Roll call vote was ordered. **Motion passed unanimously.**

D. FY 2024 – 3rd Quarter Budget – Operating

Information on the requirements for issuing an RFP for audit services this year was provided. The RFP has been issued and the Board, Finance and Audit Committees will be notified when the contract is signed.

Ms. Zwick reviewed the Fiscal Year (FY) 2024 3rd Quarter Budget Report. The FY 2024 Quarter 3 actuals are \$38,619,158 which is a positive variance of \$947,678 from the originally budgeted amount. The AHCT budget in this area is \$22,109,697 while the Department of Social Services (DSS) Shared Cost is \$16,509,461. The AHCT portion of

the budget is currently \$176,673 under budget due to timing of expenses, while the DSS shared cost is \$1,124,351 over budget.

Stable interest rates and assessment revenues higher than projected contributed to actuals being over budget. Small savings were achieved due to vacancy savings and employee health plan selections. A slight increase in the Contractual costs was observed. The FY 2024 Quarter 3 Adjusted Budget is the same as the FY 2024 Adopted Budget and it stands at \$54,111,975. More detailed line-by-line FY 2024 Quarter 3 budgetary expenses were outlined. No changes in the shared cost budget with DSS for FY 2024 Quarter 3 will be implemented.

A review was provided of the carry-forward projects from FY 2023 to FY 2024. These projects were initiated and funded in FY 2023 but were not completed at the end of the fiscal year.

Chair Claudio Gualtieri requested a motion to approve FY 2024 – 3rd Quarter Budget Report as presented by Exchange Staff. Motion was made by Matthew Brokman and was seconded by Manisha Juthani. Roll call vote was ordered. **Motion passed unanimously.**

E. Investment Report

Holly Zwick, Director of Finance, presented the Investment Report. The objective for AHCT funds is to obtain 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 Year to Date (YTD) earnings in the STIF account are at \$851,909. Ms. Zwick provided additional information on the AHCT investment portfolio.

F. Proposed Amendment to the Investment Policy

Ms. Zwick presented proposed amendments to the Investment Policy and explained the changes which include adding administration of the 457b accounts and updating titles of officers to match the current organizational structure. **These proposed amendments are presented to the Board for posting in the Law Journal for a period of public comment, and ultimately for adoption by the Board.**

G. FY 2025 Proposed Operating Budget

The Fiscal Year 2025 Proposed Operating Budget was presented. It increased by \$3,552,415 with a total of \$57,664,390. Marketplace assessments increased due to the new assessment rate of 1.85 percent and actuals came in higher than projected. Interest income is expected to decrease due to anticipated lower interest rates.

The variance in total operating expenses is expected to increase by \$3.5 million. Ms. Zwick provided line-by-line review of budgeted expenses including the reasons why the increases in those areas are necessary. Review was presented of the Contractual line item, which is budgeted to increase by \$1.8 million for a total budget of \$14,443,869. The

Contractual line item consists of the costs associated with the Call Center and the increased costs in Marketing and additional Information Technology (IT) initiatives; equipment and maintenance is projected to increase by close to \$600,000 due to the increase in the All Payer Claims Database (APCD) amount due and IT maintenance as enhancing cybersecurity is crucial. Other FY 2025 budget line items were briefly described.

The proposed DSS shared cost budget does not contain any changes compared to the prior fiscal year. The Call Center costs are increasing, but the shared cost with DSS remains the same so to close the gap, significant mitigation efforts will need to be undertaken. AHCT is working with DSS and the Call Center vendor to address this issue and improve the quality of calls as well as to minimize wait times. AHCT is considering issuing an RFP for the call center vendor later this year.

The FY 2025 Projected Reserve Fund balance is \$19.2 million which equals 6.2 months of operating funding; it includes \$796,352 carried over from the prior fiscal year. Brief discussion ensued around some of the increases in the budget and the economic as well as IT-security reasons behind these proposals. The FY 2023 Carryover of \$5,077,151 was also reviewed.

Chair Claudio Gualtieri requested AHCT's input regarding setting financial goals for the Exchange and, if revenues continue to climb, when it would be prudent to potentially consider a slight reduction in the marketplace assessment rate. Mr. Michel suggested that if a positive financial pattern is observed over the longer period, such as between three and five years, the Finance Committee and ultimately the Board may consider changes to the assessment rate. Mr. Michel noted however, that unexpected expenses should also be taken into consideration as well as the rising operating expenditures.

Andrea Barton Reeves joined at 10:25 a.m.

Chair Claudio Gualtieri requested a motion to approve the FY 2025 Proposed Operating Budget as presented by Exchange Staff. Motion was made by Manisha Juthani and was seconded by Claudio Gualtieri. Roll call vote was ordered. **Motion passed unanimously.**

H. Proposed Reserve Funds Policy

Ms. Zwick presented the Proposed Reserve Funds Policy for AHCT. Based on the data analysis, 9-months of operating funding for the reserves is being proposed. Discussion followed on potential financial needs for the reserve fund. Ms. Zwick noted that insurance businesses and the healthcare industry are prime targets for cyberattacks because of the vulnerable of data that they house and the connections to other institutions. Examples of data breaches were presented. Information about lawsuits brought against business entities who became targets of malicious cyberattacks were briefly touched upon.

A worst-case scenario for a potential cyberattack was determined by a cross-departmental analysis, which would involve the complete shutdown of the AHCT system. Monetary expenditures could potentially exceed \$60 million.

Other areas of need for reserve funding include implementing system changes, state and federal mandates as well as regulatory requirements. Ms. Zwick noted that the proposed reserve policy would designate funds to be set aside by the action of the Exchange's Board of Directors; the target amount would be 9 months of operating funding; it would be funded using unspent revenues.

Reserve funds would be used when there is an unanticipated loss of funding, for one-time emergency unbudgeted expenses or sudden increase in expenses. A request to use the reserve funds would have to be approved by the AHCT Finance Committee and Board of Directors. Mr. Michel pointed out that once the budget reserves achieve a 9-month operating expenses amount, consideration could be made to potentially start reducing the marketplace assessment rate.

Brief discussion followed regarding the approval process by the Finance Committee as well as the Board of Directors for usage of the reserve funds as well as providing greater levels of security to make sure that AHCT would minimize the risk of cyberattacks.

Further discussion on the challenges for obtaining expanded cybersecurity insurance coverage. Consensus around reviewing the AHCT budget reserves policy every two to three years and adjust it accordingly if the need arises to make sure that enough resources are available in case of the cybersecurity breach.

I. Adjournment

Chair Claudio Gualtieri requested a motion to adjourn. Motion was made by Matthew Brokman and was seconded by Manisha Juthani. Roll call vote was ordered. **Motion passed unanimously.** Meeting adjourned at 10:47 a.m.