


Covered California Annual Report and Fiscal Year 2020-21 Budget

July 16, 2020



**COVERED
CALIFORNIA**



Covered California Annual Report and Fiscal Year 2020-21 Budget

The ***Covered California Annual Report and Fiscal Year 2020-21 Budget*** serves two purposes. First, it provides the public, the governor and the Legislature a summary of activities, challenges and accomplishments during fiscal year 2019-20. This annual report is required pursuant to Section 100503 of the California Government Code. The initial section of the report, which is the summary of the Annual Report and the first Appendix, details the expenses by program area and the progress toward meeting our goals.


Secondly, it provides the budget adopted by Covered California's board after the review of a proposed draft and adjustments based on public comments and updated information.

The budget process is based on established budget principles, processes and procedures to provide the highest levels of fiscal integrity, accountability, transparency, and accuracy.

The budget seeks to set out the most cost-effective and efficient level of resources that the organization needs to carry out its mission and goals.

Cover Image

The people featured on the cover have benefitted from Covered California's efforts. Their stories – and those of others told here <https://www.coveredca.com/real-stories/> go beyond the data to provide personal perspectives on what Covered California has achieved over the past six years.





July 16, 2020

Governor Gavin Newsom and Members of the California Legislature,

On behalf of the governing board of Covered California, and pursuant to Government Code Section 100503, I am pleased to present this report to the governor and the Legislature which details Covered California's achievements and activities during fiscal year (FY) 2019-20 and outlines the budget for FY 2020-21 adopted by the board at its June 25, 2020 meeting.

Covered California remained on the forefront of improving coverage affordability; promoting enrollment and retention; and responding to the impact of the COVID-19 pandemic throughout FY 2019-20. In 2020, Covered California implemented new state premium subsidies making coverage more affordable for low-income Californians, with our state becoming the first in the nation to provide financial assistance to middle-income consumers who do not receive any federal financial help. Covered California established a partnership with the Franchise Tax Board – which administers the new state-level individual mandate penalty enacted after federal action to reduce the federal penalty to \$0 – and made substantial investments in marketing and outreach to inform Californians of their coverage options. Taken together, these policies resulted in historically low premium increases in 2020 and helped drive new enrollment growth by 41 percent. Also, responding to the significant impact of the COVID-19 pandemic in 2020, Covered California launched a “special enrollment period” opening our doors to Californians in need of coverage, and signing up more than 175,000 Californians – twice as many as the same time period last year. Covered California continues to evaluate how it can reach and serve Californians who have been impacted by the health and economic impacts of COVID-19.

Looking ahead, Covered California enters FY 2020-21 with historically high enrollment, and in a strong financial position to continue meeting the needs of Californians. Our operating budget – which does not draw on state General Funds – remains focused on key areas that will assist us in meeting our mission including increased investments in information technology; marketing and outreach; and, policy, research, and effective plan management to inform national and state policy. We are planning to expand our outreach to make sure Californians impacted by the COVID-19 pandemic know of their opportunities to get affordable health care coverage. These increased investments and priorities come at the same time we are planning to lower the assessment on health plan premiums which fund Covered California's operating budget.

Covered California's work throughout FY 2019-20, and its budget for the upcoming fiscal year, reflects its ongoing commitment to putting consumers first, promoting enrollment, holding health plans accountable, and making the market work for California's consumers. We look forward to our continued work with you to achieve these goals, particularly in a year of health crisis, and will be sure to report important developments to you as the year progresses.

Sincerely,

Peter V. Lee
Executive Director

Covered California Board and Senior Executive Management

Covered California Board of Directors

Dr. Mark Ghaly, Chair; Paul Fearer, Jerry Fleming,

Dr. Sandra Hernández, Art Torres

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Executive Director

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Chief Deputy Executive
Director, Operations

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Jim Watkins
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Karen Ruiz
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Chief Information Officer

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Chief Deputy Executive
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Communications
and Public Relations
Division Interim Director

Jen Jacobs
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Darryl Lewis
Ombuds Office
Division Director

Brandon Ross
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Division Director

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Marketing
Division Director

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Research
Division Director

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I. Annual Report

Introduction

Covered California enters fiscal year (FY) 2020-21 on a foundation of seven years of experience in implementing the Patient Protection and Affordable Care Act, and in a state that introduced bold policies in 2020 to enhance the affordability of coverage through new state subsidies as well as a statewide individual mandate penalty. These policies lowered premiums and made coverage more affordable for hundreds of thousands of people. Through these actions and many others, California has remained on the forefront of policies that build on the Affordable Care Act, and Covered California continues to serve as a proving ground for an effective and innovative state-based marketplace that puts consumers first.

While the crisis caused by COVID-19 continues to reshape the lives of people throughout our state, and the state of California faces its worst budget deficit in history, there is a critical need to expand economic and other assistance programs to millions of Californians who have lost their jobs and the health care coverage that came from their employer.¹ Studies show that the virus also disproportionately affects low-income families and communities of color, which spotlights the importance of Covered California's historic focus on health equity and disparities in care.²

With the adopted budget for FY 2020-21, Covered California will lower its assessment on health plans, substantially expand already robust marketing spending and increase service levels to meet the needs of Californians facing the loss of employer-based insurance coverage. This new spending is made possible by the fact that Covered California maintains sufficient cash reserves that give it the flexibility to help Californians get the care they need during a recession sparked by a pandemic.

In many ways, the pandemic has made clear the crucial importance of the Affordable Care Act's coverage expansions. California has in place an effective Medi-Cal program that stands ready to serve what could be millions more Californian beneficiaries. Covered California — an independent marketplace — has time and again made policy decisions and investments to promote a market that works for consumers and assures they get the care they need.

Covered California looks forward to continuing to deliver on its mission of increasing the number of insured Californians, improving health care quality, lowering costs, and reducing health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

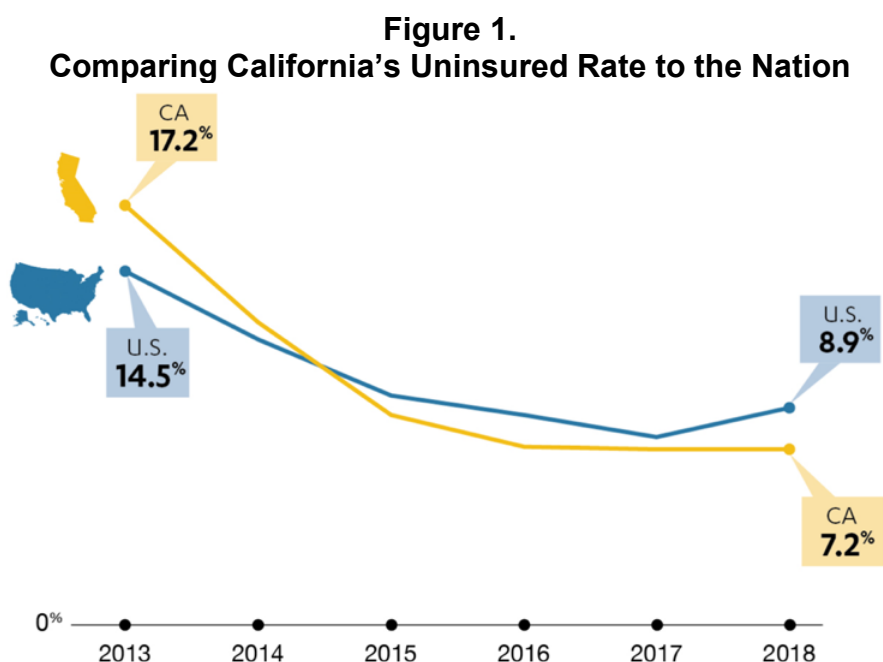
¹ University of California Berkeley Labor Center, *Health coverage of California workers most at risk of job loss due to COVID-19*, May 2020. <http://laborcenter.berkeley.edu/health-coverage-ca-workers-at-risk-of-job-loss-covid-19/>.

² Kaiser Family Foundation, *Low-Income and Communities of Color at Higher Risk of Serious Illness if Infected with Coronavirus*, May 7, 2020. <https://www.kff.org/disparities-policy/issue-brief/low-income-and-communities-of-color-at-higher-risk-of-serious-illness-if-infected-with-coronavirus/>.

Protecting and Going Beyond the Affordable Care Act with New Policies in 2020

Since the launch of the Affordable Care Act, California has taken many steps to dramatically improve access to quality health care in the state. That endeavor is supported by the expansion of Medi-Cal, which currently provides health coverage to an estimated 36 million Californians³, including more than 3.7 million people who are currently enrolled due to the Affordable Care Act expansion.⁴ Since Covered California first opened its doors in 2014, more than 4.5 million people have been insured for at least one month directly through the exchange, and millions more have purchased coverage in the individual market off-exchange — benefiting from lower premiums driven by the healthier risk mix that is the result of Covered California’s marketing and policies.

California’s uninsured rate has dropped 10 points since 2013⁵, the year prior to the implementation of the Affordable Care Act, which is the biggest decrease of any state in the nation (see Figure 1. Comparing California’s Uninsured Rate to the Nation). In recent years, California’s uninsured rate held steady at 7.2 percent through 2018, which is in sharp contrast to the rest of the country, where the percentage of uninsured rose to 8.9 percent.⁶



Covered California’s ability to serve Californians was solidified in the past fiscal year by a series of policies and decisions at the state and exchange level, which protect and go beyond the Affordable Care Act.

³ U.S. Census Bureau, *Health Insurance Coverage in the United States, 2018*, Sept. 2019. <https://www.census.gov/content/dam/Census/library/publications/2019/demo/p60-267.pdf>.

⁴ Medi-Cal, *Fast Facts*, Dec. 2019. https://www.dhcs.ca.gov/dataandstats/statistics/Documents/Fast_Facts_Dec_2019.pdf.

⁵ U.S. Census Bureau, *Health Insurance Coverage in the United States: 2013*, Sept. 2014. <https://www2.census.gov/library/publications/2014/demographics/p60-250.pdf>.

⁶ U.S. Census Bureau, *Health Insurance Coverage in the United States: 2018*, Sept. 2019.

New Affordability Initiatives: Financial Help for the Middle Class and the Return of the Coverage Mandate

California enacted two new state affordability initiatives that took effect in 2020, championed by Governor Gavin Newsom and the state Legislature, that were designed to lower costs and encourage enrollment — both protecting and going beyond the Affordable Care Act.

- **State Individual Mandate Penalty:** California initiated its own state individual mandate penalty, after the original penalty was zeroed-out through federal action. The federal action of removing the penalty in 2019 resulted in a significant drop in enrollment *and* in higher costs as health insurance companies priced for lower enrollment and a worsened risk mix. By instituting a state-level penalty, California reduced premiums by between 2 and 5 percent per carrier for the 2020 plan year as carriers predicted it would encourage more healthy consumers to sign up for coverage.
- **State Subsidies to Make Care More Affordable and Address the Affordable Care Act “Cliff” for Middle-Income Californians:** The second initiative, proposed in 2019 and then implemented for the 2020 plan year, was a state subsidy program designed to make coverage more affordable for many low-income and middle-income consumers. Under the program, eligible low-income consumers — who either earn less than 138 percent of the federal poverty level (FPL) or between 200 percent and 400 percent of the FPL — would be able to receive state subsidies in addition to the federal tax credits they may receive. The program also was the first in the nation to offer subsidies to eligible middle-income consumers who earned between 400 and 600 percent of the federal poverty level. These small-business owners, entrepreneurs, contractors and other middle-income earners were previously ineligible for financial assistance because they exceeded federal income requirements, which stopped federal assistance at 400 percent of the federal poverty level regardless of how much coverage cost the individual. In California, some consumers were paying 20, 25 and even 30 percent of their household income on health insurance premiums. Across the nation, many of these individuals have been priced out of coverage.

Policies and Outreach Made a Difference

The combined effects of these new policies and Covered California’s robust marketing efforts — which included stepped-up investments to make sure Californians knew about the new state subsidies and the state penalty — paid off in lower premiums and significant growth in new enrollment.

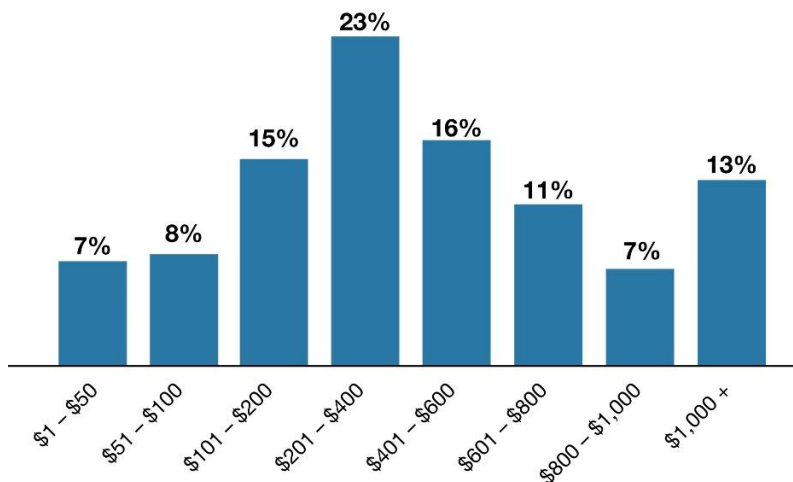
- **Record-Low Rate Change and More Competition:** The two affordability initiatives were critical ingredients in helping Covered California negotiate its lowest rate change in history, and they continue to provide greater choice and stability in the marketplace. For the 2020 plan year, Covered California negotiated a 0.8 percent rate change. This low average rate increase benefited all consumers, including those not eligible for financial assistance. In addition, all 11 carriers returned to the market, and a major national plan expanded its

coverage area. As a result, nearly all consumers would be able to choose from two or more carriers in 2020, 87 percent would have three choices or more, and 75 percent would have four or more choices.

- Large Increase in New Enrollment:** With these consumer-oriented policies in place and Covered California’s extensive outreach, California saw immediate results in the open-enrollment period for the 2020 plan year. More than 418,000 consumers signed up for coverage, which is 41 percent higher than last year’s figure of 295,980 following the zeroing-out of the penalty.

Overall, Covered California finished open enrollment with more than 1.5 million plan selections, including approximately 625,000 new and renewing consumers who qualified to receive the new state subsidies. Of those, nearly 32,000 middle-income consumers qualified for the new financial help, which averaged \$504 per month for eligible households, and lowered their monthly premium by half (see Figure 2. Distribution of California State Subsidies Among Eligible Middle-Income Households).

Figure 2.
Distribution of California State Subsidies Among Eligible Middle-Income Households (400 to 600 Percent FPL)



Covered California Responds to the COVID-19 Pandemic

The Affordable Care Act created a safety net for consumers who lose their job-based health coverage. During the pandemic, California’s unemployment rate jumped to a record 16.4 percent in April 2020⁷. The University of California, Berkeley Labor Center estimated that 2.6 million people and their dependents also lost the health care coverage that came with those jobs.

Covered California was in the midst of a special-enrollment period focusing on continuing to educate Californians about the new state subsidies and the state penalty when it shifted to respond to the pandemic. On March 20, 2020, Covered California established a special-enrollment period for any eligible consumer who needed health

⁷ Employment Development Department, *California unemployment rate lowers slightly to 16.3 percent in May*, June 19, 2020. <https://edd.ca.gov/newsroom/unemployment-june-2020.htm>.

insurance based on the COVID-19 pandemic. Covered California supported that special-enrollment period, which was announced to go until at least July 31, with \$9 million in new advertising to inform consumers about their options and encourage them to enroll in health care coverage.⁸ The latest data shows that more than 175,000 people signed up coverage between March 20 and June 20, which is more than twice as many as people that signed up during the same time period the previous year.⁹

Covered California's experience in the past year — both implementing new state policies and responding to the new demands driven by COVID-19 and its economic impacts — is informing its plans for the coming year. That experience, which is also anchored by a set of strategic priorities and an approach to creating a consumer-driven market that holds health insurance companies accountable, is being tested in new ways.

Covered California's Strategic Areas of Focus: Looking Back and Looking Ahead

Covered California's Annual Report and FY 2020-21 Budget reflect the organization's strategic priorities. The budgets for the most recent and upcoming fiscal years are based on established principles and procedures that provide the highest levels of fiscal integrity, accountability, transparency and accuracy to allow Covered California to meet its goals and carry out its mission.

Covered California's strategic areas of focus were designed by the agency's management team and reviewed by the board to guide the organization while making decisions, setting priorities, determining initiatives and preparing annual budgets.

The five areas of strategic focus, and the three cross-cutting priorities that guide Covered California's work, with examples of efforts undertaken in the past year, are summarized in the pages that follow (for more detail see Appendix A-1. Vision, Strategic Priorities and Program Accomplishments).

Strategic Priority: Affordable Plans

The Affordable Care Act opened the door to coverage for millions of Americans through three areas: expanding Medicaid to make it more available to low-income consumers; providing financial support to help people cover the cost of their monthly premiums; and including cost-sharing reductions that reduce the out-of-pocket costs for many low-income consumers. In 2020, California went above and beyond the law by making coverage more affordable through a state subsidy program and individual mandate.

The actions and policies enacted during FY 2019-20 build on the competitive marketplace that Covered California operates. Covered California also employs multiple

⁸ Covered California, *Covered California Launches New Ad Campaign That Focuses on the COVID-19 Pandemic and Encourages the Uninsured to Sign Up for Coverage*, May 4, 2020. <https://www.coveredca.com/newsroom/news-releases/2020/05/04/covered-california-launches-new-ad-campaign-that-focuses-on-the-covid-19-pandemic-and-encourages-the-uninsured-to-sign-up-for-coverage/>.

⁹ Covered California, *California Extends Special-Enrollment Deadline to Give Consumers More Time to Sign Up for Health Care Coverage During COVID-19 Pandemic*, June 23, 2020. <https://www.coveredca.com/newsroom/news-releases/2020/06/12/covered-californias-enrollment-continues-to-surge-during-the-covid-19-pandemic/>

tools to assure that the market is truly consumer driven and health insurance companies are held accountable. Unlike the federal exchange and most other state-based marketplaces, Covered California actively negotiates with plans on their premiums, network designs, delivery-system requirements and other key areas — while promoting a competitive marketplace — to provide the best value for consumers. The marketplace promotes consumer choice by creating a level playing field where consumers benefit from meaningful competition and expanded enrollment.

Consumer choice relies on plan participation with the need for a stable market that provides health insurance companies a level of certainty regarding the number and health status of enrollees. Since the launch of Covered California for the 2014 coverage year, the Exchange has had continuous participation by 10 health insurance companies, with the addition of an eleventh insurer in 2016. As noted earlier, nearly all consumers can choose from two or more carriers in 2020, 87 percent have three choices or more, and 75 percent have four or more choices.

In addition, Covered California established “patient-centered” benefit designs that are standardized across all health plans. Since the benefits in each metal tier are the same when it comes to co-pays, deductibles and other out-of-pocket costs, the health plans must compete on pricing and consumers can more easily comparison shop (see Table 1. 2020 Patient-Centered Benefit Designs and Medical Cost Shares).

Table 1.
2020 Patient-Centered Benefit Designs and Medical Cost Shares

Benefits in blue are not subject to a deductible. Benefits in blue with a white corner are subject to a deductible after the first three visits.

Coverage Category	Minimum Coverage	Bronze	Silver	Enhanced Silver 73	Enhanced Silver 87	Enhanced Silver 94	Gold	Platinum
Percent of cost coverage	Covers 0% until out-of-pocket maximum is met	Covers 60% average annual cost	Covers 70% average annual cost	Covers 73% average annual cost	Covers 87% average annual cost	Covers 94% average annual cost	Covers 80% average annual cost	Covers 90% average annual cost
Cost-sharing Reduction Single Income Range	N/A	N/A	N/A	\$24,981 to \$31,225 (>200% to ≤250% FPL)	\$18,736 to \$24,980 (>150% to ≤200% FPL)	up to \$18,735 (100% to ≤150% FPL)	N/A	N/A
Annual Wellness Exam	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Primary Care Visit	After first 3 non-preventive visits, full cost per instance until out-of-pocket maximum is met	\$65*	\$40	\$35	\$15	\$5	\$30	\$15
Urgent Care		\$65*	\$40	\$35	\$15	\$5	\$30	\$15
Specialist Visit	Full cost per service until out-of-pocket maximum is met	\$95*	\$80	\$75	\$25	\$8	\$65	\$30
Emergency Room Facility		40% after deductible is met	\$400	\$400	\$150	\$50	\$350	\$150
Laboratory Tests		\$40	\$40	\$40	\$20	\$8	\$40	\$15
X-Rays and Diagnostics		40% after deductible is met	\$85	\$85	\$40	\$8	\$75	\$30
Imaging			\$325	\$325	\$100	\$50	\$275 copay or 20% coinsurance***	\$75 copay or 10% coinsurance***
Tier 1 (Generic Drugs)	Full cost per script until out-of-pocket maximum is met	\$18**	\$16**	\$16**	\$5 or less	\$3 or less	\$15 or less	\$5 or less
Tier 2 (Preferred Drugs)		\$60**	\$55**	\$25**	\$10 or less	\$55 or less	\$15 or less	
Tier 3 (Non-preferred Drugs)		\$90**	\$85**	\$45**	\$15 or less	\$80 or less	\$25 or less	
Tier 4 (Specialty Drugs)		20% up to \$250** per script	20% up to \$250** per script	15% up to \$150** per script	10% up to \$150 per script	20% up to \$250 per script	10% up to \$250 per script	
Medical Deductible	N/A	Individual: \$6,300 Family: \$12,600	Individual: \$4,000 Family: \$8,000	Individual: \$3,700 Family: \$7,400	Individual: \$1,400 Family: \$2,800	Individual: \$75 Family: \$150	N/A	N/A
Pharmacy Deductible	N/A	Individual: \$500 Family: \$1,000	Individual: \$300 Family: \$600	Individual: \$275 Family: \$550	Individual: \$100 Family: \$200	N/A	N/A	N/A
Annual Out-of-Pocket Maximum	\$8,150 individual only	\$7,800 individual \$15,600 family	\$7,800 individual \$15,600 family	\$6,500 individual \$13,000 family	\$2,700 individual \$5,400 family	\$1,000 individual \$2,000 family	\$7,800 individual \$15,600 family	\$4,500 individual \$9,000 family

Drug prices are for a 30 day supply.

* Copay is for any combination of services (primary care, specialist, urgent care) for the first three visits. After three visits, future visits will be at full cost until the medical deductible is met.

** Price is after pharmacy deductible amount is met.

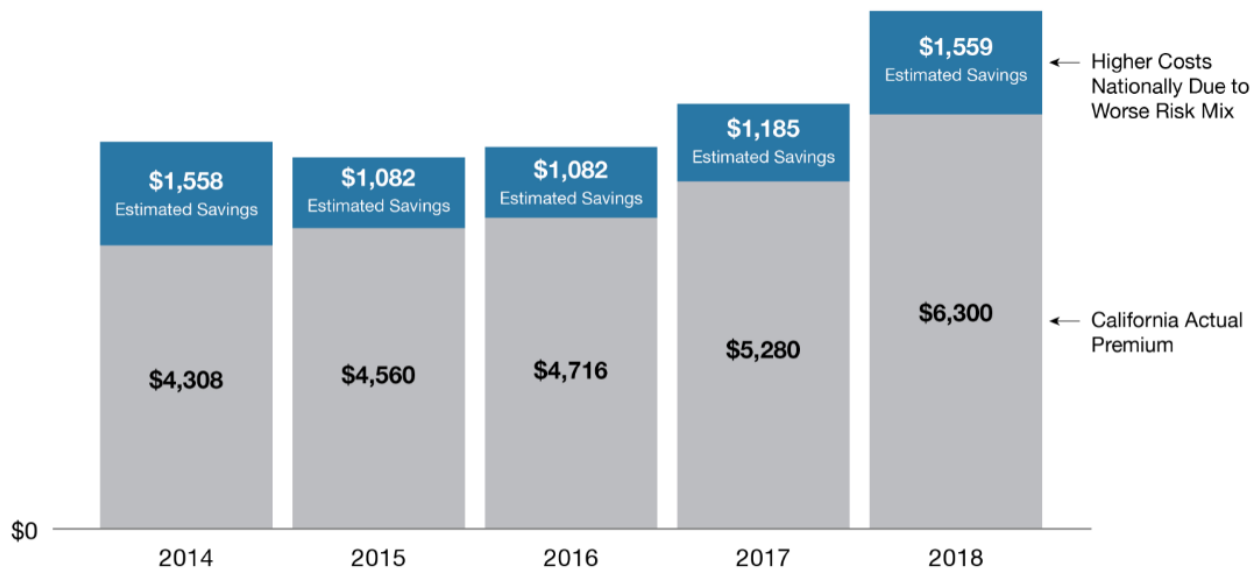
*** See plan Evidence of Coverage for imaging cost share.

The patient-centered benefit designs also offer “first dollar” coverage for all outpatient services. Currently, more than 70 percent of Covered California enrollees are in plans in which most outpatient care, such as primary care visits, outpatient services and lab tests, is not subject to a deductible.

By establishing true competition among health plans, and the extensive marketing and outreach described in sections that follow, the state of California has routinely enrolled one of the healthiest consumer pools in the nation. Between 2014 and 2018, California’s “State Average Plan Liability Risk Score” was among the five lowest in the nation.

A Covered California analysis shows that the state’s healthier consumer pool meant the average annual premium for unsubsidized enrollees was between \$1,080 and \$1,560 less than those enrollees would have paid if the risk mix had been similar to that seen in the rest of the nation (see Figure 3. California’s Healthier Risk Mix Leads to Lower Premium Costs for Unsubsidized Enrollees).

**Figure 3.
California’s Healthier Risk Mix Leads to Lower Premium Costs
for Unsubsidized Enrollees**



Note: In the period from 2014 to 2018, the cumulative average premium increase in California was one-third lower than the increase for the rest of the US: relative to 2014, the average premium in 2018 was 76 percent higher in the rest of the US, compared to 46 percent in California. In 2018, a large average premium increase was driven by the gross premium for the Covered California Silver tier (the most commonly chosen tier) increased by an additional 12.5% due to the elimination of the Cost-Sharing Reduction (CSR) payments from Centers for Medicare and Medicaid Services (CMS).

Strategic Priority: Assuring Consumers Get Needed Care

The Affordable Care Act also enacted landmark reforms designed to ensure that consumers had access to high-quality health care coverage.

- **Guaranteed Issue and Renewal:** Health insurance companies are required to enroll consumers regardless of their health status, age, gender or other factors.
- **Protections for Pre-Existing Conditions:** Health insurance companies cannot exclude, deny coverage or charge more based on a consumer’s pre-existing conditions.

- **Minimum Essential Coverage:** Health insurance companies are required to cover categories of essential health benefits, ensuring comprehensive coverage when care is needed.
- **No Annual or Lifetime Limits on Benefits Actuarial Value:** Standardized the value of coverage by tiers so consumers know on average how much their plan will pay for health care costs.

In addition, California took additional steps to protect consumers who need care by banning the sale of short-term, limited-duration insurance plans; requiring Covered California's Certified Insurance Agents to disclose to consumers the risk of health-sharing ministries; and prohibiting small businesses and those who are self-employed with no employees from enrolling in Association Health Plans.

The Affordable Care Act provides tools to ensure plans meet quality standards and spend the majority of premiums on health care. The law also provides flexibility for states to impose rigorous standards for qualified health plans to benefit consumers. Covered California holds health insurers accountable through an array of reporting and performance requirements:

- **Selective contracting with plans:** Covered California health plans must meet rigorous standards and demonstrate value to consumers. Covered California will reject applicants that do not demonstrate they can meet those standards or bring sufficient market value to consumers.
- **Actively negotiating with plans on pricing:** Covered California negotiates pricing on behalf of the consumer to provide the best value. The exchange also helps health insurance companies understand the overall health of enrollees so they can price right.
- **Requires network design changes:** Covered California's contracts require health insurance companies to adopt quality-improvement activities selected in collaboration with stakeholders, including:
 - Selecting providers based on quality.
 - Measuring and narrowing disparities in care, which will likely affect not only Covered California enrollees, but also the estimated 19.5 million enrollees that our carriers insure across California.

Covered California also requires insurers to promote advanced primary care as well as integrated and coordinated care because there is a documented association of these approaches with better care, and an increasing proportion of Covered California enrollees are receiving care through these approaches. Two of Covered California's qualified health plan issuers with integrated delivery systems, Kaiser Permanente and Sharp Health Plan, are ranked in the top 10 percent of all U.S. health insurers in most measures of quality. However, quality performance across the other nine insurers varied widely, which shows further improvement is possible.

Covered California also focuses on delivery reform to improve value and system performance, which has resulted in about 25 percent of enrollees being cared for in an accountable care organization in 2018, far exceeding state and national benchmarks.

In the summer of 2019, Covered California released the reports “[Current Best Evidence and Performance Measures for Improving Quality of Care and Delivery System Reform](#)” —which summarizes the expert evidence and measurement reviews performed by Health Management Associates (HMA) and PricewaterhouseCoopers (PwC) — and “[Health Purchaser Strategies for Improving Quality of Care Delivery System Reform](#),” which is PwC’s assessment of other purchasers’ contracting strategies. In December 2019, Covered California also published two reports describing activities and achievements of Covered California’s first five years: “[Covered California’s First Five Years: Improving Access, Affordability and Accountability](#)” and “[Covered California Holding Health Plans Accountable for Quality and Delivery System Reform](#),” detailing how contracted health plans are held accountable for assuring quality care and advancing health care delivery reform.

Covered California launched workgroups in July 2019 that brought together consumer advocates, providers, health insurance company representatives and others to review the research findings and health plan performance to date and develop recommendations for the model contract refresh on quality and delivery-system improvement strategies. Due to the scope of the evidence and depth of analysis involved and impacts of the COVID-19 pandemic, Covered California is phasing in the contract-refresh process with modified requirements for plan year 2022 and working toward the full qualified health plan issuer model contract refresh in 2023. Among the ideas under consideration is that Covered California establish a “Quality Transformation Fund” that would move premiums (and hence “price position”) among carriers based on their quality performance.

Strategic Priority: Effective Marketing and Outreach

Covered California’s experience shows that a stable individual insurance market requires investments in marketing and outreach to attract a healthier consumer pool, lower premiums and encourage health insurance companies to participate in the market with more certainty and potential returns.¹⁰ Effective marketing and outreach require a multifaceted approach grounded in solid research and a critical review of the return on investment.

Covered California increased its marketing budget in FY 2019-20 to help inform consumers about the new state subsidy program and state individual mandate, as well as their options in response to the COVID-19 pandemic. Covered California also continues to build on the Affordable Care Act by making significant investments in marketing and outreach in order to promote stable enrollment, foster a healthy risk mix and lower premiums.

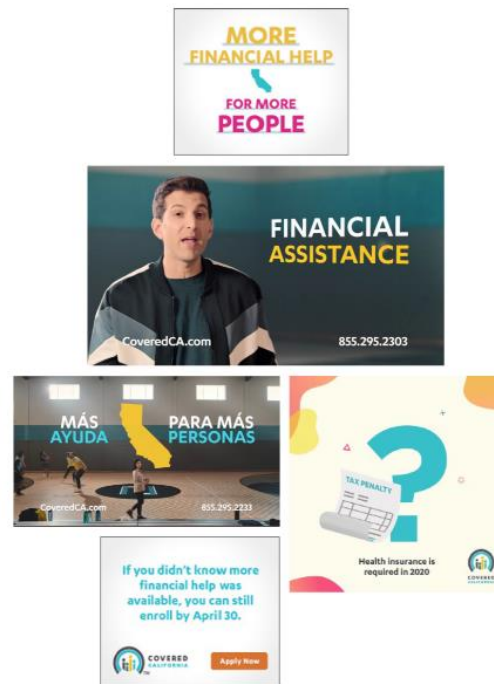
During the open-enrollment period for the 2020 plan year, Covered California’s marketing and outreach efforts resulted in an estimated 2.7 billion impressions, meaning every California adult saw or heard the exchange’s messaging an average of 89 times.

As a state-based exchange, Covered California oversees its own outreach efforts, including statewide advertising campaigns on numerous platforms and the funding of a

¹⁰ Covered California, *Marketing Matters*, Sept. 2017. https://hbex.coveredca.com/data-research/library/CoveredCA_Marketing_Matters_9-17.pdf

network of more than 100 community groups through its Navigator program. In addition, Covered California coordinates with its contracted health insurance companies to maximize the positive impact of their marketing and agent-commission payments. Covered California works with these groups throughout the full three-month open-enrollment period and with increasing focus on year-round marketing during special enrollment to educate consumers about their health care options.

Fiscal year 2019-20 presented two additional opportunities to reach out to consumers. Following open enrollment, Covered California estimated that 280,000 people — who were likely eligible for new state or existing federal subsidies — kept their “off-exchange” coverage and did not get any financial help to help them with the cost of their coverage. Most of these individuals earn under 400 percent of the federal poverty level and would be eligible for both the state and federal subsidies, while about 40,000 would be eligible to receive the new state subsidies for middle-income Californians. In an effort to reach those consumers, the exchange made the strategic decision to launch the first special-enrollment television ad campaign in its history. The campaign, which was supplemented by radio and digital spots, promoted the special-enrollment period, which allowed consumers to sign up for coverage if they were unaware of the new financial help or new state penalty that went into effect in 2020.



Examples of Covered California's Special Enrollment Ad Campaign

The increased marketing and outreach paid immediate dividends, as the weekly average number of gross plan selections between Feb. 1 and March 19 was 24 percent higher than it was during the same time period the previous year.

During the current pandemic, Covered California also responded by spending \$9 million on advertising campaigns to inform consumers of their options if they were uninsured or had lost their job-based coverage. The most recent data shows that more than 175,000 people have signed up for coverage during the COVID-19 special-enrollment period, at a pace that is more than two times higher than the same time the previous year.

As detailed in the budget, Covered California is working with its health insurance companies to increase their marketing and outreach efforts to supplement the work currently being done throughout the state.

Strategic Priority: Positive Consumer Experience

Covered California is committed to providing a positive experience to our consumers as we help them understand their health care options and get them access to the care they need. Ensuring consumers have a positive experience from initial enrollment to keeping

their coverage is an important part of Covered California’s broader goal of creating and maintaining a culture of coverage.

All divisions within Covered California strive to align their goals and initiatives to support this strategic priority. While much of this work is non-customer-facing and invisible to the consumer, it is critical to Covered California’s efforts to ensure that its customers receive a positive experience.

The consumer-facing divisions, the Service Center and the Ombuds Office, work hard to serve Covered California consumers. During the COVID-19 pandemic, the service centers saw a significant surge in the need for consumer assistance. From July 2019 through March 2020, the service centers handled 1.9 million consumer inbound calls, with more than 1.1 million calls during open enrollment and the remainder during the expanded special-enrollment period. During this same period, the service centers completed more than 380,000 manual work streams, closed more than 27,000 escalations and complaints, and resolved more than 11,000 appeals. The Ombuds Office also saw a significant increase in calls for assistance, seeing double the number of calls over the previous year.

One of the important tools Covered California uses to measure consumer experience is focus group testing and customer surveys. In a recent post-call survey conducted during the height of the COVID-19 pandemic, over 87 percent of Covered California consumers said they were very satisfied, and 7 percent said they were satisfied with the service provided by Covered California’s service center representatives. Despite the high volume of work, the Service Center continued to provide a positive consumer experience for Covered California’s consumers.

In addition to the consumer-facing divisions, others that have core functions in supporting consumers include the Eligibility Branch of the Policy, Eligibility and Research division, and the Consumer Experience division. In the Eligibility Branch, a significant effort in the past year has focused on improving the notices received by consumers. Given the many legal requirements related to the form and content of enrollment and eligibility communications, the standard correspondence has frequently been far from as “consumer-friendly” as would be preferred. Efforts to revise and streamline notices have included conducting focus groups, testing reading levels and working with external partners and advocates to improve these important communications.

The Customer Care division has been leading an effort to map the full “consumer journey” to assess what parts of that process — from considering getting coverage, checking eligibility for financial help, picking the right plan and benefit level, and keeping and using coverage once enrolled — provide the biggest opportunities for improvement.

Strategic Priority: Organizational Excellence

Covered California is an independent public entity within state government that is accountable to a five-member board appointed by the governor and the Legislature. Two members are appointed by the governor: one by Senate Rules Committee and one by the Speaker of the Assembly. The Secretary of the Health and Human Services Agency, or another designee, serves as an ex-officio voting member of the board.

Covered California is funded entirely by a percentage assessment on health plan premiums. The budget for FY 2020-21 reflects the assessment fee rate for plan year 2021 being reduced to 3.25 percent of premiums from the 3.5 percent assessment levied in 2020. Since the cost of these assessments is spread across the entire individual market — both on-exchange enrollment and off-exchange enrollment into mirrored products that consumers purchase directly from Covered California’s 11 carriers — this assessment fee rate will equate to an assessment of about 2.3 percent on all premiums in the individual market in 2020.

Together, these two elements allow Covered California to remain nimble in its actions and responses, which in turn help promote enrollment and save consumers money.

When it comes to organizational excellence, Covered California’s approach pairs “operational excellence” with “people excellence.” Covered California is committed to ensuring we maintain alignment in how we are organized, how we operate and how our team is engaged. Our strategic focus ensures it is not one system or approach over the other, but instead all systems, operations, organizations and people are able to work together in alignment.

Covered California’s organizational excellence derives from the individual and team contributions of every single employee. Connecting employees to Covered California’s mission and creating an environment in which employees are actively engaged, know they are valued resources whose work matters, and are proud to work for Covered California is of utmost importance. Covered California seeks to foster an inclusive growth-based culture, which includes a comprehensive employee engagement program, flexible work practices, development opportunities and access to best-in-class technology tools.

Covered California maintains a culture that values and engages our team and utilizes employee-engagement surveys designed to provide useful information that enables the department to identify meaningful opportunities for organizational improvement. Our structured approach is intended to empower our employees to bring their best to work every day and is designed to maximize quality, efficiency and problem-solving to improve the employee and consumer experience. This framework enables Covered California to focus on ensuring our employees are supported, valued and heard, which positively affects the consumer journey.

With the onset of COVID-19, Covered California took immediate but necessary action to comply with federal, state and county guidelines and mandates while still promoting the continuity of its mission-critical work. As part of our overall response to these unprecedented and challenging times, Covered California transitioned its workforce with a large-scale telework initiative — including moving virtually all of its more than 1,300 employees to working at home in a matter of weeks — and it will continue to remain nimble as it responds to the facility and staffing challenges resulting from this pandemic. Covered California remains committed to maintaining its resilience while using a framework centered on successfully reacting, responding, safely returning and ultimately transforming how our work may be successfully conducted in the future.

These five strategic areas of focus are supported and complemented by the following crosscutting initiatives:

- Innovating for the long term and being nimble in the present.
- The lessons from the rapid movement of the entire organization to telework in response to the COVID-19 pandemic are now informing longer-term planning regarding the mix of on-site versus telework across all divisions.
- A consolidated enterprise information technology backup and disaster recovery solution is being implemented to more easily manage and meet business continuity objectives in the event of a disaster.
- As we increasingly move from our on-premise systems and lengthy development processes to cloud solutions and agile development processes, Covered California can add additional tools to make decision-making and enrollment in health plans easier to understand and simpler to complete.

Using Covered California’s experience to inform policy in California and nationally.

Covered California shares its experience and lessons learned to help inform federal and state policy makers in the effort to improve access to meaningful, affordable universal coverage, reform the delivery system and advance quality and reductions in health disparities. In the 2019-20 fiscal year, this included assisting in the assessment and design of the state subsidy program and the implementation of the state mandate. Covered California will build on this work for the long-term future of health care policy in California and the nation, given the new economic instability arising from the pandemic.

As a data-driven organization, Covered California will continue to leverage internal and external expertise among its many stakeholders, academicians and private and public partners to practice evidence-based policy development that can aid health policy discussions not only in the state, but also throughout the nation.

Continued partnerships and collaboration with other state-based exchanges will bolster Covered California’s ability to inform state and federal policy, and maintaining this network is among the organization’s top priorities short- and long-term.

Working in partnership with others to promote changes in care delivery that benefit all Californians.

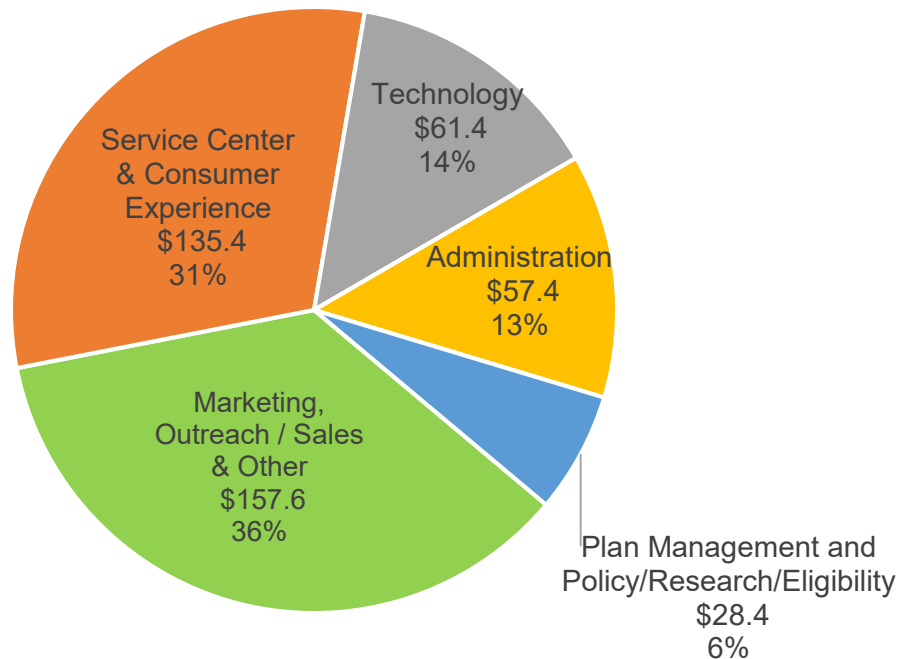
Covered California is actively working with both public purchasers — such as the Department of Health Care Services and CalPERS — and private purchasers to align its contractual expectations of health insurance companies to improve the delivery and quality of health care for all consumers in California.

II. FY 2020-21 Operating Budget

Throughout Covered California’s history it has sought to demonstrate how a state can effectively expand health coverage while building on and extending the reach of the Affordable Care Act. As we enter FY 2020-21, our nation, state and local communities are striving to contain the spread of the COVID-19 pandemic, which has prompted extreme job loss and an economic recession. The impacts are monumental. The state of California is facing a \$54 billion budget deficit as it ramps up efforts to respond to the needs of millions of Californians while tax revenue is declining. In just two short months, California’s unemployment rate rose to a record-high 16.4 percent in April.¹¹

As millions of Americans lose jobs, they will also lose employer-sponsored insurance (ESI). Many more will be seeking coverage alternatives, and as they do so, they will transition to systems that may be unfamiliar to them, such as Covered California or Medi-Cal. These individuals and families will shift from one source of health care coverage to another during a very stressful time. Both Covered California and Medi-Cal will be challenged during this time of great need. It is with these new realities in mind that Covered California constructed its FY 2020-21 budget.

Figure 4.
Covered California’s FY 2020-21 Operating Budget
Distribution by Major Functional Area
\$440.2 Million
(Dollars in Millions)



¹¹ Employment Development Department, *California unemployment rate lowers slightly to 16.3 percent in May*, June 19, 2020. <https://edd.ca.gov/newsroom/unemployment-june-2020.htm>.

Covered California will have an operating budget for FY 2020-21 of \$440.2 million that provides for 1,419 authorized positions (see Figure 4. Covered California's FY 2020-21 Operating Budget Distribution by Major Functional Area). Operating expenses are assumed to grow by 16.1 percent over FY 2019-20 actual/forecasted operating expenses of \$379.1 million (see Appendix A-IV. Multi-Year Projection).

Based on our FY 2020-21 budget, Covered California projects enrollment will grow by 15.5 percent above the FY 2019-20 actual/forecasted level, rising from 1,389,107 to 1,603,850 average monthly enrollees. This added enrollment is projected to increase operating revenues by \$47.6 million over the FY 2019-20 actual/forecasted. We are forecasting that overall operating revenues and other income will increase by 11.0 percent over FY 2019-20 actual/forecasted, with revenues/income rising from \$376.2 million to \$417.7 million (see Table 2. Covered California Condensed Statement of Revenues, Expenses and Change in Net Position FY 2019-20 Actual/Forecasted vs. FY 2020-21 Budget).

Table 2.
Covered California
Condensed Statement of Revenues, Expenses and Change in Net Position
FY 2019-20 Actual/Forecasted vs. FY 2020-21 Budget
(Dollars in Millions)

	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2019-20 Approved Budget	Difference
Authorized Positions	1,391	1,419	28
Average Monthly Enrollment	1,389,107	1,603,850	214,743
Per-Member Per-Month Individual Medical	\$ 20.96	\$ 20.64	\$ (0.32)
Plan Individual - Medical	16,669,289	19,246,198	2,576,909
Plan Individual - Dental	2,499,445	2,251,221	(248,224)
Plan CCSB - Medical & Dental	747,512	651,776	(95,736)
Operating Revenues	\$ 369.2	\$ 416.8	\$ 47.6
Other Income - SMIF Interest	<u>\$ 6.9</u>	<u>\$ 0.9</u>	<u>\$ (6.1)</u>
Total Revenues / Income	\$ 376.1	\$ 417.7	\$ 41.5
Operating Expenses			
Personal Services	\$ (129.6)	\$ (157.1)	\$ (27.5)
Contracts > \$1M	\$ (177.0)	\$ (222.7)	\$ (45.7)
Other OE&E	<u>\$ (72.5)</u>	<u>\$ (60.3)</u>	<u>\$ 12.1</u>
Total Operating Expenses	\$ (379.1)	\$ (440.1)	\$ (61.1)
Overall Increase(Decrease) in Net Position	<u>\$ (2.9)</u>	<u>\$ (22.5)</u>	<u>\$ (19.6)</u>

Covered California's FY 2020-21 budget projects \$417.7 million in revenues and \$440.2 million in operating expenses and will use resources from its substantial cash reserves to finance the planned expenditures during this unprecedented time. Funding the

difference between revenues/income and operating expenses for FY 2020-21 will require the use of \$22.5 million in cash reserve funds. Under the base forecast for the multi-year financial projections, Covered California would still maintain reserves that would cover more than nine months of annual budgeted operations for the foreseeable future (see Appendix A-III. Enrollment and Revenue Forecast), which the organization believes is a prudent level that would allow for an adjustment of either revenue or expenditures in the event of a significant deviation from budgetary expectations. Covered California plans to enhance its spending in several key areas that are central to its mission. The FY 2020-21 budget is based on providing resources needed to support Covered California's efforts to help Californians maintain their health care coverage during the uncertainty of the COVID-19 recession and reflects the organization's four priority areas of focus in FY 2020-21:

Continue to Meet the Needs of Californians by Delivering on Covered California's Mission of Expanding Coverage and Promoting Quality Care

The budget reflects Covered California's ongoing focus to fulfilling its core strategic priorities (for detailed discussion of Covered California's strategic priorities, see Appendix A-I. Vision, Strategic Priorities and Program Accomplishments), while continuously improving performance, striving to ensure that:

- Health care provided through contracted plans is affordable to consumers.
- Once covered, consumers receive needed care on a timely basis that recognizes the diverse needs and backgrounds of Californians.
- Consumers are provided the encouragement, education and outreach they need to find the coverage most suited to their needs and make informed decisions.
- Consumers have a positive experience that motivates them to maintain their coverage.
- Our organization develops the internal tools and processes to ensure organizational excellence and provide the resources to meet our goals and objectives.

The budget continues building on all aspects of the organization that promote an effective market for consumers, keep coverage affordable, and make sure that consumers can obtain needed care and have a positive experience working with Covered California. Central to these efforts is ensuring that our workforce has the tools and resources to do their jobs well. The new budget builds on past years' capacity and human capital with about \$6 million focused on information technology improvements and upgrades that enable the entire organization to be more effective.

Responding to the Recession by Ramping Up Outreach, Marketing and Service Capacity to Meet Californians' Needs

As people lose employer-sponsored insurance and individuals and families in the individual market experience income loss, Covered California will experience both in-flows and out-flows in enrollment. With the economic downturn, using multiple sources to inform its modeling, Covered California's base forecast is that effectuated

enrollment would rise by roughly 16.9 percent over FY 2019-20 actual/forecasted totals, with a corresponding increase in revenues.

New and increased enrollment, however, means a greater focus on reaching out to the many Californians needing coverage. Effective marketing, customer outreach and education will be keys to ensuring Californians are aware of the coverage resources available to them — including the recently adopted state subsidies that build on and go beyond the Affordable Care Act, along with the state penalty mandate that brings back a key element that fostered enrollment when implemented nationally in 2014. Based on this need, the budget reflects increased expenditures, including:

- Increasing spending in the Marketing, Outreach and Sales area to total more than \$157 million (above the current fiscal year budget of \$121 million), with the bulk of that increase being \$30 million in new marketing/advertising incurred for year-round investments in special-enrollment period marketing and adding two new staff in the marketing area.¹²
- Increasing service capacity by investing roughly \$13 million in additional surge staffing. While the overall costs for providing service center capacity are increasing by \$20 million from the prior fiscal year, much of the non-surge capacity costs related to personnel expenses are not related to new staff.

The additional expenditures related to marketing and adding service surge capacity represent incremental expenses that are forecasted to be scaled back in future years as volume and need subside. In addition, throughout this experience, Covered California will also use this opportunity — or natural experiment — to test the efficacy of specific marketing tactics and strategies to assess their value. Covered California will test the value of marketing by varying the spend during the special-enrollment period to evaluate its impact on enrollment and inform future marketing spending. Similarly, Covered California will evaluate service center capacity and service levels to inform future plans for both staff and contracted support.

Building Capacity to Continue Informing National and State Policy and Develop Model Purchasing Practices

Roughly \$2 million is targeted to building the capacity of the policy, evaluation and plan management functions that help drive performance, provide greater oversight of contracted health insurance companies, and frame Covered California’s lessons for state and federal policy makers.

With the coming presidential election and a new Congress that will be taking a fresh look at how to potentially modify, improve and expand the Affordable Care Act, policy information will be critical. At the same time, Covered California’s approach to

¹² The marketing expenditures are independent of any increased spending that Covered California may incur that could be funded directly by health plans that do not plan to meet their “minimum” required spending on Direct Response promotion. To the extent this policy is adopted by the Covered California board and health insurance companies plan to rely on Covered California to meet their required spending, Covered California’s spending would be increased, which would be offset by new revenues from health plans.

holding health insurance companies accountable while cultivating health care improvement that can benefit all Californians is only beginning to show its benefits. More work needs to be done to inform state and federal policy makers on how to develop a consumer-driven model that fosters needed change in how health care is delivered. In this context, the budget reflects the additional investments needed to hold plans accountable and to foster change in the delivery system at large. In addition, Covered California is proposing to augment its analytic capabilities with additional research staff and access to health care data repositories and consulting services.¹³

Reprioritize Workplans and Deliverables Considering the COVID-19 Pandemic

The post-COVID-19 environment has resulted in new realities. The shift to telework and other factors have affected not only Covered California's productivity, but the pandemic has also had dramatic impacts on our contracted health plans' requiring changes in expectations and demands to allow for focus on high-priority areas. This necessitates modifying specific activities such as responding to legislative deliverables, contract refreshments and space-planning needs. Some activities will need to be delayed, and others may be modified given the new circumstances.

Across the organization, the total budget for personnel in the FY 2020-21 is approximately \$27.5 million greater than FY 2019-20 actual/forecasted. However, this increase in personnel expenses is largely the result of a declining vacancy rate, commitments for prefunding of retiree health care, general salary increases, supplemental pension payments, and increases in employer health care contributions — which collectively account for \$24.5 million of the \$27.5 million increase in personnel expenses. Only \$3 million of this increase is the result of FY 2020-21 staffing augmentations, which totaled 28 positions (representing a 2 percent increase in total positions).¹⁴

The interest income generated from the Surplus Money Investment Fund (SMIF) is projected to decline significantly. As noted in Table 2, "Other Income — SMIF Interest," projected interest income is expected to drop from \$6.9 million in FY 2019-20 actual/forecasted to \$0.9 million in the FY 2021-22 budget. This decrease reflects the recent reductions in the federal funds rate. On March 15, 2020, the Federal Reserve dropped interest rates to near zero to support the economy.

¹³ As described in Section IV: FY 2020-21 Budget: Detail & Comparison to FY 2019-20, these areas of focus are being bolstered with six new staff in the Policy and Research section who will provide capacity for increased analytic efforts to explore, support, and evaluate new initiatives. Five new staff in the Plan Management area will support quality management strategies, expand the clinical and senior leadership team, and support the core workload related to quality standards, program oversight, and increased engagement with qualified health plans. This new staffing will also support Covered California's continued efforts to inform state and national policy.

¹⁴ Authorized staff positions are budgeted to be increased by 28 positions (a 2 percent increase in staffing), with positions added in Information Technology, Policy, Plan Management, Marketing, Executive Office and Ombuds Office. These new positions are generally split between investments designed to provide core technology support across the organization. They build the capacity of Covered California to actively foster better care delivered by its contracted health plans, and to inform state and national policy.

III. FY 2020-21 Capital Projects Budget

To better plan and manage capital asset acquisitions, Covered California maintains a separate capital projects budget that was established in FY 2017-18. Covered California currently leases space in numerous locations and maintains headquarters, service centers and field operations. These activities periodically require extensive capital asset acquisitions, which may include buildings, leasehold improvements, office furniture and other capital expenditures.

Under the accrual method of accounting using the economic resources focus, capital expenses are recorded as assets and are not expensed in the period purchased. These capital assets are then depreciated over their useful lives. However, because Covered California maintains and records its annual budget using the modified accrual method of accounting with a current resource focus, it expenses capital assets in the period acquired. This means that large capital acquisitions will materially alter the operating budget in those years in which capital expenses are incurred.

In order to eliminate these swings in operating expenditures from year to year, ensure proper capital asset planning and control, and more clearly report budgetary operating outcomes, Covered California has established a separate capital budgeting process. This process entails identifying capital asset resource funding, capital asset expenditures, and capital asset funding balances.

The capital projects resource funding may be derived from operating surpluses or through transfers from its cash reserve. Based on board resolutions through the enactment of its annual budget, the board will approve the fiscal year capital asset budget as well as identify the source of funding. Capital project budget resources will be approved after evaluating working capital, current ratio and statutorily required operational reserves.

Covered California's board adopted the following principles that guide the organization's management of the capital projects budgeting process, which will:

- Adhere to established Covered California contracting procedures.
- Be funded via an annual allocation.
- Be used for specific facility projects, subject to board review and approval. This includes cost to build, renovate or buy equipment, property, facilities and associated infrastructure and information technology.
- Be included in the annual budget with an accounting of amounts added and expended each fiscal year.
- Fluctuate as any prior and current fiscal year unexpected funds are carried over for use in future fiscal years.

The term "capital assets" includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The cost of a capital asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition — such as freight and transportation charges, site preparation costs and professional fees.

Budget Highlights and Key Changes

In FY 2019-20, Covered California allocated \$20 million to the Capital Reserve fund.

Covered California incurred \$13.3 million in capital project expenses during FY 2019-20.

These expenses were incurred for:

- Refurbishing, building out and furnishing a new three-story building in Fresno to house Service Center staff for \$10 million.
- Furnishing and installing networking equipment at Arden site totaling \$1.1 million.
- Other expenditures and improvements of \$2.2 million.

The approved FY 2019-20 budget authorized \$12 million in spending for capital projects. Subsequent board resolutions increased the authorized spending amount to \$14.3 million. Covered California recognized a favorable capital projects budget variance in FY 2019-20 of \$1 million (see Table 3. FY 2019-20 Actual/Forecasted Capital Projects Expenditures Compared to FY 2019-20 Approved Budget Expenditures).

**Table 3.
FY 2019-20 Actual/Forecasted Capital Projects Expenditures
Compared to FY 2019-20 Approved Budget Expenditures
(Dollars in Millions)**

	FY 2019-20 Actual/Forecasted
Capital Projects Budget	14.3
Capital Projects Expenditures	(13.3)
Difference	1.0

Covered California ended FY 2019-20 with a capital projects budget balance of \$46.7 million.

For fiscal year 2020-21, Covered California budgeted \$20 million in capital resource funding. The capital projects resource funding will be provided through Covered California’s cash reserves (see Table 4. Covered California Capital Project Budget and Year-End Capital Project Resources). Covered California has budgeted \$20 million in capital project-related expenditures for FY 2020-21. These capital project expenditures will include:

- Covered California has engaged CBRE, Inc. to provide real estate consulting services. CBRE will assist with the renewal of leases at all locations through 2022 and provide project and construction management services for the various tenant improvements associated with those lease renewals. Expenditures in FY 2020-21 are estimated at \$250,000.

- The Expo, Response and Arden leases are set to expire on April 30, 2022. Since 2015, Covered California has collaborated with the Department of General Services to evaluate the possibility of consolidating its locations into a single headquarters facility. In 2018, CBRE, Inc. was hired to assist in the solicitation of leasing proposals for this facility, and negotiations are underway with a developer. Expenditures in FY 2020-21 are estimated at \$2.8 million.
- The Fresno lease at 7201 N Palm Ave. expired on Oct. 31, 2019, and a new location was acquired in July 2019. A tenant improvement team started to develop the 247 E. Nees Ave. location. The goal is to have this tenant improvement completed by July 2020 to enable staff to move into the new building. Expenditures in FY 2020-21 are estimated at \$8.7 million.
- The Rancho Cordova lease expires on July 30, 2020, and it will be renewed for eight years. An essential and critical aspect of the lease renewal includes the acquisition of space on the third floor, and tenant improvements to the new and existing space. Expenditures in FY 2020-21 are estimated at \$1.6 million.

**Table 4.
Covered California Capital Project Budget
and Year-End Capital Project Resources
(Dollars in Millions)**

	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget	Fiscal Year 2021-22 Projected	Fiscal Year 2022-23 Projected
Opening Capital Projects Budget Resources	\$ 40.0	\$ 46.7	\$ 46.7	\$ 53.7
Transfer to Capital Projects Fund	<u>\$ 20.0</u>	<u>\$ 20.0</u>	<u>\$ 20.0</u>	<u>\$ 20.0</u>
Capital Projects Resources Available	\$ 60.0	\$ 66.7	\$ 66.7	\$ 73.7
Less: Capital Projects Expenditures for the Period	<u>\$ (13.3)</u>	<u>\$ (20.0)</u>	<u>\$ (13.0)</u>	<u>\$ 13.0)</u>
Year-End Capital Projects Reserve	<u>\$ 46.7</u>	<u>\$ 46.7</u>	<u>\$ 53.7</u>	<u>\$ 60.7</u>

IV. FY 2020-21 Operating Budget: Detail & Comparison to FY 2019-20 Actual/Forecasted

The program detail for Covered California’s FY 2020-21 operating budget provides information on staffing levels and expenditures for each of Covered California’s five major functional areas and 19 divisions, comparing the FY 2019-20 approved budget and actual/forecasted operating expenses¹⁵ to the FY 2020-21 adopted budget (see Table 5. Budget Area Cross-Walk to Covered California Divisions).

We start with a comparison of operating expenses for each of the five major functional areas. This provides the reader with a high-level overview of how Covered California’s operating expenses will change between FY 2019-20 actual/forecasted and the FY 2020-21 adopted budget. We highlight significant differences in expenses within each functional area. We also provide a high-level view of how Covered California’s total operating expenses varied between the FY 2019-20 approved budget, the FY 2019-20 actual/forecasted outcome and the adopted FY 2020-21 budget. This analysis focuses on two expense categories: personnel and all other operational expenses.

**Table 5.
Budget Area Cross-Walk to Covered California Divisions**

Functional Area Description	Division
Plan Management and Policy/Eligibility Research	Plan Management
	Policy, Eligibility and Research Division
Marketing, Outreach/Sales and Related Programs	Marketing
	Outreach and Sales
	Program Integrity
	Communications and Public Relations
Service Center and Consumer Experience	Service Center
	Ombuds Office
	Customer Care
Technology	California Healthcare Eligibility, Enrollment and Retention System
	Information Technology
Administration	Business Services Branch
	Financial Management Division
	Human Resources Branch
	Office of Legal Affairs
	Covered California University
	Executive Office
	External Affairs
	Equal Employment Opportunity Office

We then provide functional area and division-level program detail. Each section starts at the functional area and is followed by division-level summaries. Each division-level summary includes a brief description of the division, as well as budget highlights and the division’s key objectives for FY 2020-21. The descriptions seek to show how the activities are aligned with Covered California’s strategic priorities and provide the rationale for any significant increases in expenditures and staffing included in the budget.

¹⁵ Actual/forecasted expenses consist of nine months of actual expenses and three forecasted months.

The division-level information on operating expenses is categorized as follows: personnel services, which includes salary and benefits, and operating expenses, which includes expenses associated with contracts and other purchases. Allocated expenses refer to expenditures for information technology and other statewide shared enterprise expenses. These expenses are allocated to each program and are presented as separate line items within each division’s program summary. Capital projects are presented in Section III. Covered California’s FY 2020-21 Capital Projects Budget.

There are very few changes in staffing for FY 2020-21. The budget adds 28 new full-time positions that will increase the size of Covered California’s staff by 2 percent. The Service Center will also be converting 30 permanent-intermittent positions to permanent-full time. Each division’s personnel expenses display cost increases that reflect general and organization-wide cost drivers that are reflected in the workload budget. In FY 2020-21, these will include a scheduled 2.5 percent salary increase negotiated by the state of California with SEIU, pre-funding of retiree health care, supplemental pension contributions and a reduction in salary savings resulting from a decline in Covered California’s vacancy rate during FY 2019-20 (for a full discussion of the workload budget and personnel expense increases, see Appendix A-V. Planning and Budget Process for FY 2020-21).

Overall Changes in Operating Expenses Between Fiscal Year 2019-20 Actual/Forecasted and Fiscal Year 2020-21 Budget by Functional Area

The FY 2020-21 operating budget provides \$440.2 million to carry out Covered California’s mission. In addition to general salary increases, supplemental pension payments and pre-funding of retiree health care, changes also include increases to the areas of Marketing, Outreach/Sales and Other, Service Center and the Consumer Experience, Plan Management, Eligibility, Administration and Technology. The \$440.2 million budget for FY 2020-21 represents a \$61.1 million (16.1 percent) increase over FY 2019-20 actual/forecasted expenses (see Table 6. Expenses by Major Program Group; FY 2019-20 Actual and Forecasted, and FY 2020-21 Budget).

Below is a summary of the major changes for each functional area, which compares the FY 2020-21 budget total operating expenses to the FY 2019-20 actual/forecast total operating expenses.

**Table 6.
Expenses by Major Program Group; FY 2019-20 Actual and Forecasted, and FY 2020-21 Budget**

Functional Area	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2019-20 Approved Budget	Difference
Plan Management and Policy / Research / Eligibility	\$ 19.0	\$ 28.4	\$ 9.4
Marketing, Outreach / Sales	\$ 126.4	\$ 157.7	\$ 31.3
Service Center and Consumer Experience	\$ 120.5	\$ 135.4	\$ 14.9
Technology	\$ 63.1	\$ 61.4	\$ (1.7)
Administration	\$ 50.1	\$ 57.4	\$ 7.3
Total	\$ 379.1	\$ 440.2	\$ 61.1

Note: The expenses presented in the table represent expenses after allocating Pro-Rata and IT.

Comparing FY 2019-20 Actual/Forecasted to the FY 2020-21 Budget by Expense Category

Personnel Expenses

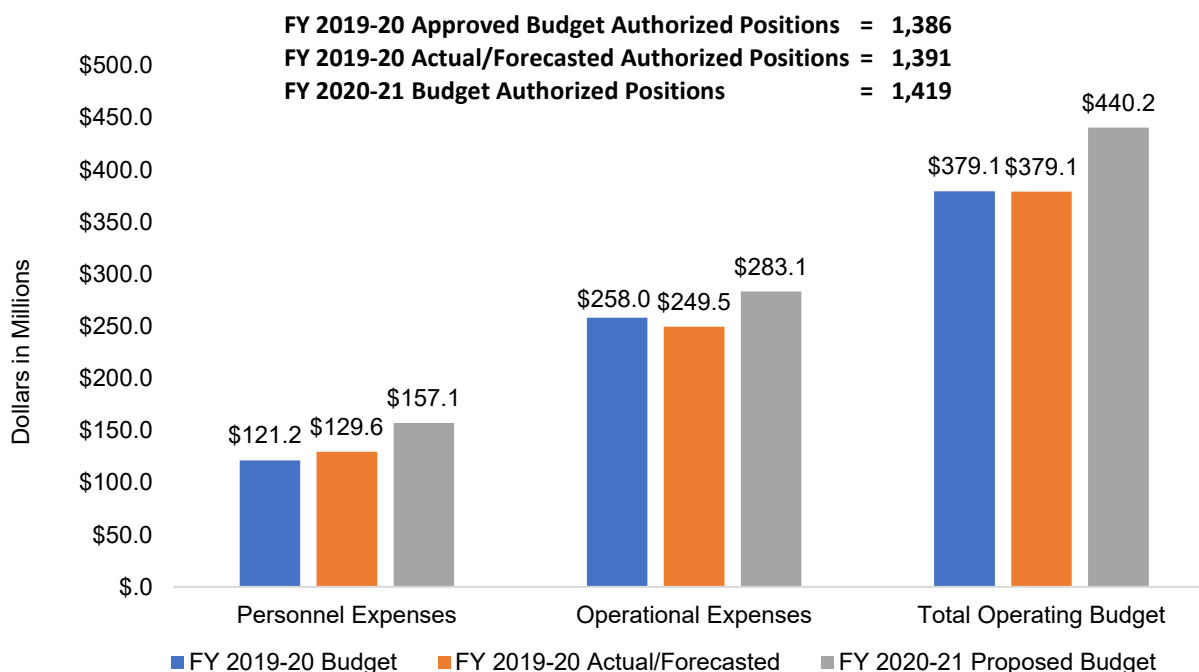
The projected FY 2020-21 expenses for personnel are approximately \$27.5 million greater than FY 2019-20 actual/forecasted. The increase in personnel expenses is largely the result of a declining vacancy rate, commitments for prefunding of retiree health care, general salary increases, supplemental pension payments and increases in employer health care contributions — which collectively account for \$24.5 million of the \$27.5 million increase in personnel costs (Figure 5). Only \$3 million of this increase is the result of FY 2020-21 staffing augmentations, which totaled 28 positions (representing a 2 percent increase in total positions).

The \$3.3 million in additional staffing augmentations represents roughly 5 percent of the overall \$60.1 million increase in budget augmentations.

Operational Expenditures

The FY 2020-21 budget of \$440.2 million includes all contract and operational expenses, such as paid media, CalHEERS, IT infrastructure, Service Center surge vendor, Navigators and Covered California for Small Business sales and administrative support. FY 2020-21's overall operational expenses were \$61.1 million greater than FY 2019-20. Roughly 86 percent of the increase is associated with Marketing, Outreach and Sales, and expanded customer service capacity (see Figure 5. Comparison of FY 2019-20 Actual/Forecasted Operating Expenses to FY 2020-21 Budget Expenses).

Figure 5.
Comparison of FY 2019-20 Actual/Forecasted Operating Expenses to FY 2020-21 Budget Expenses (Dollars in Millions)



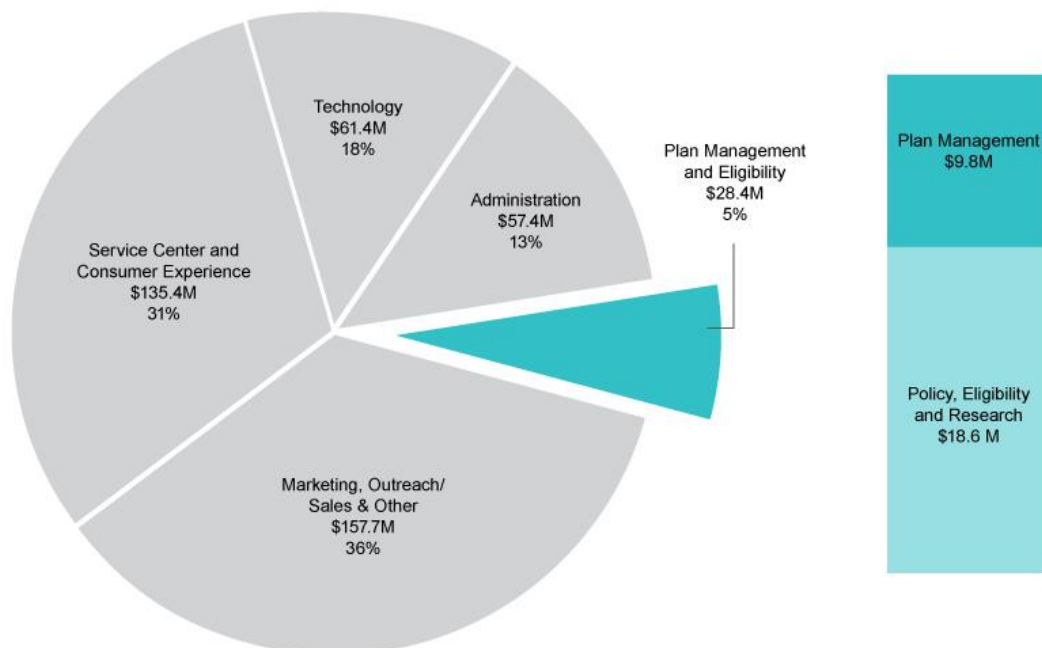
Plan Management and Policy, Eligibility and Research

Plan Management and the Policy, Eligibility and Research area includes the Plan Management division and the Policy, Eligibility and Research division and has a budget for FY 2020-21 of \$28.4 million (see Figure 6. Plan Management and Eligibility FY 2020-21 Budget).

Plan Management and Eligibility — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	87	89	100
Personnel Services	\$10,019,900	\$9,616,501	\$13,095,880
Operating Expenses	<u>\$8,203,840</u>	<u>\$7,369,621</u>	<u>\$12,944,981</u>
Subtotal	\$18,223,740	\$16,986,122	\$26,040,861
Allocated Expenses			
Information Technology Support	\$1,227,396	\$1,120,701	\$1,221,572
ProRata / Supp. Pension / Other	<u>\$993,793</u>	<u>\$895,462</u>	<u>\$1,115,935</u>
Total Operating Costs	<u>\$20,444,929</u>	<u>\$19,002,285</u>	<u>\$28,378,368</u>

Figure 6.
Plan Management and Eligibility
FY 2020-21 Budget
(Dollars in Millions)



Plan Management Division

Division Description

The Plan Management division's purpose is to improve the cost, quality and accessibility of the health care delivered to consumers by selecting, negotiating with and holding Covered California's contracted health insurance companies accountable for delivering quality health care while fostering improvements in care delivery that can benefit all Californians.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	41	41	46
Personnel Services	\$5,107,007	\$5,099,259	\$6,473,194
Operating Expenses	<u>\$2,281,522</u>	<u>\$1,685,560</u>	<u>\$2,355,000</u>
Subtotal	\$7,388,529	\$6,784,819	\$8,828,194
Allocated Expenses			
Information Technology Support	\$578,428	\$516,278	\$561,923
ProRata / Supp. Pension / Other	<u>\$418,240</u>	<u>\$370,247</u>	<u>\$411,893</u>
Total Operating Costs	<u>\$8,385,197</u>	<u>\$7,671,344</u>	<u>\$9,802,010</u>

Note: The Plan Management division has two exempt positions.¹⁶

Highlights for Fiscal Year 2020-21 Budget and Key Changes

This budget includes an increase from 41 to 46 authorized positions, with these five positions supporting quality improvement strategies, developing quality standards, providing program oversight and engagement with health and dental insurance companies on quality measures, and performing audit functions related to performance metrics. This investment in staff will enhance Covered California's ability to hold its contracted health insurance companies accountable and has the potential to inform the wider California and national health policy.

Operating expenses are forecasted to rise from \$1.7 million in FY 2019-20 actual/forecasted to \$2.3 million in the FY 2020-21 budget, which is the level of contracted services the division anticipates spending in the year. The major operating expenses for FY 2020-21 include contracts for consulting services related to medical issues and analysis of health plan performance, which total about \$1.2 million, and contracts for actuarial services totaling about \$550,000.

¹⁶ These two exempt positions include the chief medical officer (monthly salary: \$30,211) and director of Plan Management (monthly salary: \$15,120). This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for Fiscal Year 2020-21

The Plan Management division will focus on the following core areas in the upcoming fiscal year:

- Conduct regular negotiating, oversight and accountability processes for the 11 contracted health plan issuers — as well as consider applications for new health issuers.
- Gain agreement with contracted health plan issuers and stakeholders on contractual revisions for the 2022 plan year that will lay the groundwork for major contract changes to take effect in the 2023 plan year. These changes are intended to promote quality and access of care.

In addition to core division functions and ongoing initiatives listed above, Plan Management anticipates these key new strategies in the upcoming fiscal year:

- Build upon lessons learned from its health plan issuer contracting experience, continue engaging with external stakeholders, and increase alignment with other purchasers to improve the value and quality of care delivered to individual market consumers and Californians in general. This will be accomplished through material changes in the contracted health plan issuer contracts for plan year 2022, transitioning to more significant changes for the 2023-25 contract term, guided by Covered California's vision for health care in 2030.
- In parallel with, and sometimes taking precedence over these efforts, Plan Management will work with its contracted health plan issuers, aligned purchasers and other interested stakeholders to ensure Covered California enrollees, and Californians in general, receive the best possible health care during the ongoing COVID-19 pandemic.

Policy, Eligibility and Research Division

Division Description

The Policy, Eligibility and Research division, through its Eligibility Branch, ensures appropriate implementation of program-eligibility rules. The Policy and Research Branch provides accurate, complete and timely policy and data analysis to support evidence-based decision-making, with a focus on analyzing both enrollment and the care provided by contracted health insurance companies to support Plan Management’s work to hold them accountable.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	46	48	54
Personnel Services	\$4,912,893	\$4,517,242	\$6,622,686
Operating Expenses	<u>\$5,922,318</u>	<u>\$5,684,061</u>	<u>\$10,589,981</u>
Subtotal	\$10,835,211	\$10,201,303	\$17,212,667
Allocated Expenses			
Information Technology Support	\$648,968	\$604,423	\$659,649
ProRata / Supp. Pension / Other	<u>\$575,553</u>	<u>\$525,215</u>	<u>\$704,042</u>
Total Operating Costs	<u>\$12,059,732</u>	<u>\$11,330,941</u>	<u>\$18,576,358</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The FY 2020-21 budget adds eight staff, with six new staff for the Policy and Research section to provide capacity for increased analytic efforts to explore, support and evaluate new initiatives. The Eligibility Branch would add two additional analysts to continue to improve the quality assurance functions that help ensure that CalHEERS is delivering the correct eligibility for all consumer scenarios.

The Evaluation and Research Branch would also add contract funding to enhance the organization’s ability to conduct policy-relevant research related to Covered California’s innovative policy interventions.

The \$5 million increase in operating expenses between FY 2019-20 actual/forecasted and the FY 2020-21 budget is the result of postage expenses totaling \$4.0 million; increased contract expenses for business associates totaling \$250,000; funding allocated for data architect services for \$250,000; and \$500,000 for future research and consulting.

The major operating expenses for FY 2020-21 include:

- The Healthcare Evidence Initiative is a major effort to pool and analyze the claims and care experience of all Covered California enrollees across all of its

contracted carriers. The data collection and evaluation of these data is done under a contract that is valued at approximately \$2.1 million.

- Professional services associated with forecasting and modeling includes accessing data such as CHIS and CalSIM, with contracts totaling \$1.0 million.
- Covered California maintains a consulting pool to access knowledge and skills not currently available within Covered California that are required throughout the year, with the resources available for this function totaling approximately \$850,000.
- The other major operating expense for the division relates to the postage expense related to sending eligibility-related notifications to enrollees. In most years this expense runs about \$3.5 million, but the FY 2020-21 budget reflects an increase to \$4.1 million, which is based on anticipated higher enrollment.

Key Objectives for Fiscal Year 2020-21

The Policy, Eligibility and Research division will focus on the following core areas in the upcoming fiscal year:

- Act as an advisor and resource to management on the development, implementation and evaluation of program policies, including the coordination of the provision of input on federal and state exchange policy, rules and regulations.
- Manage data analytics strategy and infrastructure to create dashboards and custom evaluations of operations related to enrollment and eligibility.
- Lead modeling for policy design and data analysis for evaluation of new interventions in the marketplace.
- Coordinate with state departments to improve transitions of consumers between coverage through Medi-Cal and Covered California.
- Develop reports on critical issues to inform policy development and strategies.

In addition to core division functions and ongoing initiatives listed above, the Policy division anticipates these key new strategies in the upcoming fiscal year:

- Ensure that Covered California's application for coverage makes it as easy as possible for consumers to apply for coverage during the COVID-19 pandemic and growing recession by aligning income-reporting and application processes to address widespread losses of job-based coverage, and new categories of income (such as pandemic-specific unemployment insurance).
- Ensure that the second year of the new state subsidy program and the state mandate exemptions process are successfully implemented.
- Prepare for implementation of SB 260 (i.e., auto-enrollment of consumers transitioning from eligibility for Medi-Cal to Covered California).
- Provide timely analysis and research to support a new Congress about the experience of Covered California and how that may inform national policy.

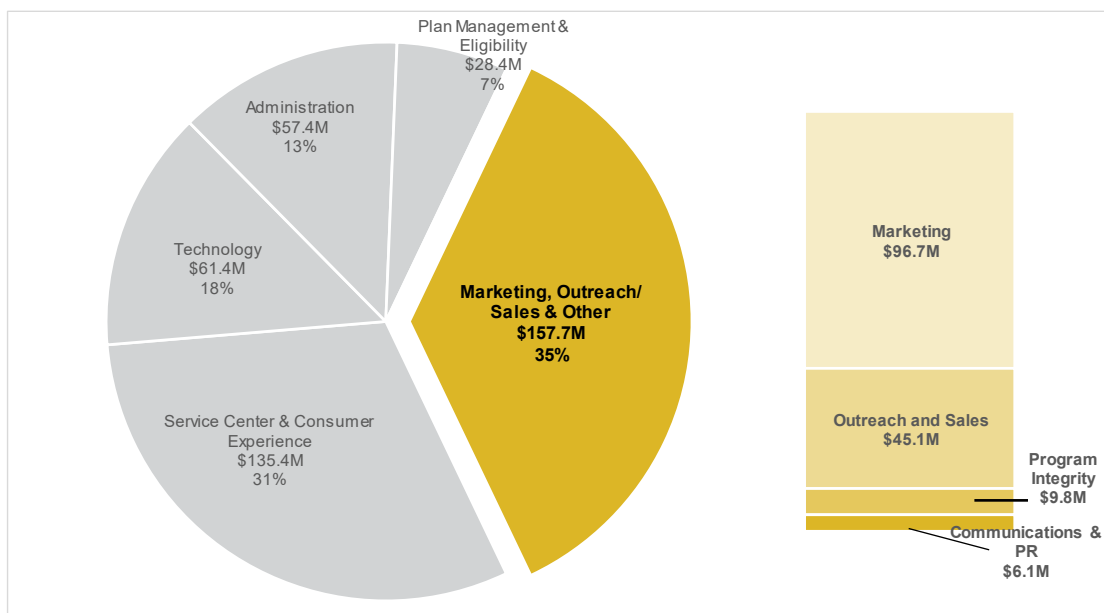
Marketing, Outreach/Sales and Related Programs

Marketing, Outreach/Sales area includes the following divisions: Marketing, Outreach and Sales, Program Integrity, and Communications and Public Relations. The total budget for FY 2020-21 is \$157.7 million (see Figure 7. Marketing, Outreach/Sales and Other FY 2020-21 Budget).

Marketing, Outreach/Sales, Communications and Program Integrity — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	172	173	175
Personnel Services	\$17,807,598	\$17,482,538	\$21,502,946
Operating Expenses	<u>\$94,436,029</u>	<u>\$101,508,253</u>	<u>\$128,689,322</u>
Subtotal	\$112,243,627	\$118,990,791	\$150,192,268
Allocated Expenses			
Information Technology Support	\$2,426,578	\$2,178,441	\$2,137,750
ProRata / Supp. Pension / Other	<u>\$5,147,548</u>	<u>\$5,233,990</u>	<u>\$5,321,275</u>
Total Operating Costs	<u>\$119,817,753</u>	<u>\$126,403,222</u>	<u>\$157,651,293</u>

**Figure 7.
Marketing, Outreach/Sales and Other
FY 2020-21 Budget
(Dollars in Millions)**



Marketing Division

Division Description

The Marketing division is responsible for implementing Covered California’s comprehensive marketing campaign strategy to reach and motivate Californians to enroll in or renew health insurance through Covered California. Covered California’s marketing and advertising efforts are anchored in and responsive to effectively reaching California’s ethnic, cultural, regional and language diversity.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	27	27	29
Personnel Services	\$3,147,948	\$3,169,594	\$3,915,546
Operating Expenses	<u>\$63,054,992</u>	<u>\$70,167,403</u>	<u>\$89,343,702</u>
Subtotal	\$66,202,940	\$73,336,997	\$93,259,248
Allocated Expenses			
Information Technology Support	\$380,916	\$339,988	\$354,256
ProRata / Supp. Pension / Other	<u>\$2,836,927</u>	<u>\$3,042,205</u>	<u>\$3,083,071</u>
Total Operating Costs	<u>\$69,420,783</u>	<u>\$76,719,190</u>	<u>\$96,696,575</u>

Note: The Marketing division has one exempt position¹⁷

Highlights for Fiscal Year 2020-21 Budget and Key Changes

This budget includes an increase from 27 to 29 positions, with the two positions assisting with the development and implementation of multi-media advertising campaigns for the open- and special-enrollment periods.

The budget builds on FY 2019-20, in which expenditures were significantly higher than the previous year and higher than budgeted as the organization reallocated spending to do additional marketing related to the new state subsidies and the individual mandate, as well as a major effort to reach out to people losing coverage due to the pandemic.

Not reflected in the FY 2019-20 actual/forecasted budget is an additional \$3.25 million in marketing expenditures that Covered California expended on behalf of contracted health plans that agreed to support additional marketing and, rather than spend the funds directly, provided resources to Covered California. These funds helped free up Covered California marketing resources for the COVID-19 special-enrollment period.

Covered California plans to continue to use expanded income-targeting parameters to reach all subsidy-eligible populations, including middle-income consumers — including

¹⁷ The exempt position is director of Marketing (monthly salary: \$14,167). This information is reported in compliance with Government Code 100503, Section 2(A).

those newly eligible for Covered California and Medi-Cal because of the coronavirus pandemic. The \$89.3 million in contracted expenses includes both creative development and placement of advertising through a range of mediums.

Given our increased investments in marketing, we will undertake a review of all acquisition costs, including those within our Outreach and Sales Division and by our certified health carriers, to develop for consideration various approaches, potential requirements on health insurance companies related to marketing and agent commissions, and funding methodologies that take into account the assuring investments made to enroll and retain members by both Covered California and its health plans are appropriate.

Key Objectives for Fiscal Year 2020-21

The Marketing division anticipates the following key focus areas in the upcoming fiscal year¹:

- Open enrollment: Continue robust advertising and promotion with a dramatic increase of \$38 million over FY 2018-19 budget allocations for advertising expenditures. Based on the FY 2020-21 budget, the division expects to reach consumers more often during open enrollment, by nearly 50 percent from FY 2018-19 totals, estimating nearly 3 billion impressions in open enrollment during FY 2020-21, compared to 2 billion impressions in open enrollment during FY 2018-19. Stated another way, on average, every California adult will see Covered California messages approximately 94 times during the upcoming open-enrollment period, compared to 66 times during the FY 2018-19 open-enrollment period because of paid advertising. Examples of increases in member outreach comprehensive campaign during open enrollment include:
 - Sending at least 11 million emails, or 33 percent more than was sent in FY 2018-19 and mailing more than 3.5 million letters and postcards, or 111 percent more than were mailed in FY 2018-19.
- Special enrollment: Substantially increase marketing efforts during FY 2020-21 special-enrollment periods from July through October and February through June, increasing media spending to about \$3.5 million per month, more than a 600 percent increase over the average \$500,000 per month spent during the same time period in FY 2018-19. Investing these additional resources in marketing and advertising is expected to generate 1 billion impressions, a 233 percent increase over FY 2018-19 levels, estimating on average every California adult will see Covered California messages 33 times during the special-enrollment months compared to 10 times during FY 2019-20. Increased member outreach during FY 2020-21 special-enrollment periods include additional efforts to educate existing members in plan use, managing their online account, and program benefits for maximizing renewal during open enrollment by:
 - Sending at least 15 million emails, or 56 percent more than were sent in FY 2018-19 and mailing more than 1.5 million letters and postcards, or 8 percent more than were mailed in FY 2018-19.
 - Transmitting about 1 million text messages (texting to members will be a new effort and investment during FY 2020-21 special enrollment).

Outreach and Sales Division

Division Description

The purpose of the Outreach and Sales division is to support the “on the ground” work to help Californians understand and enroll in coverage, in addition to supporting independent insurance agents, running a navigator program and operating the Covered California for Small Business program that helps small businesses find and enroll in coverage. The Outreach and Sales division has two parts: the individual market and Covered California for Small Business.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	62	62	62
Personnel Services	\$6,338,698	\$6,541,688	\$7,605,435
Operating Expenses	<u>\$26,957,037</u>	<u>\$27,692,242</u>	<u>\$35,164,620</u>
Subtotal	\$33,295,735	\$34,233,930	\$42,770,055
Allocated Expenses			
Information Technology Support	\$874,697	\$780,713	\$757,374
ProRata / Supp. Pension / Other	<u>\$1,556,329</u>	<u>\$1,534,031</u>	<u>\$1,549,094</u>
Total Operating Costs	<u>\$35,726,761</u>	<u>\$36,548,674</u>	<u>\$45,076,523</u>

Note: The Outreach and Sales division has one exempt position¹⁸.

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The increase in the Outreach and Sales division’s operating expenses reflects the start of a Covered California investment over the next three fiscal years in improvements by Covered California for Small Business in the four major components of its operations: Agent Service Center, enrollment and eligibility, NFP, and sales and marketing. The increase in operating expenses of approximately \$8.4 million reflects the difference between its current baseline spending and the increased investments beginning in FY 2020-21.

The major operating expenses for FY 2020-21 include:

- The Outreach and Sales division anticipated \$6.5 million associated with the competitively awarded funding of Covered California’s Navigator program, which is a partnership with community organizations across the state who have experience in reaching and assisting California’s diverse populations and have proven success enrolling consumers in health care programs. The Navigators

¹⁸ The exempt position is Individual and Small Business Outreach and Sales division director (monthly salary: \$17,469). This information is reported in compliance with Government Code 100503, Section 2(A).

are Certified Enrollment Counselors who assist consumers through a variety of outreach, education, enrollment, post-enrollment and renewal support services. They have expertise in eligibility, enrollment and program specifications and conduct public education activities to raise awareness of the availability of Covered California products.

- Covered California for Small Business administrative services are projected to total approximately \$16.5 million. Covered California contracts with an administrative vendor to provide Agent Service Center, Enrollment and Eligibility, fiscal agent services, and Sales and Marketing.
- Marketing to promote enrollment in Covered California for Small Business is budgeted at about \$1.3 million.

Key Objectives for Fiscal Year 2020-21

The Outreach and Sales division will focus on the following core areas in the upcoming fiscal year:

- The Outreach and Sales division will continue its active outreach, communications and education programs to more than 10,000 certified enrollers who provide person-to-person enrollment assistance to more than 600,000 Californians who seek their guidance each year. The program upgrade will include improving virtual training programs and providing guidance and education that are especially relevant in today's environment where consumers need help and guidance on a real-time basis. In addition, we will review the appropriateness of our funding methodology and enrollment targets and consider alternative approaches as we continue to support the Navigator program.
- The Outreach and Sales division will continue its investment in improving operational efficiency, including a three-year expenditure of \$8.5 million to upgrade Covered California for Small Business's enrollment and eligibility platform and processes. The improved capability will enable the program to efficiently and accurately on-board employer groups, employees and covered dependents into participating group health plans and is crucial to the program's future business growth. The investment provides for additional staffing, technology enhancements and long-term cost and quality control.

Communications and Public Relations Division

Division Description

The Communications and Public Relations division serves two functions. Through the Broadcast and Media Relations Branch, it links to broadcast, print and online media while also developing, coordinating and executing an extensive proactive program of media relations and public communications that support enrollment in Covered California. Through the Web and Administrative Branch, it develops an overarching strategy for Covered California’s public-facing website content, which includes CoveredCA.com and HBEX.coveredca.com.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	20	21	21
Personnel Services	\$2,076,418	\$2,173,772	\$2,888,537
Operating Expenses	<u>\$2,690,000</u>	<u>\$2,967,444</u>	<u>\$2,736,000</u>
Subtotal	\$4,766,418	\$5,141,216	\$5,624,537
Allocated Expenses			
Information Technology Support	\$282,160	\$264,435	\$256,530
ProRata / Supp. Pension / Other	<u>\$252,556</u>	<u>\$257,337</u>	<u>\$239,368</u>
Total Operating Costs	<u>\$5,301,134</u>	<u>\$5,662,988</u>	<u>\$6,120,435</u>

Note: The Communications and Public Relations division has two exempt positions¹⁹.

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The major operating expense for the division consists of a contract with IPG for public relations, outreach and education services for a three to five year period beginning July 1, 2019, totaling \$2.5 million per year. Covered California works with IPG to plan and execute earned media events to generate millions of impressions in state and national media. The main areas of work with IPG are: 1) large-scale event planning at locations throughout California to generate local news coverage at the start of open enrollment and during the final days before the deadline to enroll; 2) expert advice on reaching young Californians with digital public relations efforts in an ever-changing information environment; 3) assistance with target-segment media relations (i.e., Spanish-language phone banks, Asian-language press release translation, etc.); 4) national media research to inform Covered California’s growing role in the national news

¹⁹ The exempt positions are director of Communications and Public Relations (monthly salary: \$16,833) and deputy director for Communications and Public Relations (currently vacant). This information is reported in compliance with Government Code 100503, Section 2(A).

conversation related to the Affordable Care Act; and, 5) research on the many new digital news platforms delivering information to California residents in their communities.

The increase in staffing from 20 to 21 resulted from adding one media specialist during FY 2019-20. The position focuses on producing “Real Stories” videos, depicting first-person accounts of Californians sharing their experiences as enrollees and the impact health insurance has had on their lives.

Key Objectives for Fiscal Year 2020-21

The Communications and Public Relations division will focus on the following core areas in the upcoming fiscal year:

- Promote enrollment through extensive and innovative earned, owned and paid media efforts designed to educate consumers and the media about the value and importance of Covered California and the health care coverage options and financial assistance that it offers.
- Raise awareness of Covered California’s efforts and results through proactive outreach to national and statewide news outlets as well as prominent health-related outlets.
- Improve the consumer experience of CoveredCA.com through evidence-based updates aimed at increasing understanding and ease of use.
- Provide communications expertise and support across the organization to further the goals of individual divisions, including writing, designing and developing messaging for significant publications such as the rate booklet, budget and annual report, issue briefs and external presentations.

Program Integrity Division

Division Description

The Program Integrity division serves two functions. Through its Reconciliation of Enrollment and Membership Unit, it ensures accuracy and alignment of data between Covered California and carrier systems and conducts system testing and performance review of CalHEERS. Through its Program Oversight and Compliance Unit, it conducts internal/external audits and assists all divisions in identifying and remediating enterprise-wide risks. The division encourages accountability, transparency, effectiveness, efficiency and risk management by independently reviewing key business areas to help ensure compliance with federal and state laws, regulations and policies.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	63	63	63
Personnel Services	\$6,244,534	\$5,597,484	\$7,093,428
Operating Expenses	<u>\$1,734,000</u>	<u>\$681,164</u>	<u>\$1,445,000</u>
Subtotal	\$7,978,534	\$6,278,648	\$8,538,428
Allocated Expenses			
Information Technology Support	\$888,805	\$793,305	\$769,590
ProRata / Supp. Pension / Other	<u>\$501,736</u>	<u>\$400,417</u>	<u>\$449,742</u>
Total Operating Costs	<u>\$9,369,075</u>	<u>\$7,472,370</u>	<u>\$9,757,760</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The operating expenses for the FY 2020-21 budget reflect two major areas:

- Consulting services related to programmatic and financial auditing, training, predictive analytics and other auditing support, which are projected to cost \$750,000 in FY 2020-21.
- Fraud detection software and predictive analytics, which are estimated to costs \$300,000 in FY 2020-21.

The FY 2019-20 actual/forecasted operating expenses were less than the approved FY 2019-20 budget because some anticipated contracted services did not occur, including planned auditing consulting services, audit software that was not purchased and predictive analytics used to identify fraud totaling \$250,000.

Key Objectives for Fiscal Year 2020-21

The Program Integrity division will focus on the following core areas in FY 2020-21:

- Ensure the accuracy of consumer financial-eligibility determinations between CalHEERS and the carrier systems.
- Streamline and enhance the CalHEERS testing processes.
- Refine and enhance data analytics to detect potential fraud, waste and abuse trends.
- Enhance and promote enterprise-wide risk management processes.

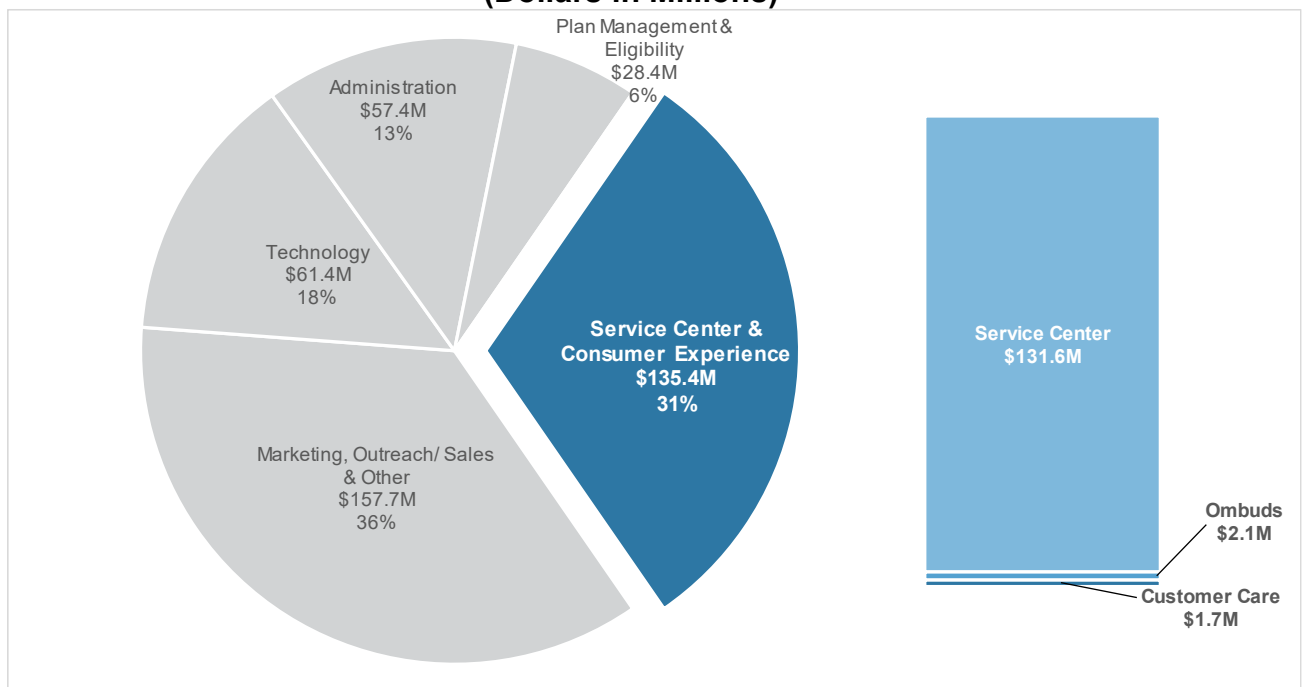
Service Center and Consumer Experience

The Service Center and Consumer Experience area includes the following divisions: Service Center, Ombuds Office and Customer Care. The total budget for FY 2020-21 is \$135.4 million (See Figure 8. Service Center and Consumer Experience FY 2020-21 Budget).

Service Center and Consumer Experience — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	818	819	822
Personnel Services	\$55,803,827	\$62,729,476	\$70,466,465
Operating Expenses	<u>\$36,380,991</u>	<u>\$36,017,648</u>	<u>\$43,930,841</u>
Subtotal	\$92,184,818	\$98,747,124	\$114,397,306
Allocated Expenses			
Information Technology Support	\$17,040,352	\$15,812,966	\$15,041,319
ProRata / Supp. Pension / Other	<u>\$6,038,135</u>	<u>\$5,901,261</u>	<u>\$5,964,363</u>
Total Operating Costs	<u>\$115,263,305</u>	<u>\$120,461,351</u>	<u>\$135,402,988</u>

Figure 8.
Service Center and Consumer Experience
FY 2020-21 Budget
(Dollars in Millions)



Service Center

Division Description

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans and promptly resolving challenges that prevent them from receiving health and dental benefits. These efforts ensure consumers receive the right care at the right time at an affordable price, retain coverage and are satisfied with Covered California products and services.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	798	798	799
Personnel Services	\$53,782,586	\$60,460,299	\$67,583,347
Operating Expenses	<u>\$35,671,991</u>	<u>\$35,526,239</u>	<u>\$43,489,841</u>
Subtotal	\$89,454,577	\$95,986,538	\$111,073,188
Allocated Expenses			
Information Technology Support	\$16,758,192	\$15,548,531	\$14,760,357
ProRata / Supp. Pension / Other	<u>\$5,870,611</u>	<u>\$5,740,657</u>	<u>\$5,793,510</u>
Total Operating Costs	<u>\$112,083,380</u>	<u>\$117,275,726</u>	<u>\$131,627,055</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The budget includes an increase from 798 to 799 positions. The Service Center will add one Career Executive Assignment-Level B (CEA B) and plans to convert 30 existing permanent-intermittent program technician (PT) II positions to full-time PT II positions in both the Rancho Cordova and Fresno service centers. These permanent-intermittent positions are the consumer-facing staff in the service center, taking calls and processing enrollments for Covered California consumers.

The Service Center division is planning to increase in the number of contracted customer service representatives available from the surge vendor to accommodate an increase in demand for information and assistance from individuals affected by the COVID-19 recession. The surge vendor, Faneuil, provides contracted customer service representatives who can be used during the busy open-enrollment periods and scaled back in the months following open enrollment, when demand for assistance decreases. The normal staffing level for surge support is contracted at a floor level of 250 staff, which grows to 600 to meet the high demands during open enrollment. The total engagement for Faneuil in FY 2020-21 is \$30.9 million, which includes \$3.6 million for additional customer service representatives between July and October 2020 (reflecting an additional 225 staff for a total surge support staffing of 475), and an additional \$8

million to hire and train customer service representatives who will be in place by November 2020 (reflecting an additional 400 staff during open enrollment for a total surge support staffing during this time of 1,000 positions).

These two increases were actually partially implemented in FY 2019-20 — spending over the originally budgeted amounts for the surge contract — to address high demands in services with the implementation of the state subsidies and the state mandate. For FY 2020-21, these increases would represent a one-year increase in the Service Center division’s operating expenses to have additional capacity to handle higher service demands during the recession, with the plan to conduct additional review of what levels of staffing are appropriate in future years and the balance between filling needs with Covered California staff and the more easily adjustable surge support through contracted services.

Additional major operating expenses for FY 2020-21 include an interagency agreement with the California Department of Social Services, which provides appeals services to Covered California, for about \$9 million, and interpreter services that total approximately \$2.3 million.

Key Objectives for Fiscal Year 2020-21

The Service Center division will continue its core focus on effectively responding to as many consumer inquiries as possible by leveraging all available planning tools and resources. The Service Center division uses forecasts, staffing models and workload plans to inform its work to balance priorities and optimize productivity and continue striving to increase consumer satisfaction. In FY 2019-20, the Service Center provided personal assistance 2.1 million times to consumers and an additional 2.2 million occasions of consumers being served through responses provided by the Integrated Voice Response automated response system that addresses consumers’ issues with recorded messages.

Two of the key metrics considered by the Service Center in assessing its consumer service are rates of consumer satisfaction for people who complete calls and the abandonment rate, or the rate at which consumers decide not to wait to have their call answered by a service center representative.

For FY 2019-20, consumers registered a very high level of satisfaction in the services provided, stating they were “very satisfied” 88.5 percent of the time for callers in open enrollment and 86.8 percent for those calling during special enrollment. The Service Center’s goal is to maintain the rate at which consumers who complete calls are “very satisfied” at or above the 85 percent mark in the coming year. Additional key deliverables for the upcoming fiscal year are:

- **Open Enrollment Support:** Service Center anticipates over 1.2 million consumer contacts during open enrollment through inbound calls and live chat interactions. This forecast is comparable to FY 2019-20 volumes. The division’s goal is for the increased funding for surge positions to improve the consumer experience and enable more consumers to get services. In the very high call volume period of open enrollment, Covered California has always “staffed up” and at the same time recognized that it is not possible to meet standard service goals in a fiscally sound manner. With the surge staffing capacity and anticipated

reductions in call handle times, the Service Center hopes to see a 24 percent improvement in meeting the service-level target related to the percentage of calls answered within 30 seconds during open enrollment from 26 percent to 33 percent. In addition, the improved service is hoped to reduce the abandonment rate during open enrollment from 17.6 percent to less than 13 percent (from 214,882 calls to approximately 157,000 calls), an estimated 27 percent reduction in the number of abandoned calls compared to FY 2019-20).

- **Expanded Special Enrollment Support:** Early projections anticipate almost 1.7 million consumer contacts during the special-enrollment period, which is forecasted to be a 26 percent or 300,000 call increase from FY 2019-20 volumes. Funding of additional resources should allow the Service Center to have resources where most needed to effectively handle the additional calls and maintain the abandonment rate from FY 2019-20 of 5.5 percent. There remains a high degree of uncertainty in planning for the volumes and types of calls for the coming year, including the unknown impact to call volumes because of the new Franchise Tax Board state subsidy form from February to April 2021. If disputes regarding the state subsidies occur at the same rate as do federal subsidies, the Service Center could see an increase of over 4,000 state disputes from the current 4,800 federal disputes, with those disputes generating service calls and, in some cases, escalation and appeals work.
- **Ancillary Service Center Functions:** In addition to inbound phone and live chat support, Service Center is responsible for the processing of enrollment verification documents, Certified Insurance Agent call center overflow support, appeals, escalations and subsidy tax disputes. The funding for additional inbound phone and live chat allows the Service Center to repurpose existing staff to support these ancillary programs during critical periods.

Ombuds Office

Division Description

The Ombuds Office serves two functions. Through its Ombuds Affairs Unit, it provides consumers an objective, unbiased and accessible resource when other resolution or customer service channels have been exhausted. Through its Appeals Fulfillment Unit, it serves as an independent resource to implement Administrative Law Judge decisions following eligibility determination appeals. Together, these units identify systemic challenges and promote solutions to prevent issues from reoccurring to improve the overall experience of Covered California consumers.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	13	13	15
Personnel Services	\$1,181,028	\$1,484,465	\$1,779,841
Operating Expenses	<u>\$117,000</u>	<u>\$74,089</u>	<u>\$52,000</u>
Subtotal	\$1,298,028	\$1,558,554	\$1,831,841
Allocated Expenses			
Information Technology Support	\$183,404	\$163,698	\$183,236
ProRata / Supp. Pension / Other	<u>\$88,986</u>	<u>\$93,311</u>	<u>\$100,606</u>
Total Operating Costs	<u>\$1,570,418</u>	<u>\$1,815,563</u>	<u>\$2,115,683</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The Ombuds Office's FY 2020-21 budget adds two positions, which increases overall staffing from 13 to 15. These positions will assist with customer inquiries and issues and fulfil the division's mission on resolving consumer issues and identifying systematic issues to promote solutions and to prevent them from reoccurring.

The office's major operating expenses for FY 2020-21 include general expenses, which includes office supplies and training expenses.

Key Objectives for Fiscal Year 2020-21

The Ombuds Office will focus on the following core areas in the upcoming fiscal year:

- Increase Ombuds Office education and outreach to reduce the number of erroneous referrals, calls and inquiries.
- Finalize root-cause analysis training and operationalize a process to identify systemic issues in accordance with the Ombuds Office's mission.
- Enhance and streamline the consumer's call experience by adding an Interactive Voice Response system and consumer feedback survey to the toll-free line.

Customer Care Division

Division Description

The Customer Care division's purpose is to optimize and enhance the consumer experience regardless of service channel (e.g., self-serve, through the Covered California Service Center, via a Covered California Licensed Agent or Certified Enrollment Counselor). Ultimately, this work involves a high level of coordination, transparency and collaboration throughout the organization to understand and facilitate improvement of the consumer experience during all phases of the consumer journey.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	7	8	8
Personnel Services	\$840,213	\$784,712	\$1,103,277
Operating Expenses	<u>\$592,000</u>	<u>\$417,320</u>	<u>\$389,000</u>
Subtotal	\$1,432,213	\$1,202,032	\$1,492,277
Allocated Expenses			
Information Technology Support	\$98,756	\$100,737	\$97,726
ProRata / Supp. Pension / Other	<u>\$78,538</u>	<u>\$67,293</u>	<u>\$70,247</u>
Total Operating Costs	<u>\$1,609,507</u>	<u>\$1,370,062</u>	<u>\$1,660,250</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The division's major operating expenses for FY 2020-21 include customer care journey mapping contract totaling \$375,000. A customer journey mapping is a visual representation of the process a customer goes through to achieve enrollment and health care coverage. This budget reflects an increase from seven to eight positions. This was the result of a re-allocated position from the Office of Legal Affairs during FY 2019-20 to play a key role in getting the initial journey-mapping vendor established.

Key Objectives for Fiscal Year 2020-21

The Customer Care division will focus on the following core areas:

- Develop and implement an organization-wide, multidisciplinary consumer-experience strategic approach to enhance overall consumer experience.
- Develop a dashboard of key performance metrics tracking satisfaction and effort indicators for the consumer journey and experience.
- Devise a process to address prioritization and alignment of initiatives and foster and develop the voice of the customer through Covered California's innovation lab, the Creative Café.

Technology

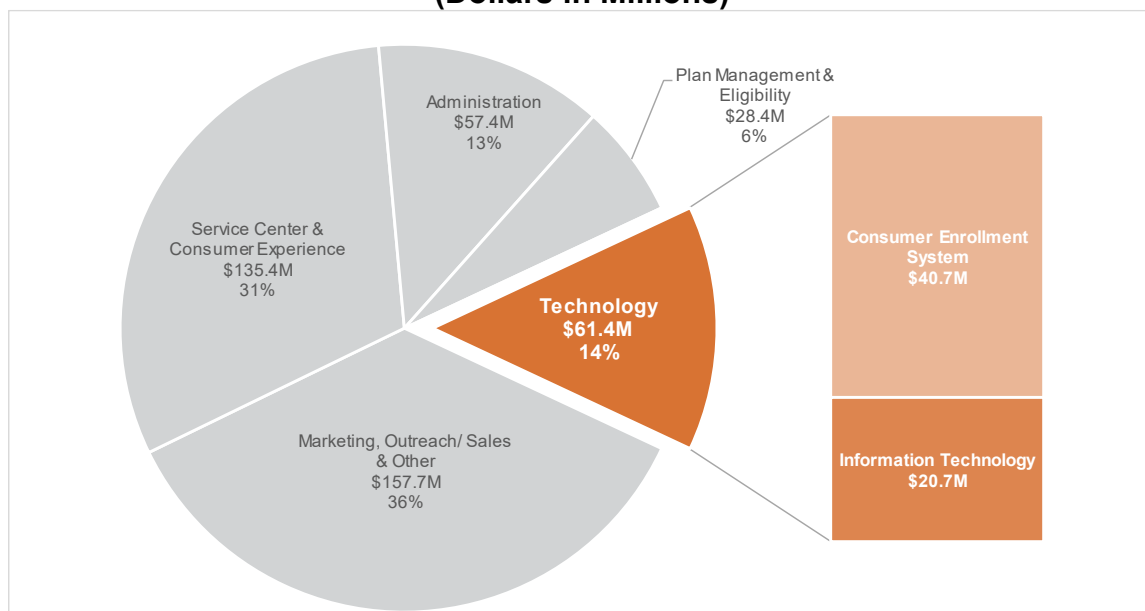
Division Description

Technology includes the Information Technology (IT) division and the consumer eligibility system, the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The budget for FY 2020-21 is \$61.4 million (see Figure 9. Technology FY 2020-21 Budget).

Technology— Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	82	84	94
Personnel Services	\$10,527,630	\$11,370,939	\$15,308,340
Operating Expenses	<u>\$57,311,691</u>	<u>\$48,944,775</u>	<u>\$43,355,068</u>
Subtotal	\$67,839,321	\$60,315,714	\$58,663,408
Allocated Expenses			
Information Technology Support	\$1,156,857	\$1,057,740	\$1,148,277
ProRata / Supp. Pension / Other	<u>\$1,831,300</u>	<u>\$1,703,612</u>	<u>\$1,559,418</u>
Total Operating Costs	<u>\$70,827,478</u>	<u>\$63,077,066</u>	<u>\$61,371,103</u>

**Figure 9.
Technology
FY 2020-21 Budget
(Dollars in Millions)**



CalHEERS

Division Description

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) serves as a single system supporting eligibility and enrollment in Covered California and Medi-Cal. The Office of Systems Integration oversees the consumer-facing system running California's single streamlined application for all insurance affordability programs, including Medi-Cal.

CalHEERS is jointly sponsored by Covered California and the California Department of Health Care Services. The project is governed by an executive steering committee that represents each of the participating agencies and has guided the project since its inception.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	0	0	0
Personnel Services	-	-	-
Operating Expenses	<u>\$54,294,132</u>	<u>\$46,172,684</u>	<u>\$40,665,068</u>
Total Expenses	<u>\$54,294,132</u>	<u>\$46,172,684</u>	<u>\$40,665,068</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The Office of Systems Integration, on behalf of Covered California and the Department of Health Care Services, provides management and oversight of the maintenance, operations and ongoing development of CalHEERS. The cost of services is allocated between Covered California and the Department of Health Care Services using the cost allocation plan (CAP) approved by the Centers for Medicare and Medicaid Services. Under the current CAP, Covered California will be responsible for 12.59 percent of shared services. The CAP is updated annually based on enrollment in Covered California plans and Medi-Cal.

The fiscal year 2019-20 budget included additional one-time funding to support the initial setup of the state subsidy program. The FY 2020-21 budget is projected to be \$5.5 million less than FY 2019-20 actual/forecasted.

The major contracted operating expenses for CalHEERS consist of the interagency agreement with the Office of Systems Integration for the project management and oversight of the system.

Operating expenses drop from \$60.3 million in FY 2019-20 actual/forecasted to \$58 million in FY 2020-21 in the budget due to the elimination of one-time IT expenditures related to system changes to CalHEERS for the state subsidy program and increased IT expenses. The \$2.3 million drop in operating expenses represents the net effect of the reduction in CalHEERS and the increase in IT operating expenses.

Key Objectives for Fiscal Year 2020-21

- Continue efforts to provide an integrated eligibility, enrollment, and retention solution that supports our sponsor organizations in delivering health services to consumers in collaboration with business partners throughout California.
- Continue to improve upon the most customer-centric portal and be a trusted leader in providing access to affordable, high-quality health services for all Californians.
- Deliver product features that are of the highest value as quickly as possible to enhance the business needs and user experience and increase stakeholder satisfaction.

In addition to the core division functions and ongoing initiatives listed above, CalHEERS anticipates these key new strategies in the upcoming fiscal year:

- Continuing efforts to move all CalHEERS infrastructure to the cloud, allowing the project to shut down on-premise data center hardware at a significant savings.
- Completing high-priority enhancements for counties (referred to as “Business Rules Exposure”).
- Completing the first piece of Senate Bill 260 for auto-enrollment of consumers moving from Medi-Cal to Covered California plans.
- Implementing the final pieces of the state subsidy program, including state tax reporting forms.

Information Technology Division

Division Description

The Information Technology (IT) division provides technology and security services to all Covered California divisions, consumers and stakeholders to support operations and enrollment services in a manner that is financially sustainable. This effort includes providing oversight of the ongoing development and operations of California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) for Covered California.

Three branches carry out specific functions in the Information Technology division, including the Information Security Branch, the Operations Branch for delivery of IT services, and Strategic Initiatives for project management and support for the full systems development lifecycle and support for analytics throughout the enterprise.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	82	84	94
Personnel Services	\$10,527,630	\$11,370,939	\$15,308,340
Operating Expenses	<u>\$3,017,559</u>	<u>\$2,772,091</u>	<u>\$2,690,000</u>
Subtotal	\$13,545,189	\$14,143,030	\$17,998,340
Allocated Expenses			
Information Technology Support	\$1,156,857	\$1,057,740	\$1,148,277
ProRata / Supp. Pension / Other	<u>\$1,831,300</u>	<u>\$1,703,612</u>	<u>\$1,559,418</u>
Total Operating Costs	<u>\$16,533,346</u>	<u>\$16,904,382</u>	<u>\$20,706,035</u>

Note: The information Technology division has one exempt position²⁰.

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The FY 2020-21 budget for Information Technology will increase from \$17.1 million to \$20.7 million, an increase of \$3.6 million.

During FY 2019-20, the Information Technology division added two analysts. These mid-year additions were added to provide management and oversight of the defect-management process in CalHEERS.

This FY 2020-21 budget calls for 10 additional staff. The additional positions will support information security oversight and compliance responsibilities for the Covered California service centers, provide increased support at the Service Center service desk, provide additional network staff to support the large volume of work (maintenance and

²⁰ The exempt position is director of Information Technology (monthly salary: \$20,356). This information is reported in compliance with Government Code 100503, Section 2(A).

operations and new projects), maintain effective employee telework capability, and allow continued improvements to the website (including accessibility) and applications available internally and externally. To accommodate additional expenses related to Covered California's COVID-19 response, the Information Technology division postponed \$2.8 million in other budget augmentation requests.

In FY 2020-21, the increases in expenses for the Information Technology division include purchases of software, licenses and systems maintenance. These include:

- Chatbot development to facilitate customer support communication and reduce call volume and call time.
- E-signature capability.
- Software to enhance network and systems security.
- Technology that enables ADA compliance.
- Microsoft tools and licenses that further support telework, such as SharePoint, OneDrive and Microsoft Teams videoconferencing.

Key Objectives for Fiscal Year 2020-21

- Provides oversight of the ongoing development and operations of CalHEERS, an automated system for Covered California and Medi-Cal that streamlines the resources in which consumers enroll in health care coverage.
- Provides information technology leadership, strategy and oversight for complex, consumer-facing information technology initiatives and directs high-level enterprise-wide policies and standards to ensure timely, cost-effective and regulatory compliant system implementation and operation.
- Oversees the implementation and adherence to policy standards and ensures Covered California's federal regulatory compliance and authority to operate and connect to all federal data services.
- Provides leadership and collaborates with other state and federal departments and works in a consultative fashion with other divisional directors within Covered California, advising on information technology-related solutions and strategy.

In addition to core division functions and ongoing initiatives listed above, the Information Technology division anticipates these key new strategies in the upcoming fiscal year:

- Supporting efforts to return staff to an office environment with modifications that may be needed.
- Coordinating with the Human Resources Branch to implement Human Capital Management.
- Supporting facility moves, especially a new Fresno location.
- Continuing work on enhancing the customer relationship management tools, chatbot, automated verifications, agent and navigator tools and data reporting.
- Executing knowledge transfer efforts to state staff within the Information Technology division.

Administration

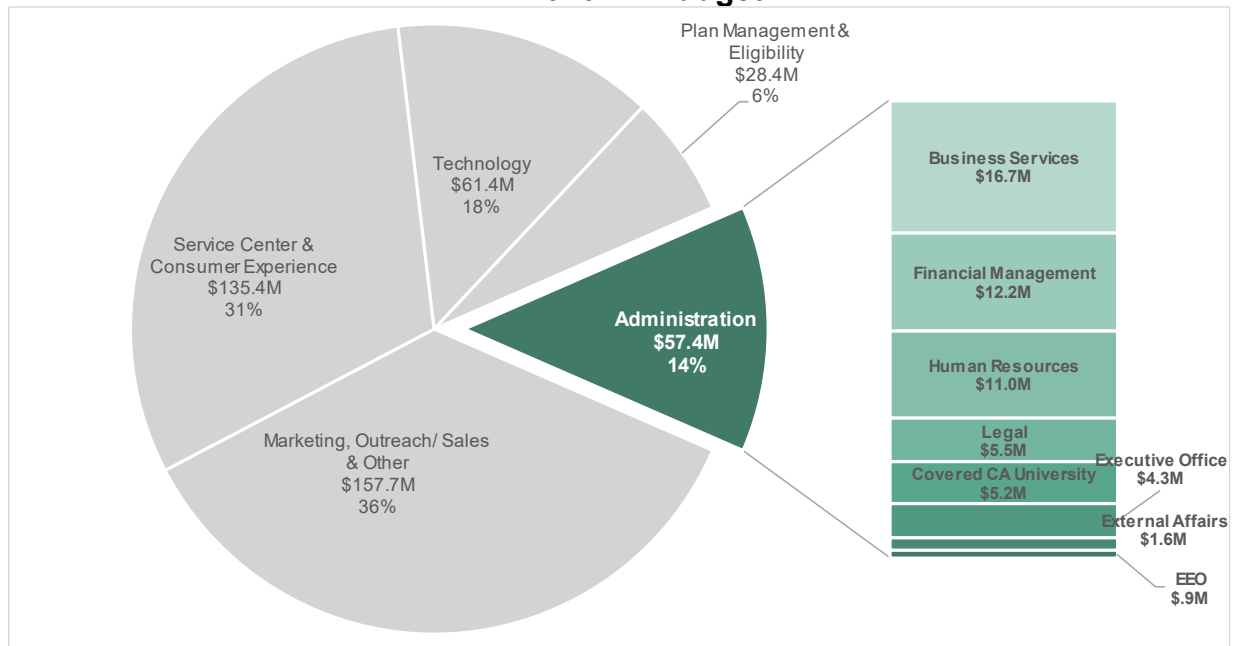
Division Description

Administration includes the following program areas: the Executive Office, the Equal Employment Opportunity Office, the Office of Legal Affairs, the External Affairs division, the Financial Management division, the Business Services Branch, the Human Resources Branch and Covered California University. The total budget for FY 2020-21 is \$57.4 million (see Figure 10. Administration FY 2020-21 Budget).

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	227	226	228
Personnel Services	\$26,516,991	\$28,353,678	\$32,777,204
Operating Expenses	<u>\$20,501,773</u>	<u>\$16,586,667</u>	<u>\$19,496,662</u>
Subtotal	\$47,018,764	\$44,940,345	\$52,273,866
Allocated Expenses			
Information Technology Support	\$3,202,518	\$2,845,824	\$2,785,183
ProRata / Supp. Pension / Other	<u>\$2,570,844</u>	<u>\$2,347,297</u>	<u>\$2,315,761</u>
Total Operating Costs	<u>\$52,792,126</u>	<u>\$50,133,466</u>	<u>\$57,374,810</u>

**Figure 10.
Administration
FY 2020-21 Budget**



Business Services Branch

Division Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; health, safety and wellness services; providing central support functions for administrative programs enterprise-wide; ensuring facilities are well maintained and secure, and managing our physical resources through facilities operations.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	39	40	40
Personnel Services	\$4,104,724	\$4,411,670	\$5,225,481
Operating Expenses	<u>\$9,799,360</u>	<u>\$9,350,295</u>	<u>\$10,336,245</u>
Subtotal	\$13,904,084	\$13,761,965	\$15,561,726
Allocated Expenses			
Information Technology Support	\$550,212	\$503,686	\$488,629
ProRata / Supp. Pension / Other	<u>\$684,985</u>	<u>\$651,447</u>	<u>\$612,035</u>
Total Operating Costs	<u>\$15,139,281</u>	<u>\$14,917,098</u>	<u>\$16,662,390</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The major operating expenses for the branch consist of the leasing of Covered California facilities. The major operating expenses for FY 2020-21 include \$8.3 million for leases and building maintenance; \$845,000 for building security; and \$380,000 for copying services.

The increase in staffing from 39 to 40 resulted from a mid-year transfer of an existing position from the Financial Management division during FY 2019-20.

Key Objectives for Fiscal Year 2020-21

The Business Services division will focus on the following core areas in the upcoming fiscal year:

- Continue to improve the quality of services for all business services requests and successfully achieve all business services activities and implement all legislatively mandated policies and procedures.
- Provide ongoing support for staff working from home and oversee the return to the workplace meeting the safety needs of staff and the community related to COVID-19, including developing practical guidelines for working in the office and social distancing guidelines.

- Continue to build upon the health, safety and wellness practices that were established when responding to the COVID-19 pandemic and carry them through the new fiscal year.
- Develop physical space guidelines and a strategic master plan for Covered California's facilities in a post-COVID-19 world, including how much leased space will be needed moving forward.
- Develop electronic processes to streamline Business Services functions: contract signing, invoice processing, content management and more. As we move into a more telework-focused environment, there is a need to convert our manual paper processes into an electronic format.
- Implement the business continuity software that includes emergency notifications for employees. This will allow us to be more agile when responding to emergencies and notify staff in real-time.

Financial Management Division

Division Description

The Financial Management division plans, implements and guides all Covered California financial activities, including finance, accounting, forecasting, budgeting and governmental compliance. The division consists of two branches: Accounting and Accounting Systems Operations and Financial Planning and Forecasting Operations. Within those units lie critical accounting functions, including payroll, financial reporting, accounts receivable and payable, financial modeling, financial forecasting and financial systems.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	58	57	57
Personnel Services	\$6,709,557	\$6,901,454	\$8,230,393
Operating Expenses	<u>\$3,840,006</u>	<u>\$2,409,335</u>	<u>\$2,791,991</u>
Subtotal	\$10,549,563	\$9,310,789	\$11,022,384
Allocated Expenses			
Information Technology Support	\$818,265	\$717,752	\$696,296
ProRata / Supp. Pension / Other	<u>\$595,727</u>	<u>\$509,787</u>	<u>\$513,064</u>
Total Operating Costs	<u>\$11,963,555</u>	<u>\$10,538,328</u>	<u>\$12,231,744</u>

Note: The Financial Management division has one exempt position²¹.

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The largest element of the division's total operating expenses is associated with Robert Half accounting services and SQL programming for Covered California for Small Business, a FY 2020-21 budget estimate of \$1.8 million. These expenses are down by \$1 million from the FY 2019-20 approved budget, driven by lower than expected spending on Robert Half since the division has been transitioning many of the functions formerly performed by Robert Half in house. It is expected that Robert Half service expenses will continue to decline as the Financial Management division further develops internal capacity.

The division transferred a position to Business Services Branch during FY 2019-20, which dropped authorized positions from 58 to 57.

²¹ The one position is chief financial officer (monthly salary: \$15,000). This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for Fiscal Year 2020-21

The Financial Management division will focus on the following core areas in the upcoming fiscal year:

- Continue to provide Covered California partners and stakeholders with the financial and operational tools and resources needed to be well-informed leaders and effective decision makers. We provide data, information, analysis, knowledge and methods for our leaders to anticipate and respond effectively to the challenges facing Covered California.
- Support Covered California's business needs by processing, recording and reporting on the financial condition and the resources available for Covered California to complete its mission.
- Manage day-to-day accounting, including accounts receivable, accounts payable, payroll advances and payroll collections.
- Evaluate Covered California's financial condition using ratio analysis, prepare annual financial statements in accordance with Generally Accepted Accounting Principles and collaborate with external auditors.

In addition to its core functions and ongoing initiatives listed above, the division anticipates these key new strategies in the upcoming fiscal year:

- Improve documentation and functionality of the accounting system by documenting key business processes to aid in system improvement and cross-training, and by developing formal written policies for high-risk areas to improve the integrity of financial assets and reduce risk.
- Strategically improve fiscal information to facilitate management decision-making by developing periodic financial reports to communicate organizational performance and develop key performance indicators to improve the ability to track performance.
- Improve budgeting and forecasting processes by strategically assessing the division's functional needs and actively recruiting and onboarding staff.
- Continue to refine the forecasting model after implementation of the state mandate, state subsidies and the current pandemic environment for improved accuracy and reliability.

Human Resources Branch

Division Description

The Human Resources Branch provides overall policy direction on human resource management and administrative support functions related to the management of employees via the following units: Labor Relations Office, Employment and Classification Services, Payroll and Benefits, Performance Management, Talent Acquisition and Operations and Disability Management.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	52	52	52
Personnel Services	\$4,864,971	\$6,237,311	\$6,533,371
Operating Expenses	<u>\$3,420,774</u>	<u>\$1,495,024</u>	<u>\$3,341,500</u>
Subtotal	\$8,285,745	\$7,732,335	\$9,874,871
Allocated Expenses			
Information Technology Support	\$733,617	\$654,792	\$635,217
ProRata / Supp. Pension / Other	<u>\$485,137</u>	<u>\$434,117</u>	<u>\$462,243</u>
Total Operating Costs	<u>\$9,504,499</u>	<u>\$8,821,244</u>	<u>\$10,972,331</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

Operating expenses are forecast to rise from \$1.5 million in FY 2019-20 to \$3.3 million in FY 2020-21, with much of this increase associated with the purchase of the Human Capital Management (HCM) software solution to streamline and automate business processes. The Human Capital Management software was originally budgeted at \$1.9 million for FY 2019-20, but the funds could not be spent in that fiscal year due to the length of time required to execute the contract. Accordingly, these funds will be allocated for HCM in the FY 20-21 budget. Other major operating expenses for FY 2020-21 include State Compensation Insurance Fund (SCIF) benefits of \$420,000 and contracts with other related state departments, including the State Personnel Board, CalHR and EDD totaling \$380,000.

Key Objectives for Fiscal Year 2020-21

The Human Resources Branch will focus on the following core areas in the upcoming fiscal year:

- Assist with all talent acquisition and recruitment functions to ensure a diverse and qualified workforce while maintaining low vacancy rates throughout the organization.

- Coordinate and administer employee relations and labor relation policies and procedures and provide advice and assistance to managers and supervisors on employee complaints and grievances, work conditions, employee rights and management prerogatives and obligations.
- Provide consultative services to Covered California supervisors and managers throughout the life cycle of the hiring process, ensuring all merit selection and employment best practices, rules, regulations and authorities are followed.
- Provide consultation and training to managers and supervisors on employee performance, employment laws, rules and departmental policies.

In addition to its core functions and ongoing initiatives listed above, the branch anticipates these key new strategies in the upcoming fiscal year:

- Purchase and implement a Human Capital Management solution to automate and streamline business processes that include timekeeping and real-time leave balances; position control and organizational chart management; training and documentation compliance; recruitment, pre-hire processing, hiring, succession management, onboarding/offboarding; benefit administration; performance management; and reporting and analytics.
- The Performance Management Unit is working toward a shift in culture as it relates to managing the development and performance of all employees. The focus is to provide support, guidance and coaching to the organization's supervisors and managers to build supervisory relationships with employees that will contribute to a positive and effective work environment.
- Launch a new hiring process and training for hiring managers. The goal is to reduce the time to fill vacancies, use a proactive consultative approach to recruitment and use some of the lessons learned and innovative solutions to form the Hiring Process Transformation Workgroup.
- In partnership with Covered California University and Talent Management, strategize, gather ideas and create a new employee onboarding program to acquire the necessary knowledge and skills and to learn the organization culture to become an effective member.

Office of Legal Affairs

Division Description

The Office of Legal Affairs provides a wide range of legal services to all Covered California staff by giving preventive legal advice and consultation to ensure compliance with laws and to mitigate legal liability. The Office of Legal Affairs interfaces with state and federal regulatory agencies and provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts and operations. The Office of Legal Affairs ensures that all legal agreements are fulfilled, and that Covered California operates within its legal authority. Additionally, the Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	25	24	24
Personnel Services	\$3,265,196	\$3,045,682	\$3,580,449
Operating Expenses	<u>\$1,320,500</u>	<u>\$1,306,241</u>	<u>\$1,380,500</u>
Subtotal	\$4,585,696	\$4,351,923	\$4,960,949
Allocated Expenses			
Information Technology Support	\$352,700	\$302,211	\$293,177
ProRata / Supp. Pension / Other	<u>\$258,386</u>	<u>\$232,184</u>	<u>\$226,329</u>
Total Operating Costs	<u>\$5,196,782</u>	<u>\$4,886,318</u>	<u>\$5,480,455</u>

Note. The Office of Legal Affairs has one exempt position²².

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The major operating expenses for FY 2020-21 include funding of the Legal Aid Society totaling \$750,000; support from the California Attorney General Office totaling \$150,000; and outside legal counsel totaling \$200,000.

This budget reflects a decrease of one position that was transferred to the Customer Care division in FY 2019-20 to support the consumer journey.

²² The one exempt position is director of the Office of Legal Affairs (monthly salary: \$14,588). This information is reported in compliance with Government Code 100503, Section 2(A).

Key Objectives for Fiscal Year 2020-21

The Office of Legal Affairs will focus on the following core areas in the upcoming fiscal year:

- Continue to provide legal support to all Covered California divisions to meet Covered California's vision and strategic pillars.
- Continue to support Covered California in response to COVID-19 pandemic by providing advice and counsel on federal and state stimulus and relief legislation, special-enrollment periods and consumer messaging.
- Fully integrate the needs of the Office of Legal Affairs' appeals program into the CDSS Appeals Case Management System.

Covered California University

Division Description

The Covered California University is the enterprise training and knowledge management branch. The branch collaborates with programs and interacts across the organization, leveraging subject matter experts in a vast array of disciplines, acts as a consultant on information dissemination and training initiatives, and maintains both written materials and training courses that support the organization and its partners. The branch administers the technology that supports information and training, including the Customer Relationship Management Knowledgebase and Absorb Learning Management System. The branch consists of the following sections: Training Design and Delivery Section, Knowledge Management Section and Operations and Special Projects.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	31	31	31
Personnel Services	\$3,187,370	\$3,686,226	\$4,051,052
Operating Expenses	<u>\$668,750</u>	<u>\$720,368</u>	<u>\$580,000</u>
Subtotal	\$3,856,120	\$4,406,594	\$4,631,052
Allocated Expenses			
Information Technology Support	\$437,348	\$390,356	\$378,687
ProRata / Supp. Pension / Other	<u>\$243,970</u>	<u>\$250,549</u>	<u>\$235,133</u>
Total Operating Costs	<u>\$4,537,438</u>	<u>\$5,047,499</u>	<u>\$5,244,872</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The major operating expenses for FY 2020-21 include training through CalHR estimated to total \$200,000 and training through outside contractors estimated to total \$230,000.

The operating expenses budget for FY 2020-21 is projected to decline slightly from the FY 2019-20 actual/forecasted expenses. This is related to the elimination of a consulting contract with Leading Resources that will not be renewed in FY 2020-21.

Key Objectives for Fiscal Year 2020-21

Covered California University will focus on the following core areas in the upcoming fiscal year:

- Continue to assess and provide training to all Covered California employees, service channels, vendors and partners through a variety of methods, including instructor-led training and eLearning using our Learning Management System.

- Research, develop and publish approved policy and procedure content in the form of task guides, talking points and Knowledge Base articles for use by the department to support consumers.

In addition to its core functions and ongoing initiatives listed above, Covered California University anticipates these key new strategies in the upcoming fiscal year:

- Expand CCU staff learning and develop competencies and skill sets, including Microsoft Suite, Snag-it, Adobe Suite and Camtasia, to support collaborative and virtual training programs.
- Advance learning platforms and accessibility for training opportunities, including virtual training, throughout the organization.
- Formalize organization change management structure, committee, change champion network and communication methods.
- Complete structural updates to all knowledge templates to improve usability for service center staff.
- Formalize feedback process for knowledge improvement using a knowledge feedback app, usability focus groups with leads and compliance consultations with quality assurance.

Executive Office

Division Description

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive Office staff are responsible for Covered California's day-to-day operations and are tasked with facilitating and supporting Covered California's employees and a broad community of individuals and groups to provide customers (including staff, the board, stakeholders and the public) with the direction, information, tools and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning and adjusting efforts to meet goals and serve consumers.

Talent management and succession planning provides strategic talent leadership to ensure Covered California is considered an employer of choice and can attract, develop, retain and recognize the best talent.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	9	9	11
Personnel Services	\$2,801,104	\$2,566,374	\$3,287,797
Operating Expenses	<u>\$1,040,883</u>	<u>\$1,002,129</u>	<u>\$714,676</u>
Subtotal	\$3,841,987	\$3,568,503	\$4,002,473
Allocated Expenses			
Information Technology Support	\$126,972	\$113,329	\$134,373
ProRata / Supp. Pension / Other	<u>\$184,523</u>	<u>\$165,757</u>	<u>\$159,391</u>
Total Operating Costs	<u>\$4,153,482</u>	<u>\$3,847,589</u>	<u>\$4,296,237</u>

Note: The Executive division has five exempt positions²³.

Highlights for Fiscal Year 2020-21 Budget and Key Changes

This budget adds two additional staff and increases overall staffing from nine to 11 positions. These new positions will promote leadership needs and to assist with initiatives centered on ensuring Covered California is an employer of choice and can attract, develop, retain and recognize its talent.

Executive Office operating expenses are forecasted to drop from the FY 2019-20 actual/forecasted total of \$1 million to about \$700,000 in the FY 2020-21 budget. Most

²³ These five positions include executive director, monthly salary: \$39,935; chief deputy executive director, Operations, monthly salary: \$20,518; chief deputy executive director, Program, monthly salary: \$24,838; chief deputy executive director, General Counsel, monthly salary: \$21,039; and director, Administrative Services Division, monthly salary: \$12,679. This information is reported in compliance with Government Code 100503, Section 2(A).

of the reduction is due to reducing leadership and development training expenses. The major operating expenses for FY 2020-21 include membership in business associations for collaboration totaling \$126,000 and leadership training totaling \$431,000.

Key Objectives for Fiscal Year 2020-21

The Executive Office will focus on the following core areas in the upcoming fiscal year:

- Our world has changed overnight, and our Executive Office will continue its focus and efforts supporting and enhancing our resilient organization as we respond to the impacts of the coronavirus pandemic. Our COVID-19 response framework of “sticking to the science, sticking to the facts and sticking together” supports Covered California’s goals and objectives to successfully react, respond, reinvent and transform in this rapidly changing environment.
- The Executive Office will remain focused on both organizational resilience and individual wellbeing efforts as we transition into a new normal in order to continue to successfully deliver on our mission.

External Affairs

Division Description

External Affairs serves as Covered California’s government and stakeholder relations liaison. External Affairs supports Covered California’s policy and program development by representing the organization in complex and sensitive legislative, policy and administrative processes and by building collaborative relationships with elected officials, state and local agencies and stakeholders. External Affairs also facilitates partnerships that encourage education, outreach and enrollment in Covered California.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	9	9	9
Personnel Services	\$1,176,228	\$1,021,956	\$1,337,543
Operating Expenses	<u>\$115,500</u>	<u>\$46,320</u>	<u>\$72,750</u>
Subtotal	\$1,291,728	\$1,068,276	\$1,410,293
Allocated Expenses			
Information Technology Support	\$126,972	\$113,329	\$109,941
ProRata / Supp. Pension / Other	<u>\$78,022</u>	<u>\$64,164</u>	<u>\$70,383</u>
Total Operating Costs	<u>\$1,496,722</u>	<u>\$1,245,769</u>	<u>\$1,590,617</u>

Note: The External Affairs division has one exempt position²⁴:

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The major operating expenses for FY 2020-21 include general expenses totaling \$34,000, training expenses of \$22,000 and tribal consultation support totaling \$10,000.

Key Objectives for Fiscal Year 2020-21

External Affairs will focus on the following core areas in the upcoming fiscal year:

- Establish and implement a program focused specifically on effective external relations by building networks and bolstering outreach and education for both state and federal government officials and stakeholders.
- Fortify efforts to inform federal policy makers of Covered California and state policies that leverage and build on the Affordable Care Act and that provide a model for current and future policy change.
- Develop and disseminate timely and effective technical assistance to the administration and legislators as they consider policy and budgetary actions.

²⁴ The exempt position is director of External Affairs (monthly salary: \$17,520). This information is reported in compliance with Government Code 100503, Section 2(A).

Equal Employment Opportunity Office

Division Description

The Equal Employment Opportunity Office is responsible for implementing, coordinating and monitoring civil rights compliance for Covered California’s workforce and consumers. The office ensures that Covered California is compliant with federal and state laws regarding diversity, equity and accessibility. The office also partners with other program areas to develop initiatives that increase accessibility and foster diversity. It reports on appointments, brings issues of concern regarding equal employment opportunity to the executive director, and recommends appropriate action.

Division Budget — Multi-Year View

	Fiscal Year 2019-20 Approved Budget	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget
Positions	4	4	4
Personnel Services	\$407,841	\$483,005	\$531,118
Operating Expenses	<u>\$296,000</u>	<u>\$256,955</u>	<u>\$279,000</u>
Subtotal	\$703,841	\$739,960	\$810,118
Allocated Expenses			
Information Technology Support	\$56,432	\$50,369	\$48,863
ProRata / Supp. Pension / Other	<u>\$40,094</u>	<u>\$39,292</u>	<u>\$37,183</u>
Total Operating Costs	<u>\$800,367</u>	<u>\$829,621</u>	<u>\$896,164</u>

Highlights for Fiscal Year 2020-21 Budget and Key Changes

The major operating expenses for FY 2020-21 include legal services totaling \$220,000 and training totaling \$30,000.

Key Objectives for Fiscal Year 2020-21

The Financial Management division will focus on the following core areas in the upcoming fiscal year:

- Continue to support Covered California in the development of policies that foster accessibility, diversity and equity in the workplace.
- Enact updated Reasonable Accommodation and Equal Employment Opportunity policies for the department, with concurrent updates to Reasonable Accommodation and complaint forms in light of the COVID-19 pandemic.
- Respond to referrals or requests for Reasonable Accommodation, partnering with other units to ensure thorough and timely assistance, particularly considering the emergency telework arrangements of a majority of the workforce due to the COVID-19 response and the relocation of more than a third of the workforce to new office spaces.

Appendices

Appendix A-I. Vision, Strategic Priorities and Detailed Program Accomplishments in FY 2019-20

California’s mission is to improve health care quality, lower costs and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value. The broader context for that mission is a vision adopted by the Board of Directors for Covered California to improve the health of all Californians by assuring their access to affordable, high-quality care.

The Annual Report and the Covered California’s annual budgets are reflections of how the organization addresses five key strategic priorities. The budget is built on a comprehensive planning process, which is governed by the strategic priorities that help guide the organization’s allocation of resources. Covered California’s strategic priorities were designed by the agency’s management team and reviewed by the board to assist the organization while making decisions, setting priorities, determining initiatives and preparing annual budgets.

This section of the Annual Report and Budget introduces the five areas of strategic focus and the three cross-cutting priorities that guide Covered California’s work, with a summary of how each of Covered California’s 19 divisions performed in fiscal year 2019-20.

Covered California Strategic Priorities and Cross-Cutting Initiatives

AFFORDABLE PLANS	NEEDED CARE	EFFECTIVE OUTREACH AND EDUCATION	POSITIVE CONSUMER EXPERIENCE	ORGANIZATIONAL EXCELLENCE
Consumers purchase and keep Covered California products based on their perception that this is a good value for them.	Consumers receive the right care at the right time.	Consumers understand what we offer and have a positive attitude about Covered California.	Consumers have a positive experience from initial enrollment to keeping their coverage.	Covered California has the right tools, processes, and resources to support our team to deliver on our mission.

CROSS-CUTTING AREAS OF ATTENTION

Innovating for the long term and being nimble in the present.

Using Covered California’s experience to inform policy in California and nationally.

Working with others to promote changes in care delivery that benefits all Californians.

The strategic priorities and how those strategies are broadly addressed are:

- **Affordable Plans:** Consumers purchase and keep Covered California products based on their understanding of how their coverage is a good value for them. The Affordable Plans strategic priority is reflected in Covered California as such:
 - Actively negotiating rates and benefits with carriers to provide consumers with the best value.
 - Investing in marketing and outreach to promote the value of coverage and maintain a healthy risk mix.
 - Offering patient-centered benefit designs to make care more affordable by increasing a consumer's understanding of benefits that maximize access to appropriate care.
- **Staying Healthy and Getting Needed Care:** Consumers receive the right care at the right time.
 - Working with all contracted qualified health plan issuers, in every corner of the state, to ensure consumers have ready access to doctors, hospitals and care.
 - Holding health insurance companies accountable for improving the care delivered, addressing disparities of care and moving to a patient-centered system that rewards quality and value, rather than being rewarded for quantity only.
- **Effective Outreach and Education:** Consumers understand what we offer and have a positive attitude about Covered California
 - Making significant investments in marketing and outreach to motivate consumers to enroll and maintain their insurance coverage.
 - Educating and supporting Covered California's 20,000 sales partners in order to promote enrollment and increase the number of insured Californians.
- **Positive Consumer Experience:** Consumers have a positive experience from initial enrollment to keeping their coverage.
 - Continuously surveying consumers and testing messages and materials to be sure complex health insurance and coverage issues are clearly communicated.
 - Operating and staffing service centers and working with 20,000 Certified Insurance Agents, enrollers and Navigators to assist consumers in a variety of languages.
 - Establishing an Ombuds Office and support for consumers seeking resolution of problems to have issues addressed at the lowest possible level.
- **Organizational Excellence:** Covered California has the right tools, processes and resources to support its team to deliver on its mission.

- Operating as a fiscally sound, nimble enterprise that responds quickly to the changing environment in health care.
- Supporting its staff with training, tools, automation and opportunities for growth and working across divisions.

These five pillars are supported and complemented by the following cross-cutting initiatives:

- **Innovating for the long term and being nimble in the present.**
 - Consumer journey mapping will inform efforts to continue to build consumer trust and loyalty, increase consumer growth and retention, elevate Covered California’s brand and facilitate a transparent and aligned model of operational excellence.
 - A consolidated enterprise information technology backup and disaster recovery solution will be easier to manage and meet business continuity objectives in the event of a disaster.
- **Using Covered California’s experience to inform policy in California and nationally.**
 - Covered California has worked with stakeholders and economists to develop options to improve affordability for low- and middle-income consumers and increase the number of people insured in the state. Covered California will build on the work reflected in the report [“Options to Improve Affordability in California’s Individual Health Insurance Market”](#) to examine how consumers would benefit from different approaches, as well as the costs required and their impact on the individual market.
 - Covered California actively seeks opportunities to contribute to the policy-making discussions in California and Washington D.C. by sharing our experiences and analysis of how policy issues could affect the individual market and health care costs and quality more broadly.
 - Covered California learns from and shares its experiences with other state-based marketplaces, academic institutions and private and public partners to practice evidence-based policy development.
- **Working in partnership with others to promote changes in care delivery that benefit all Californians.**
 - Expanding program oversight of quality standards and increasing engagement with carriers to develop programs that will improve the delivery and quality of health care to our consumers.
 - Covered California has interviewed national and state purchasers to consider how its contractual expectations of carriers can be aligned with others to promote more rapid and targeted changes in the delivery system to foster quality improvement and cost reductions.

Program Accomplishments in FY 2019-20

In describing the accomplishments of each of Covered California's 19 divisions, the division's work is framed by the roles each one plays in promoting and advancing the vision and strategic priorities of Covered California. The divisions are listed in the same order as presented in Section IV: Covered California's FY 2020-21 Operating Budget: Program Detail, and the accomplishments reflect activities from fiscal year 2019-20.

Plan Management Division

Division Description

The Plan Management division's purpose is to improve the cost, quality and accessibility of health care delivered to consumers by selecting, negotiating with and holding Covered California's contracted health insurance companies accountable for delivering quality health care while fostering improvements in care delivery that can benefit all Californians.

How Plan Management Supports Covered California's Goals and Strategic Priorities

- Annually certifies and recertifies health and dental plan issuers that promote rate moderation and meaningful plan options.
- Updates and develops new patient-centered benefit designs.
- Works closely with health plan issuers to ensure contract compliance and effective partnerships with regulators.
- Holds health plan issuers accountable for executing quality-improvement strategies promoting delivery system reform and assuring enrollees get timely high-quality care.
- Ensures enrollee access to primary care by providing support to navigate the health care system through patient-centered benefit designs and by requiring all health plan issuers to match a primary care clinician to every consumer.
- Reviews health plan issuer performance, sharing information and ideas and ultimately improving the products and services provided to enrollees through regular engagement, including in-person quarterly business review meetings with health plan issuers.
- Validates Systems for Electronic Rate and Form Filing (SERFF) templates submitted by health plan issuers on premium rates, plan benefit designs, provider networks, service areas and pharmaceutical formularies.

Key Accomplishments for Fiscal Year 2019-20

- Negotiated premiums and service area changes and certified 11 health plan issuers for the 2020 plan year. For 2020, nearly all consumers can choose from two or more issuers, and 87 percent from three or more. The average 2020 premium rate increase was limited to 0.8 percent, which is the lowest change since Covered California's launch, driven by new state affordability initiatives designed to lower costs and encourage enrollment.

- Negotiated premiums and service area changes and certified seven dental plan issuers for the 2020 plan year, with a total dental enrollment of 201,155. The average dental plan premium was reduced by 1.9 percent for 2020.
- Executed contracts for 11 qualified health plan issuers and seven qualified dental plan issuers, and in partnership with plan issuers and stakeholder advocates, established the 2021 standard benefit designs for health and dental benefits.
- Produced “[Covered California’s First Five Years: Improving Access, Affordability, and Accountability](#),” which reported on the core approaches Covered California has used to improve health system performance:
 - Creating an effective consumer-driven marketplace.
 - Holding health insurance companies accountable for improving quality and advancing delivery reform.
 - Aligning efforts to foster systemic change.
 - Using data and evidence to drive continuous improvement.
- Produced “[Covered California Holding Health Plans Accountable for Quality and Delivery System Reform](#),” which reported on Covered California’s efforts to assure quality care and promote effective care delivery by health plan issuers for their enrollees. This report identified numerous differences and accomplishments by health plan issuers across multiple domains and strategies, and identified key areas of focus for future contracting requirements and health plan issuer management by Covered California.

Policy, Eligibility and Research Division

Division Description

The Policy, Eligibility and Research division, through its Eligibility Branch, ensures appropriate implementation of program-eligibility rules. The Policy and Research Branch provides accurate, complete and timely policy and data analysis to support evidence-based decision-making, with a focus on analyzing both enrollment and the care provided by contracted health insurance companies to support Plan Management's work to hold health insurance companies accountable.

How the Policy, Eligibility and Research Division Supports Covered California's Goals and Strategic Priorities

- Acts as an advisor and resource to management on the development, implementation and evaluation of program policies, including the coordination of the provision of input on federal and state exchange policy, rules and regulations.
- Designs and provides advisory support on manual and automated eligibility processes, procedures and verifications.
- Creates and maintains Covered California individual market applications and consumer communications regarding eligibility and enrollment.
- Directs the Covered California Healthcare Evidence Initiative that analyzes consumer access to care through clinical, enrollment and qualitative survey data and identifies opportunities for improvements and organization-wide governance of high-priority, high-visibility research efforts.
- Manages the annual survey of members about their experiences with Covered California.
- Manages the data analytics strategy and infrastructure to create dashboards and custom evaluations of operations related to enrollment and eligibility.
- Leads modeling for policy design and data analysis for evaluation of new interventions in the marketplace.
- Coordinates with state departments to improve transitions of consumers between coverage through Medi-Cal and Covered California.
- Develops reports on critical issues to inform policy development and strategies.

Key Accomplishments for Fiscal Year 2019-20

- Led the organization's efforts on the development, implementation and launch of the California premium subsidy program and exemptions to the California health care mandate.
- Provided technical assistance to the administration and the legislature to design policy for the new state subsidy program and mandate penalty.
- Prepared needed policies to implement the new state subsidy program and the state mandate exemptions process within months of enactment by the Legislature.

- Led the implementation of the new program in CalHEERS.
- Provided analytic support to describe the opportunity and assess take-up of the new subsidies, including designing a new state subsidy calculator tool to help brokers and certified enrollers preview which consumers would benefit most from the new subsidies (in partnership with the Outreach and Sales division and the Information Technology division).
- Fielded the 2020 Consumer Survey with a focus on first-in-the-nation state subsidies for consumers between 400 and 600 percent federal poverty level.
- With the Plan Management division, led initial implementation of newly enacted legislation (Assembly Bill 929) that enables Covered California’s Healthcare Evidence Initiative to evaluate utilization and payment data for the individual market to ensure plan contracting and quality strategies are promoting high-value care and making measurable progress to address health disparities.
- Provided technical assistance to the Office of Statewide Health Planning and Development on the proposed Health Payments Database.
- Provided in-house program evaluation and analytics to assist in novel outreach innovations that boosted take-up, in partnership with the Marketing division and Service Center division.
- Developed and implemented several policy changes to increase positive consumer experiences, including effective Medicare transitions, by the development and testing of materials and consumer notices.
- Fostered and supported various cross-divisional workgroups and partnerships by providing technical assistance and expertise on various subjects and key objectives with internal and external stakeholders, including Franchise Tax Board, Department of Finance, Department of Healthcare Services, California Department of Social Services, Employment Development Department, California Public Employees Retirement System, CalHEERS, other state exchanges, and consumer advocacy groups.
- Provided technical assistance and coordination of the COVID-19 special-enrollment period.
- Led multi-divisional and multi-agency changes to CalHEERS, including:
 - Continued user experience updates, featuring a complete overhaul on the account landing page to provide the most relevant information for consumers.
 - Implemented new rules to ensure current consumers who are reported as enrolled in Medicare do not continue to receive financial assistance (reduces consumer tax implications).
 - Implemented changes to how alimony income and deductions are reported to account for the changes in the law from the Tax Cuts and Jobs Act.

- Implemented emergency changes to provide guidance to consumers on how to report or not report income they receive as a result of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Made significant changes to consumer notices, focusing on health literacy to reduce reading grade levels, length of notices and confusion to consumers.

Marketing Division

Division Description

The Marketing division is responsible for implementing Covered California's comprehensive marketing campaign strategy to reach and motivate Californians to enroll in or renew health insurance through Covered California. Covered California's marketing and advertising efforts are anchored in and responsive to effectively reaching California's ethnic, cultural, regional and language diversity.

How the Marketing Division Supports Covered California's Goals and Strategic Priorities

- Covered California's marketing campaigns are designed to build brand awareness and engagement to diverse population segments by emphasizing the value and benefits of health insurance.
- Positions Covered California as the place to get quality health coverage, financial assistance and free in-person enrollment assistance.
- Drives enrollment in Covered California by engaging with consumers at key decision points in the enrollment journey.
- Maximizes retention and renewal of existing membership through timely and relevant communications.

Key Accomplishments for Fiscal Year 2019-20

- Developed and implemented an advertising campaign for open enrollment to reach the diverse populations of California, including outreach to the general market in English, complemented by tailored in-language efforts in Spanish, Chinese (Cantonese and Mandarin), Korean, Vietnamese, Hmong, Laotian and Cambodian, as well as tailored in-culture efforts to reach African-American and LGBTQ segments. In response to new state subsidies, expanded income-targeting parameters in an effort to reach all subsidy eligible populations, including middle-income consumers.
- Successfully coordinated efforts with Franchise Tax Board (FTB) to educate consumers about the new health care mandate and associated penalty that resulted in an FTB-branded digital campaign and co-branded (FTB and Covered California) direct mail outreach to 2 million California households likely to be uninsured.
- With more resources than the prior year, moved quickly to enhance marketing efforts to help boost open-enrollment results. This included development of incremental media plans for December 2019 and January 2020, expansion of direct mail efforts to reach more prospects that are likely to be uninsured and coordination with health insurance companies for maximum impact. All open enrollment 2020 campaigns generated a total of 918 million TV advertisement views and 117 million radio ad listens. Paid search efforts and digital banners obtained 643 million views and 1.5 million clicks to view digital content and visit

the Covered California website, which contributed to a total of 460,552 new sign-ups for open enrollment 2020.

- Implemented a strategic social media plan, resulting in over 54 million views on posts across multiple social media platforms to educate consumers and encourage engagement, increasing awareness of coverage requirements and availability. Also assisted consumers via social media channels with more than 6,000 responses to enrollment-related issues and concerns.
- Deployed several key studies in 2019, which were shared internally and with health insurance companies to assist them in their marketing, and with advocates and partners for use in open enrollment 2020. These included a direct mail lift study to determine the impact of direct mail programs on enrollment; a quantitative study of 1,000 Californians about penalty/financial help awareness; qualitative/quantitative research about uninsured Californians in multiple languages; and email and direct mail communications tests to fine-tune best practices for mail/email outreach.
- Utilizing the above research, the retention and renewal program effectively targeted different populations by sending 18.8 million emails, 7.1 million letters and postcards and 2.9 million text messages in a comprehensive outreach campaign for both prospective and existing members of Covered California, contributing to more than 1.28 million enrollees renewing their membership for 2020.
- Promoted dental plan issuer offerings, contributing to nearly 285,000 dental plan selections during the open-enrollment and renewal periods.
- Along with the base plan for special enrollment, developed and implemented a tailored multi-media campaign — utilizing television for the first time outside open enrollment, for March and April 2020, to promote a special enrollment opportunity for those who were just learning about the new health care mandate, associated penalty or expanded financial help. This included messaging to inform prospective consumers via emails, text messages and letters sent via direct mail in English and Spanish that they could enroll.
- Upon news of COVID-19 and the resulting special-enrollment opportunity for consumers concerned about or affected by the pandemic, developed and implemented a tailored multi-media campaign, for May and June 2020, to help ensure eligible Californians could enroll in health coverage. This included informing prospective consumers with emails, text messages, and direct mail in English and Spanish, which reminded members about the importance of reporting changes due to job or income loss. Marketing partnered with the Employment Development Department to include a Covered California flyer in the first-issued unemployment check so those seeking health coverage would know we were available, along with Medi-Cal. And finally, Marketing implemented a COVID-19 social media campaign in English and Spanish on Facebook, Instagram and Twitter.

Outreach and Sales Division

Division Description

The purpose of the Outreach and Sales division is to support the “on the ground” work to help Californians understand and enroll in coverage, supporting independent insurance agents and running the Navigator program, as well as operating the Covered California for Small Business program that helps small businesses find and enroll in coverage. The Outreach and Sales division has two parts: the Individual Market and Covered California for Small Business.

How Outreach and Sales Supports Covered California’s Goals and Strategic Priorities

- Awards up to \$6.5 million annually in Navigator program grant funds to eligible organizations based on the results of a competitive application process, measuring performance against targets and adjusting awards based on performance within the grant year. Funding for this program directly assists historically underserved, uninsured and hard-to-reach Californians with purchasing coverage and accessing health care.
- Develops and implements the sales strategy for the individual and small business exchanges, ensuring Californians receive a high-value enrollment experience and access to affordable and high-quality health insurance products.
- Connects Californians to professional help from certified agents and enrollers by maintaining web-hosted tools that enable consumers to request call-backs from agents and enrollers and search for enrollment storefronts and events in their local communities.

Key Accomplishments for Fiscal Year 2019-20

Individual Market

The individual market sales channels are Certified Insurance Agents, Navigator Certified Enrollment Counselors, Certified Application Counselors, Plan-Based Enrollers and Medi-Cal Managed-Care Plan Enrollers. Sales channels enrolled 58 percent of new and renewed consumers in Covered California during open enrollment for 2019.

The individual market program consists of two branches:

- The **Sales Operations Branch** oversees the administration, system and analytic operation functions to ensure sales channels have met contractual requirements to collaborate with Covered California, have access to the application portal and are equipped with actionable data and resources to assist and enroll consumers.
- The **Sales Distribution Channel Branch** focuses on sales strategies, direct support to the sales channels, and strategic partnerships in communities throughout the state to develop new and innovative ways to connect consumers to coverage. The branch works closely with the sales partners to enroll and retain consumers and diverse populations.

Key Outreach and Sales Accomplishments for Fiscal Year 2019-20

Individual Market

- Developed key insights and mapping to quantify and target the sales opportunity created by the new financial help available due to the new state subsidies. Used these insights in educational materials to share with certified enrollers.
- Optimized the certification process of agents to streamline onboarding of new agents and agencies. Extended agent contract amendment to ensure that agents fully disclose key differences between Covered California health insurance companies and health-sharing ministry products before selling a health sharing ministry product to a consumer.
- Successfully awarded a total of \$6.4 million in grant funding for fiscal year 2019-20 to 41 community-based organizations and clinics to participate in the new performance-based 2019-22 grant period for the Navigator grant Program.
- Collaborated with the Communications and Public Relations division and deployed media integration strategy utilizing Certified Insurance Agents and community partner organizations to conduct in-language outreach and enrollment activities statewide.
- Coordinated and participated in community grassroots events reaching thousands of Californians across the state.
- Conducted statewide meetings and webinars to train thousands of certified agents and enrollers to support the 2020 open-enrollment period.

Covered California for Small Business (CCSB)

Covered California for Small Business advances the mission of Covered California by offering small businesses and their employees a competitive, not-for-profit marketplace, enabling employees to choose the health plan issuer, coverage, and providers that offer them the best value. Covered California for Small Business oversees all aspects of its exchange, including strategy, finance, sales, marketing, plan management, regulations, policy and operations.

Key Accomplishments for Fiscal Year 2019-20

Covered California for Small Business

- Awarded a contract to a vendor to design and implement a new enrollment and account-management platform that will transform the employer and consumer experience.
- On track to exceed membership and revenue targets. CCSB now provides insurance coverage to over 7,400 small businesses and 62,000 people.

Communications and Public Relations Division

Division Description

The Communications and Public Relations division serves two functions. Through the Broadcast and Media Relations Branch, it links to broadcast, print and online media while also developing, coordinating and executing an extensive proactive program of media relations and public communications that support enrollment in Covered California. Through the Web and Administrative Branch, it develops an overarching strategy for Covered California's public-facing website content, which includes CoveredCA.com and HBEX.coveredca.com.

How the Communications and Public Relations Division Supports Covered California's Goals and Strategic Priorities

- Analyzes data, identifies potential newsworthy stories and provides regularly updated information to local, state and national media outlets. Creates a strategic approach for general press and prepares press releases, op-eds and speeches.
- Coordinates large-scale open-enrollment launch efforts and press conferences. Updates and enhances campaigns to reach audiences on social media platforms and traditional news media outlets. Additionally, builds capacity for video and visual content development to meet changing information-consumption habits.
- Provides spokesperson services in English, Spanish and other languages and executes communication plans to reach specific ethnic groups.
- Provides communication expertise, produces an employee newsletter and gives support to other divisions to further their goals, including writing and graphic design services for several major agency publications like the rate booklet, annual report and external presentations.
- Develops an overarching strategy for Covered California's public-facing website content, including CoveredCA.com and HBEX.coveredca.com. Enhances CoveredCA.com through user testing to ensure consumers find the information they need as they apply for coverage.

Key Accomplishments for FY 2019-20

- Through a wide range of media, promotion and events, generated more than 369 million impressions during the open-enrollment period.
- Conducted four large-scale media events featuring sports celebrities in Los Angeles, Pomona, San Diego and San Francisco in partnership with the new public relations firm (IPG). These events promoted open enrollment and educated consumers about the availability of new state subsidies to make health care more affordable, including subsidies for middle-income consumers. The campaign also carried messages about a new law restoring the penalty in California for those who can afford health insurance but choose not to buy it.
- Planned and executed 15 small-scale events at enrollment locations throughout California during November, December and January, including health clinics and insurance agencies where individuals can enroll.

- Issued more than 20 news releases (in English and Spanish) and coordinated and conducted more than 200 media interviews with Peter V. Lee and other spokespeople for Covered California.
- Coordinated and conducted phone banks in English and Spanish and expanded those efforts to conduct them for the first time this year in Cantonese, Vietnamese, Hmong and Punjabi. Also, piloted online Spanish-language phone banks on Facebook and YouTube channels in partnership with Univision.
- Conducted added-value interviews and expanded news integration efforts in partnership with other divisions to generate news coverage on programs tailored to African American audiences as well as programs reaching speakers of Spanish, Mandarin, Cantonese, Vietnamese, Farsi, Hmong and Punjabi.
- Distributed more than 20 print-ready articles and infographics in English, Spanish and Chinese that appeared in 110 regional, community and news publications, as well as digital news sites throughout the state. Articles reached Covered California's multicultural target segments including Latinos; Asian and Pacific Islanders (API) (including Chinese, Korean, Vietnamese, and Indian Americans, among others); African-Americans; and the LGBTQ community.
- Analyzed Covered California's consumer website for search engine optimization to improve discoverability by consumers searching for health insurance.
- Maintained the @CoveredCAnews Twitter handle, sending 175 tweets that generated over 400,000 impressions and drew 260 new followers, including a tweet about a national issue brief released in March that attracted 48,000 impressions.
- Piloted the inclusion of video segments in news releases, expanded use of Skype, Zoom and FaceTime to provide interviews to television stations across the state during the COVID-19 emergency and began planning for live-streamed Twitter feeds to enable live video access to major announcements.

Program Integrity Division

Division Description

The Program Integrity division serves two functions. Through its Reconciliation of Enrollment and Membership Unit, it ensures accuracy and alignment of data between Covered California and carrier systems and conducts system testing and performance review of CalHEERS. Through its Program Oversight and Compliance Unit, it conducts internal/external audits and assists all divisions in identifying and remediating enterprise-wide risks. The division encourages accountability, transparency, effectiveness, efficiency and risk management by independently reviewing key business areas to help ensure compliance with federal and state laws, regulations and policies.

How the Program Integrity Division Supports Covered California's Goals and Strategic Priorities

- Manages, monitors and oversees all data-integrity initiatives to preserve data consistency, and accuracy within the core systems of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) and with external entities.
- Improves data accuracy and reliability to support Covered California as a data-driven, evidence-based organization for its policy advancements, operational improvements and strategic vision.
- Manages and oversees the user acceptance testing process by testing CalHEERS enhancements prior to implementation and resolving critical issues that may negatively affect consumers when they apply for and enroll in a Covered California plan.
- Conducts post-implementation review of CalHEERS functionalities to improve operational efficiencies and program compliance.
- Oversees and monitors an enterprise-wide risk-management reporting process to assist all divisions in their risk analysis and evaluation of organizational operations, internal controls, policies and procedures.
- Establishes safeguards by monitoring and overseeing an integrated and enterprise-wide fraud-management program, which requires collaboration and partnership with various internal and external entities.
- Manages and performs independent external and internal audit services to improve Covered California's operational efficiencies, effectiveness and program oversight.
- Improves compliance with federal and state regulations and mandates.

Key Accomplishments for FY 2019-20

- Improved and enhanced data integrity monitoring tools to proactively detect inconsistencies in consumer enrollment and financial information between the CalHEERS and carrier systems.

- Enhanced the CalHEERS testing process by reviewing over 2,000 test case scenarios, in order to validate key system functionalities.
- Identified and prioritized CalHEERS issues, of which 95 percent were resolved and implemented into the system.
- Examined more than 3,200 consumer cases during the post implementation review process, once CalHEERS changes were made.
- Monitored and tracked all risks and mitigation strategies related to the implementation of the new state subsidy program by promoting enterprise-wide transparency and awareness.
- Implemented system enhancements to streamline and improve the fraud, waste and abuse review process.
- Improved policies and procedures when performing internal audits to evaluate the effectiveness of Covered California's risk management, control and governance processes.

Service Center Division

Division Description

The Service Center provides comprehensive pre- and post-enrollment education and support to Covered California consumers by responding to consumer inquiries, enrolling consumers in health plans and promptly resolving challenges that prevent them from receiving health and dental benefits. These efforts ensure consumers receive the right care at the right time at an affordable price, retain coverage and are satisfied with Covered California products and services.

How Service Center Division Supports Covered California's Goals and Strategic Priorities

- Processes consumer inquiries and assists consumers with enrollment.
- Provides warm transfers to counties via the "Quick Sort" process for individuals who are eligible for other programs.
- Provides support for enrollment assisters, agents and health plans.
- Conducts outgoing workload, such as incoming and outgoing mail operations, data entry for submitted paper applications and manual verifications, and offline work.
- Manages and oversees the IRS Form 1095-A process, including the processing of 1095-A disputes.
- Appeals staff work to informally resolve appeals, when possible and within regulations. If an informal resolution cannot be reached with the appellant or the appellant prefers a formal hearing, Appeals staff represent Covered California's position at an administrative hearing.
- Controls operational costs to deliver products and services that offer a high value to our consumers.
- Identifies/implements new technology and Service Center tools to effectuate operational efficiencies to better serve consumers.
- Invests in staff training and development to maximize workforce performance.
- Processes California's individual mandate exemption applications
- Streamlines business processes to seek operational efficiencies and increase quality of work

Key Accomplishments for Fiscal Year 2019-20

- Handled 1,929,148 consumer inbound calls from July 2019 through March 2020, with more than 1,136,218 of these during open enrollment.
- Completed more than 379,697 manual work streams from July 2019 through March 2020 and continued to plan for ongoing workflow.
- Closed more than 26,967 escalations and formal complaints from July 2019 through March 2020.
- Closed more than 6,523 appeals from July 2019 through March 2020.

- Resolved informally more than 5,412 appeals from July 2019 through March 2020.
- Processed and resolved more than 4,830 IRS Form 1095-A disputes from July 2019 through March 2020.
- Provided assistance with 62,955 Certified Insurance Agent overflow inbound calls.
- Extended business hours: during the 2020 open-enrollment period, the Service Center, in partnership with the surge vendor, extended the business hours past the standard open enrollment hours of 8 a.m. to 8 p.m., Monday through Friday, to assist consumers:
 - Extended business hours until 10 p.m.: Dec. 10, Dec. 11, Dec. 12, Dec. 13, Dec. 14, Dec. 15, Dec. 19 and Jan. 29.
 - Extended business hours until midnight: Dec. 20, Jan. 30 and Jan. 31.

Ombuds Office

Division Description

The Ombuds Office serves two functions. Through its Ombuds Affairs Unit, it provides consumers an objective, unbiased and accessible resource when other resolution or customer service channels have been exhausted. Through its Appeals Fulfillment Unit, it serves as an independent resource to implement Administrative Law Judge decisions following eligibility determination appeals. Together, these units identify systemic challenges and promote solutions to prevent issues from recurring to improve the overall experience of Covered California consumers.

How Ombuds Office Supports Covered California's Goals and Strategic Priorities

- Serves as an objective resource in implementing eligibility decisions of appeals for Covered California as a result of Administrative Law Judge orders and assists consumers in understanding the outcomes and resolutions to their Covered California case.
- Works directly with the consumer, and the county if applicable, to make requested changes to the consumer's plan selections as a result of an appeals decision and ensures the organization remains in compliance with state law by implementing appeals decisions within the required timeframe.
- Works closely with Covered California consumer advocates, health insurers, the Department of Health Care Services, regulators and others to manage Covered California consumer resolutions.
- Assists consumers with proper and timely customer service through several customer-oriented channels and conducts evidence-based research to assist Covered California divisions in determining case resolutions.
- Analyzes data from the Ombuds Office, other Covered California divisions and external partners that serve Covered California consumers, to identify potential Covered California divisional changes.
- Shares objective findings and operational recommendations to Covered California and stakeholder groups and monitors the progress of each implemented recommendation.
- Identifies systemic issues and solutions to decrease enrollment barriers and enhance the overall consumer experience.

Key Accomplishments for Fiscal Year 2019-20

- Handled a total of 3,381 calls through the toll-free Ombuds Office phone line from July 2019 through March 2020. Assisted consumers with 546 complex cases and an additional 515 consumers by providing information, answering inquiries, or referring consumers to an appropriate service channel from July 2019 through March 2020.
- Implemented 1,580 final appeals decisions ordered by an Administrative Law Judge from July 2019 through March 2020.

- Finalized the Ombuds inaugural report, which recaps the operations from the 2018 calendar year.
- With the Information Technology division, enhanced the Customer Relationship Management tool by transitioning to Salesforce and adding functionality such as privatizing Ombuds specific cases, auto-calculating milestones for decision compliance, and adding additional data fields to improve reporting.
- Implemented an electronic disclaimer process for consumers who need to select a plan during the appeal implementation process.
- Finalized processes to complete quality assurance and quality control checks on recorded phone calls to improve customer service.
- All customer service staff attended soft skills training via Covered California's Learning Management System.

Customer Care Division

Division Description

The Customer Care division's purpose is to optimize and enhance the consumer experience regardless of service channel (e.g., self-serve, through the Covered California Service Center, via a Covered California Certified Insurance Agent or Certified Enrollment Counselor). Ultimately, this work involves a high level of coordination, transparency and collaboration throughout the organization to understand and facilitate improvement of the consumer experience during all phases of the consumer journey. This effort is foundational to Covered California's purpose of making health insurance more affordable and easier to purchase for individuals and small businesses.

How the Customer Care Division Supports Covered California's Goals and Strategic Priorities

- Establishes and maintains department-wide relationships and creates cross-functional policies to facilitate a consistent and connected experience for Covered California consumers.
- Creates and maintains a consumer-centric culture across the organization to solve or resolve consumer experience initiatives and opportunities.
- Elevates and centralizes policy formulation to improve the consumer experience.
- Develops external engagement and communication policies to engage external stakeholders, consumers, advocates and health plan issuers in the development and implementation of Covered California's consumer-experience strategic plan.

Key Accomplishments for Fiscal Year 2019-20

- Began the development of a consumer-journey mapping Request for Proposal to understand Covered California consumer personas, document consumer journeys, present key findings and develop a multi-year strategy.
- Acted as product Manager for CiCi, Covered California's virtual assistant, accountable for short-, mid- and long-term innovation, including predictive learning to deliver a personalized experience and possible integration into the single streamlined application.
- Began development of a "Health of the Consumer" dashboard to catalog key indicators that contribute to understanding the consumer experience.
- Secured a vendor to conduct an Insurance Marketplace Platform Assessment to better understand the new CMS Enhanced Direct Enrollment interface.
- Created and sponsored the Covered California Creative Café, an innovation lab hosting brainstorming workshops, informal "what if" innovation discussions. Also hosted a variety of external subject matter experts discussing collaboration initiatives and best practices.
- Supported projects and workgroups to improve the consumer experience.

CalHEERS

Division Description

The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) serves as the consolidated system support for eligibility, enrollment and retention for the Covered California and Medi-Cal. The CalHEERS enrollment portal enables consumers to research, compare, check their eligibility for, and purchase health coverage in one place. The Office of Systems Integration (OSI) oversees the consumer-facing system that runs California's single streamlined application for all affordable insurance programs, including Medi-Cal.

CalHEERS is jointly sponsored by Covered California and the California Department of Health Care Services. The project is governed by an executive steering committee that represents each of the participating agencies and has guided the project since its inception.

How CalHEERS Supports Covered California's Goals and Strategic Priorities

- Enhancement, maintenance and operations of the CalHEERS solution to support eligibility determination and enrollment in Covered California and Medi-Cal.
- Acts as a liaison between sponsors and partner agencies at the federal and state level and the systems integrator for operational coordination and efficiency.
- Integrates with health insurance companies for enrollment.
- Handles federal and state reporting, management and interface responsibilities.
- Continues to implement operational improvements from the CalHEERS roadmap to ensure the organization's technical infrastructure is properly maintained and secured, supports capacity demands and achieves business goals.
- Appropriately equips authorized end users with the tools necessary to serve consumers effectively and to handle exception situations.
- Ensures business partners can receive, exchange and reconcile appropriate consumer information in a timely fashion.
- Strives to continuously streamline and enhance the consumer experience during enrollment and while transitioning between various programs available through the Affordable Care Act.

Key Accomplishments for Fiscal Year 2019-20

- Implemented the state subsidy program to provide more-affordable health plans to more Californians.
- Processed more than 1.3 million renewals for the 2020 plan year.
- Processed more than 400,000 new enrollments during the 2020 open-enrollment period.
- Further enhanced the online application experience to continue to make the application as simple and informative as possible to customers.

- Integrated with a special-enrollment reason verification vendor to enhance program integrity.
- Added capabilities for community-based assisters to better manage their caseloads to serve consumers more efficiently.
- Improved benefit display during plan selection to better inform consumers of the benefits available to them under each health plan.
- Pushed notices to the cloud, saving \$10 million in technology refresh costs.
- Migrated archived recordings to the cloud, resulting in \$5 million in savings over the next 10 years.
- Moved non-production environments to the cloud, resulting in a 99 percent reduction in environment build time and saving \$180,000/year in reduced hosting expenses.
- Released a new version of the consumer homepage and account summary pages, providing a greatly improved user experience for customers.
- Enhanced the handling of income and taxes to aid consumers in their application process.
- Improved integration with Service Center application and the CalHEERS application giving staff quicker access to information when handling calls.
- Completed Form 1095-A processing for the 2019 plan year on time, with a very small percentage of consumers requiring corrections.

Information Technology Division

Division Description

The Information Technology (IT) division provides technology and security services to all Covered California divisions, consumers and stakeholders to support operations and enrollment services in a manner that is financially sustainable. This effort includes providing oversight of the ongoing development and operations of California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) for Covered California.

Three branches carry out specific functions in the Information Technology division, including the Information Security Branch, the Operations Branch for delivery of IT services, and Strategic Initiatives for project management and support for the full systems development lifecycle and support for analytics throughout the enterprise.

How the Information Technology Division Supports Covered California's Goals and Strategic Priorities

- Provides governance and management over the Covered California Enterprise IT architecture and IT projects, including CalHEERS.
- Supports Covered California's business applications and technical solutions.
- Provides oversight of information technology security and privacy via the Centers for Medicare and Medicaid Services (CMS) MARS-E security and privacy framework, managing and submitting the various CMS-required security and privacy artifacts.
- Protects, stores, monitors and manages access and security of Covered California data assets.
- Manages the technical infrastructure and network for Covered California.
- Provides a centralized service desk for Covered California.
- Continuing work on enhancing the Customer Relationship Management tools, chatbot, automated verifications, agent and navigator tools and data reporting.
- Continuing to expand data reporting and analytics throughout the organization.
- Continuing implementation of additional security enhancements, especially surrounding any needs for permanent "work from home" solutions.

Key Accomplishments for Fiscal Year 2019-20

- In March 2020, executed emergency plans to move the organization to a "work from home" model. This included changes to networks, developing a "work from home" model for service center representatives, working with federal partners for emergency change approvals, and putting virtual solutions in place for all internal meetings and board meetings.
- Worked with Covered California divisions to design, build and implement business solutions to support the state subsidy program, including calculators and tools for consumers to estimate subsidies and the impact of Health

Reimbursement Accounts on premiums and online requests for exemptions from the new mandate.

- Continued work on enhancing the Customer Relationship Management tools available to service center representatives who assist consumers and agents. By the end of FY 2019-20, nine releases will have been completed that include enhanced integration with CalHEERS, secure notice generation to consumers, and many tools and enhancements to help service center representatives assist consumers more efficiently.
- Implemented enhanced analytics on our website and within CalHEERS. Rebuilt the Covered California chatbot, CiCi, including the addition of surveys, measurement dashboards, A/B testing, and numerous additional automated responses to high volume questions from consumers based on data collected. Before the end of FY 2019-20, we plan to add live hand-offs from the chatbot to Live Chat with service center representatives and Help on Demand to get consumers to a licensed and certified insurance agent if needed.
- Enhanced our Interactive Voice Response (IVR) system for consumers and our voice technologies. This resulted in reducing time to connect to agents and reducing outages by over 85 percent. In addition, moving forward, the cost and time to make changes in our IVR system is reduced by 75 percent.
- Provided oversight and resources for the transition of the maintenance and operations of the CalHEERS solution to a new systems integrator. This included our Information Security team preparing eight change-notification packages for the Centers for Medicare and Medicaid Services approval.
- Enhanced the automated solution for the processing of consumer verification documents with a goal of increasing automation. While we were able to increase the success of the automation, we will be continuing additional enhancements in FY 2020-21 to achieve our targeted goals of automating 40 percent of verification documents.
- For Covered California's Certified Insurance Agents, implemented enhancements to allow integrated contract processing and training online in a single solution.
- Collaborating with the Human Resources Branch, completed the procurement for a new human capital management system with implementation next year.
- Implemented portfolio management practices across the organization. This will be an area of continued development in the coming year.
- Expanded data warehouse and analytics capabilities across the organization.
- Completed the balance of the IT infrastructure refresh, providing redundancy, enhanced security, and setting the stage for the organization to move to a more balanced refresh cycle.

Business Services Branch

Branch Description

The Business Services Branch is responsible for providing guidance and consultation on contract and purchasing services; health, safety and wellness services; providing central support functions for administrative programs enterprise-wide; ensuring facilities are well maintained and secure, and managing our physical resources through facilities operations.

How Business Services Branch Supports Covered California's Goals and Strategic Priorities

- Advances Covered California's mission by automating and streamlining business services-related functions to improve operational efficiency and effectiveness.
- Provides administrative processes and resources to ensure all procurement and contracting activities for Covered California are effective and responsible.
- Administers health, safety and wellness programs for Covered California employees, including injury and illness prevention, workplace violence and bullying prevention, ergonomics, and business continuity planning.
- Administers all enterprise-wide administrative services activities, including the Covered California Administrative Manual (CCAM), records management, forms management, recycling, asset management and space planning.
- Ensures all Covered California facilities are well maintained and secure, and that Covered California has the appropriate physical workspace to deliver on our mission.
- Continue to successfully achieve all business services activities and implement all legislatively mandated policies and procedures.

Key Accomplishments for Fiscal Year 2019-20

- In collaboration with Financial Management division, continued efforts to improve upon processes associated with the FI\$Cal accounting system.
- Provided contracting services for more than 15,000 Certified Insurance Agents; Certified Enrollment Entities; Navigators; health plans, dental plans and third-party administrators; personal services; operational services and non-monetary agreements.
- Processed more than 965 purchase orders for divisions' requests.
- Covered California's Wellness Program was recognized by CalHR as the top program in the state, and our Wellness Coordinator won CalHR's Wellness Coordinator of the Year award. Covered California ranks first in the Healthier U Connections total employee registration, and our program has been referred to as the "Gold Standard" by CalHR's statewide wellness coordinator.

- Continued to implement wellness initiatives including conducting a second Health Enhancement Research Organization (HERO) scorecard evaluation which revealed significant improvements related to wellness across the organization.
- Hosted our inaugural Wellness Fair at all worksites. Continued providing wellness seminars, blood pressure and preventive biometric health screenings, blood drives, flu clinics, mason jar salad and diet and nutrition educational events and activities, holiday food drives and employee walks, and coordinated to host instructor-guided meditation at all locations, which occur on a weekly basis.
- Activated the Emergency Operations Center in response to the pandemic of COVID-19 that affected all Covered California work locations. Employees were quickly provisioned to emergency telework. Facilitated the cross-division emergency response collaboration to ensure the continuity of operations.
- Executed a 10-year lease for the new Fresno location with a tentative move-in date of July 2020. Executed a two-year lease at Arden Way for the Plan Management division with a tentative move-in date of early July 2020. Executed a seven-year lease renewal for the Rancho Cordova service center, which includes additional space on the third floor for staff growth.

Financial Management Division

Division Description

The Financial Management division plans, implements and guides all Covered California financial activities, including finance, accounting, forecasting, budgeting and governmental compliance. The division consists of two branches: Accounting and Accounting Systems Operations and Financial Planning and Forecasting Operations. Within those units lie critical accounting functions, including payroll, financial reporting, accounts receivable and payable, financial modeling, financial forecasting and financial systems.

How Financial Management Division Supports Covered California's Goals and Strategic Priorities

- Supports a culture of continuous improvement for budget, forecasting and accounting practices, policies, procedures and systems to better support division operations.
- Performs financial planning activities, including economic analysis, forecasting and dashboard reporting of revenues and expenditures. Additionally, analyzes the monthly and quarterly financial reports of various units and departments.
- Coordinating and preparing Covered California's forecasts, enrollment and revenue, and Annual Report.
- Provides support to promulgate Covered California's permanent regulations in accordance with the Administrative Procedures Act by developing regulatory economic and fiscal-impact analyses.
- Managing day-to-day accounting including: accounts receivable, accounts payable, payroll advances and payroll collections.
- Managing banking oversight and controls with the State Treasurers Office, the State Controller's Office and the Department of Finance.
- Processes general ledger and accounts payable transactions. Pays vendor invoices and employee travel expense claims. Receives, prepares and distributes payroll warrants.
- Performs accounts receivables and reconciliations for Covered California for Small Business (CCSB), which includes payments to carriers, general agents and agents for CCSB.
- Prepares budgetary and legislative annual financial statements in compliance with generally accepted accounting principles (GAAP) and collaborate with external auditors and presenting annual financial statements to Board of Directors and the Centers for Medicare and Medicaid Services (CMS).

Key Accomplishments for Fiscal Year 2019-20

- Designed, developed, and implemented an enrollment forecasting methodology. Additionally, established a virtual server capacity to enhance analytic capabilities.

- Prepared annual financial statements in accordance with Government Accounting Standards Board (GASB) pronouncements and Generally Accepted Accounting Principles (GAAP).
- Designed, developed and implemented a state subsidy payment system.
- Implemented paperless travel expense claiming system.
- Reconciled historical accounts receivable balances and reviewed with plan partners.
- Created policies for safeguarding state assets.
- Began to assess internal capacity, resources and operational weakness.

Human Resources Branch

Branch Description

The Human Resources Branch provides overall policy direction on human resource management and administrative support functions related to the management of employees via the following units: Labor Relations Office, Employment and Classification Services, Payroll and Benefits, Performance Management, Talent Acquisition and Operations and Disability Management.

How Human Resources Branch Supports Covered California's Goals and Strategic Priorities

- Provides consultative services to supervisors and managers throughout the life cycle of the hiring process, including advertising vacancies, recruiting top-tier talent, ensuring for a diverse and qualified workforce, adherence to all merit selection and employment best practices, rules, regulations and authorities.
- Dedicated to ensuring employees receive the benefits that are awarded to them through state and federal protected leave laws including the Family Medical Leave Act and California Family Rights Act, the addition of the Families First Coronavirus Response Act, and other applicable regulations and to reduce the human and fiscal cost of workplace disability.
- Coordinates and administers employee relations and labor relation policies. Represents Covered California in all labor relations activities with employee organizations, employee representatives and job stewards, and third-party reviewers/control agencies. Serves as Covered California's liaison and representative in labor-relations matters before the California Department of Human Resources and in hearings before arbitrators and the Public Employment Relations Board.
- Strives to foster excellence by empowering professional development and creating innovation solutions using services, tools and technology that bridge challenges and business needs to deliver a diversified, high-performing workforce.
- Collaborates with each division to continuously improve organizational culture and maintain a workplace that fosters a healthy, positive and respectful work environment.

Key Accomplishments for Fiscal Year 2019-20

- Launched a cross-divisional Hiring Process Transformation Workgroup to study the current hiring process and make improvements for the entire organization. Introduced a Service Center Hiring Pilot to reduce time to fill from a goal of 72 days to 35 days.
- Assisted in the amendment of Conflict of Interest Code and which reduced number of filers and revised job descriptions as a result.

- Processed and approved 497 protected leave requests, 38 Workers' Compensation claims, 41 leaves of absence, seven limited term light duty assignments, and three catastrophic leave requests.
- Grew our talent pipeline to over 5,500 candidates, 339 of whom are bilingual in one of our seven core identified languages.
- Attended 36 professional, university, and diversity career fairs and engaged with 15,836 candidates.
- Increased our LinkedIn brand engagement rate by 144 percent since June 2019. Launched a Covered California Careers Instagram page and organically grew our following to 229 followers. Increased our Facebook Covered California Careers following to 1,235 followers.
- Launched a new Executive Recruitment Plan for executive hiring, as well as an executive recruitment brochure to market Covered California executive career opportunities.
- Developed and implemented the emergency telework process as a result of COVID-19.
- Significantly reduced the number of salary advances by implementing processes consistent with BU 1 and 4 MOUs.
- Partnered with program leadership to provide labor relations support for contractual matters on approximately 1,300 occasions.
- Provided approximately 2,500 coaching meetings to departmental managers and supervisors regarding difficult and complex employee performance matters.

Office of Legal Affairs

Division Description

The Office of Legal Affairs provides a wide range of legal services to all Covered California staff by giving preventive legal advice and consultation to ensure compliance with laws and to mitigate legal liability. The Office of Legal Affairs interfaces with state and federal regulatory agencies and provides legal advice on a variety of matters pertaining to Covered California and its programs, contracts and operations. The Office of Legal Affairs ensures that all legal agreements are fulfilled, and that Covered California operates within its legal authority. Additionally, the Office of Legal Affairs provides guidance on any statutes or regulations pertaining to Covered California.

How the Office of Legal Affairs Supports Covered California's Goals and Strategic Priorities

- Promulgates regulations with the Office of Administrative Law that incorporate Covered California's policies and procedures.
- Maintains the Covered California Privacy Office, which oversees the protection of consumers' personal information.
- Coordinates with the California attorney general on all litigation matters concerning Covered California.
- Responds to all Public Records Act requests on behalf of the entire department.
- Provides technical assistance on state and federal legislative proposals and analyzes and prepares comments on federal regulations and requests for information.
- Provides eligibility and enrollment appeals support, including representing Covered California at second-level eligibility and enrollment appeals in front of the federal Health and Human Services Agency.
- Provides general legal support to divisions and conducts preventive legal workshops designed to minimize litigation and legal liability by educating Covered California staff about the law (and changes in the law) and the legal implications of activities.
- Develops systems to monitor the volume and timeliness of legal services in the following areas: human resources, privacy, Public Records Act requests, and background checks.
- Conducts criminal background checks of all employees and contractors to protect and safeguard consumers and consumer information from unauthorized and illegal access to their personal information.

Key Accomplishments for Fiscal Year 2019-20

- Provided legal analysis and guidance on the program design for the new state subsidy program.

- Established the appeal rehearing process ensuring consumers' rights to appeal an eligibility determination for the new state subsidy program and exemption from the new minimum essential coverage individual mandate and successfully codified those policies in the California Code of Regulations.
- Provided technical assistance to the Legislature and Covered California on legislation to provide Covered California with the authority to collect data to drive change in the health care delivery system, while bringing transparency to health care costs.
- Amended Covered California's Conflict of Interest Code, set forth in the California Code of Regulations, to reflect the current designated employees and financial disclosure categories.

Covered California University

Branch Description

The Covered California University is the enterprise training and knowledge management branch. The branch collaborates with programs and interacts across the organization leveraging subject matter experts in a vast array of disciplines, acts as a consultant on information dissemination and training initiatives, and maintains both written materials and training courses that support the organization and its partners. The branch administers the technology that supports information and training, including the Customer Relationship Management Knowledgebase and Absorb Learning Management System. The branch consists of the following sections: Training Design and Delivery Section, Knowledge Management Section and Operations and Special Projects.

How Covered California University Supports Covered California's Goals and Strategic Priorities

- Supports existing and new process and procedure discussions, capturing key elements and decisions from program and policy experts to create documentation.
- Maintains knowledge and university library records, including management of the CRM knowledge base to provide documentation and communication that support a consistent and responsive consumer journey.
- Supports Covered California programs to develop training courses that are mandatory and program specific to ensure employees are prepared to support Covered California's goals and initiatives.
- Ensures compliance of all Covered California mandatory training, tracks completions of external training, and provides regularly scheduled management reports of compliance.
- Provides training and readiness activities for consumer experience initiatives, special enrollment enhancements and all CalHEERS upgrades that affect Covered California staff, partners and consumers.
- Provides comprehensive courses to Service Center, Outreach and Sales, and vendors, including new-employee training, annual refresher and training for the Agent Call Center overflow.
- Leverages existing and new technologies, blended training delivery systems, to enhance all Covered California divisions and partners by providing opportunities for professional learning and growth.

Key Accomplishments for Fiscal Year 2019-20

- Modified processes and developed task guides, talking points, instructor-led and virtual training content to support Covered California staff, external partners, and consumers during statewide regulation changes such as the state subsidy program and the COVID-19 pandemic response.

- Developed and implemented readiness communication, training and resources for high-risk organizational changes, including CalHEERS updates, Microsoft Teams implementation, and emergency telework, including enterprise announcements with links to external virtual course offerings and access to a library of over 200 online courses available in the LMS.
- Oversaw Service Center surge vendor staff readiness and training for more than 1,200 staff over a four-month period, increasing new-hire employee speed of adoption, utilization of tools and resources and staff productivity to support open enrollment.
- Obtained and delivered a total of 14 soft skill courses, 11 eLearning and three instructor-led, from support-center industry experts, ICMI, to equip Service Center staff with the resources and skills to provide a positive consumer experience.
- Launched a knowledge-article simplification project to better support Knowledge Base users, increasing user utilization and decreasing consumer case errors and average call handle time.
- Continued annual certification and recertification development and LMS support for over 12,000 community enrollment and certified insurance agents.
- Conducted and participated in external and internal LMS record reviews for accuracy and completeness, including a State Personnel Board (SPB) audit regarding state official's ethics, sexual harassment prevention, and leadership continuing education training requirements.
- Partnered with state and county training programs such as Department of Health Care Services (DHCS) for the development of Medi-Cal Eligibility Data System (MEDS) eLearning, County Children's Health Initiative Program (CCHIP) county programs for vendor CCHIP training, and Department of Motor Vehicles (DMV) to support and deliver training at DMV offices regarding Real ID requirements and processing.

Executive Office

Division Description

The Executive Office develops organizational strategy and provides leadership direction in concert with the Covered California Board of Directors. Executive Office staff are responsible for Covered California's day-to-day operations and are tasked with facilitating and supporting Covered California's employees and a broad community of individuals and groups to provide customers (including staff, the board, stakeholders and the public) with the direction, information, tools and support they need. The Executive Office does this by mentoring, providing leadership, listening, learning and adjusting efforts to meet goals and serve consumers.

Talent management and succession planning provides strategic talent leadership to ensure Covered California is considered an employer of choice and can attract, develop, retain and recognize the best talent.

How the Executive Office Supports Covered California's Goals and Strategic Priorities

- Develops and implements high-level strategies to ensure the availability of affordable health insurance and enhance quality and access.
- Makes major management decisions about the overall operations and resources of Covered California. Ensures that Covered California operates in a responsive, transparent and reliable manner.
- Acts as the main point of communication between the Board of Directors and Covered California's operations. Facilitates communication and productive relationships between the Board of Directors and various stakeholders, such as consumers, providers, health insurance companies and employers.
- Sponsors the Covered California Leadership Academy to ensure Covered California has a strong bench of future leaders who can navigate the organization through the complex changes and constant challenges facing state exchanges.
- Assists leadership in identifying common themes for improvement at the department and division level and creates an overall engagement strategy.
- Oversees responsibilities for ensuring that effective employee recognition is incorporated into the organizational culture in support of Covered California's strategic pillars and values.
- Develops, implements and monitors a workforce plan that aligns staffing and competencies with the department's current and future strategic business needs.
- Builds a targeted and sustainable succession plan for key senior roles.
- Conceptualizes, builds and rolls out learning solutions that center on career development and career ladders and increase the team's ability to be net talent exporters.
- Oversight responsibilities for the comprehensive career-development program. Such a program invests in the professional development of employees, which

results in knowledge transfer throughout the department and increased employee engagement and retention. It prepares employees for career advancement within Covered California.

Key Accomplishments for Fiscal Year 2019-20

- Oversaw efforts to learn from the launch of the new state subsidy program and penalty to launch a targeted special-enrollment period to build on the successful open-enrollment period.
- Launched the COVID-19 special-enrollment period, while overseeing the rapid shift of all staff to telework and maintaining support and engagement of staff through surveying, virtual all-staff meetings and support from all levels of supervisory staff.
- Successfully completed the second Covered California Academy program with a select group of managers and key staff who participated in 13 full-day classes over a period of six months. Enhanced resources and tools for academy alumni to continue learning and networking, connecting and engaging with fellow leaders. Launched the third cohort in spring 2020 and will reevaluate the delivery of the Academy given COVID-19 safe work practices.
- Enhanced two-way communication capabilities during “Covered California Live” all-staff monthly meetings centered on motivating, engaging and listening to employees. Successfully introduced and launched bi-weekly Virtual All Staff meetings and a COVID-19 Hub on SharePoint for staff to stay connected amidst change and distance as a result of the COVID-19 response efforts.
- Continued efforts to enhance a recognition culture throughout the organization where employees feel appreciated for the work they do, and even more so when they go the extra mile. This includes strategies continuing to support the employee-recognition program that offers formal, informal and everyday acknowledgment.
- Implemented various strategies outlined in the 2017-20 Covered California workforce and succession plan outlining the strategic way forward to meet the human-capital management and workforce needs for Covered California. The plan is consumer focused, data driven, team based, continuously improving and based on population.
- Enhanced tools and resources for employees to deepen their understanding of self and others, making workplace interactions more effective.

External Affairs

Division Description

External Affairs serves as Covered California's government and stakeholder relations liaison. External Affairs supports Covered California's policy and program development by representing the organization in complex and sensitive legislative, policy, and administrative processes and by building collaborative relationships with elected officials, state and local agencies, and stakeholders. External Affairs also proactively facilitates partnerships that encourage education, outreach and enrollment in Covered California.

How External Affairs Supports Covered California's Goals and Strategic Priorities

External Affairs promotes Covered California's organizational excellence, provides outreach and education, and informs national and state health policy discussions through a variety of ways:

- Provides strategic representation to federal, state and local elected and administration officials to advance Covered California's organizational excellence, and to provide insight for the policymaking process.
- Proactively develops and maintains stakeholder relations to support and advance Covered California's mission and goals.
- Tracks state and federal legislation and helps develop technical assistance to inform the policy making process.
- Provides constituent correspondence and case-escalation resolution for cases brought forward by legislative offices, stakeholders and Covered California leadership and staff.
- Develops and implements governmental and stakeholder outreach and engagement strategies.
- Provides information, analysis and insight into the external perspective of Covered California to enable sound decision-making in support of organization objectives.
- Engages in and provides support for special projects and matters that involve multiple divisions within the organization.
- Serves as Covered California's liaison to California's Tribal governments.

Key Accomplishments for Fiscal Year 2019-20

- Coordinated the development and approval of trailer bill language through a partnership with the Department of Finance and the Franchise Tax Board that established the state subsidy program, the individual shared responsibility mandate and penalty for California. The premium subsidy program will be in effect for the 2020, 2021 and 2022 plan years.
- Worked with health care advocates, health insurance companies and administration officials to address concerns and questions regarding the state

subsidy and individual shared responsibility mandate program. Coordinated testimony on the program in the Assembly and Senate Budget Subcommittees on Health and Human Services.

- Worked with Franchise Tax Board (FTB) partners to ensure consistency in public messaging on the individual mandate and penalty. Spoke to FTB stakeholder groups including tax preparers and tax software companies to ensure that consumers were aware of the new laws.
- Provided technical assistance on bills regarding data sharing, actuarial value limits and open enrollment timing.
- Continued improvements of the Tribal Liaison program, including removal of the Tribal Advisory Workgroup from the purview of the board to allow for more frequent and robust workgroup meetings.
- Tracked and monitored legislation with potential impact on Covered California and consumers in the individual and small group market, including development of technical assistance to Congress and the California Legislature as needed.
- Engaged elected officials throughout California during the seventh open-enrollment period with the goal of promoting enrollment into health coverage. Participated in open-enrollment events with key influencers in the professional sports community, providing support to elected officials and staff attending the events.

Equal Employment Opportunity Office

Division Description

The Equal Employment Opportunity Office is responsible for implementing, coordinating and monitoring civil rights compliance for Covered California's workforce and consumers. The Equal Employment Opportunity Office ensures that Covered California is compliant with federal and state laws regarding diversity, equity and accessibility. The office also partners with other program areas to develop initiatives that increase accessibility and foster diversity. It reports on appointments, brings issues of concern regarding equal employment opportunity to the executive director and recommends appropriate action.

How the Equal Employment Opportunity Office Supports Covered California's Goals and Strategic Priorities

- Advises and acts as a resource to management regarding equal employment opportunity and work-diversity laws and rules.
- Administers Covered California's equal employment opportunity program in accordance with applicable laws and internal policies.
- Responds to complaints regarding employment practices, language access and denial of services related to discrimination or unlawful harassment.
- Administers Covered California's Reasonable Accommodation program, ensuring appropriate processing of reasonable-accommodation requests in accordance with applicable laws and internal policies.
- Administers Covered California's Upward Mobility program to assist Covered California's employees in low-paying classifications transition to technical, professional, and administrative positions.

Key Accomplishments for Fiscal Year 2019-20

- Maintain active membership in the Enterprise Risk Committee, offering perspective on civil rights, accessibility and other Equal Employment Opportunity-related risks. Utilize this platform to escalate and resolve risks related to civil rights.
- Provide consultation to employees and managers who raised questions about accessibility and discrimination in the workplace. Investigate complaints and present findings for departmental action. Begin using the Discrimination Complaint Tracking System to track internal and external complaints.
- Coordinate the delivery of the mandated Sexual Harassment Prevention Training to Covered California's managers and staff to meet updated government code requirements.
- Provide department-wide training tailored to the roles and responsibilities of rank and file employees, supervisors and managers regarding Equal Employment Opportunity and Reasonable Accommodation.

Appendix A-II. Fiscal Year 2019-20 Budget Highlights & Projected Year-End Results

Fiscal year 2019-20 was eventful. During this year, Covered California implemented state subsidies and a state mandate. Covered California initiated several major actions throughout the year to increase enrollment and potentially alter the enrollment mix. These actions resulted in an effectuated enrollment that mirrored 2018, the year with its highest enrollment on record. While Covered California had a successful open-enrollment period, recognizing a 40 percent increase in new enrollment over 2019, and added enrollment throughout the special-enrollment period, it was also challenged like the rest of nation and world with the COVID-19 pandemic. Below are some Covered California budget highlights for FY 2019-20.

- Effective January 2020, California required its residents to have health insurance coverage — reinstating the federal penalty that was integral to the Affordable Care Act. California launched a state subsidy program that expanded the amount of financial help available to many consumers. The new state policies helped Covered California negotiate a rate change of only 0.8 percent for 2020. California extended its open-enrollment period through Jan. 31, compared to Jan. 15 last year — in dramatic contrast to the federal decision to have open enrollment close on Dec. 15.
- Covered California established a special-enrollment period for those who were unaware of the state penalty or the new financial help, allowing consumers to sign up for coverage through April 30. Covered California launched a new campaign to publicize the special-enrollment period, starting with social media messaging and consumer emails. Radio and digital ads were also aired to inform and educate the public.
- Covered California invested \$121 million in marketing and outreach to help it maintain a consumer pool.
- Covered California responded to the COVID-19 national emergency by extending the open-enrollment period through June 30, 2020, and increasing marketing, outreach and service center support.
- Covered California kept its employees safe and successfully transitioned its entire workforce into a telework environment, investing in technology to keep employees productive.

The state subsidies and mandate are national innovations in health care affordability. However, since they were new initiatives, Covered California had little historical experience to draw on. This meant that implementing these initiatives and determining their impact on enrollment and revenue was uncertain and came with some risk. While Covered California did make use of expert consultation, great uncertainty remained as the budget was adopted and the fiscal year unfolded.

Covered California entered budget year 2019-20 aware of the possibility that enrollment targets might be missed. Predicting consumer behavior is always filled with uncertainty. Covered California evaluated several enrollment forecasts and developed pro forma

financial projections. These financial statements disclosed that there was a risk that Covered California would recognize an operating loss for the fiscal year; however, such a loss would not be substantial. On top of this uncertainty concerning enrollment associated with the state mandate and penalty, the COVID-19 national emergency began unfolding in the latter half of FY 2019-20.

As Covered California began producing its annual enrollment and revenue forecast this year, a spreading pandemic prompted public officials to impose sweeping restrictions that quickly brought about a sudden economic slowdown and a sharp rise in unemployment. The United States, as with all nations, faces unprecedented challenges in attempting to contain the spread of COVID-19. The COVID-19 virus has forced nations all over the world to shutter their economies with rapid urgency. This has resulted in millions of individuals losing jobs. Since mid-March, the United States has shed roughly 30 million jobs.

In early 2020, the COVID-19 pandemic began spreading in the United States. Since there are no known antivirals and vaccines at this time, the nation's response has focused on social distancing, shelter-in-place orders, and personal hygiene. In turn, by mid-March, California's economy had slowed considerably as many businesses closed or scaled back, except for essential services. This suppression of business activity has resulted in a severe economic slowdown and extreme job losses. On April 30 it was reported that in California, over the most recent eight weeks, 3.78 million workers — 19.6 percent of the workforce — had filed for unemployment.

In the second half of FY 2019-20, Covered California, like most firms and public agencies, had to traverse extraordinary terrain to keep employees safe, and also step up to a new role and responsibilities. This necessitated additional outlays for telework equipment, moving costs and developing new marketing and outreach efforts in the wake of the pandemic.

Like most entities coping with the pandemic, Covered California experienced unanticipated expenses in the latter half of fiscal year 2019-20. COVID-19 required additional expenses to ensure worker safety and fund marketing and outreach activities to aid individuals and families impacted by the sudden shock to the economy.

While Covered California recognized lower than expected enrollment during FY 2019-20 and incurred unexpected COVID-19 expenses, it will end FY 2019-20 financially healthy. Covered California's cash reserve is forecasted to total \$404.2 million, which will fund approximately 11 months of budgeted operations. Covered California ends FY 2019-20 financially strong and enters FY 2020-21 in a position to provide a supporting role to all Californians during the COVID-19 pandemic.

The Covered California board-approved budget for FY 2019-20 was \$391.1 million, with \$379.1 million approved for operations and \$14.3²⁵ million approved for capital projects. This included 1,386 staff positions²⁶ (see Table 7. Covered California Board Approved Operating, Capital Projects, and Staffing Budgets for Fiscal Year 2019-20). These

²⁵ The original board-approved capital projects budget was \$12 million; however, subsequent board resolutions raised the capital projects budget to \$14.3 million.

²⁶ During FY 2019-2020, five mid-year additions were made to positions: two in Policy, two in IT, and one in Communications and Public Relations.

budget resources were provided to implement a new state premium assistance program—including first in the nation financial support for middle-class Californians—and a state-level individual health insurance mandate, enroll Californians in coverage, provide a better consumer experience to applicants and enrollees, retain current enrollees and provide the tools to deliver on our mission.

**Table 7.
Covered California Board Approved Operating, Capital Projects, and Staffing
Budgets for Fiscal Year 2019-20**

	FY 2019-20 <u>Approved Budget</u>
Total Approved Operating Budget	379.1
Total Approved Capital Projects Budget	<u>14.3</u>
Total	<u>393.4</u>
 Total Staff Positions	 1,386

Covered California’s forecasted financial outcome for FY 2019-20 discloses that it will recognize an overall decrease in net position of \$2.9 million, which represents roughly 1.0 percent of total forecasted revenues. The decrease in overall net position is the result of lower enrollment relative to the budget.

Based on forecasts for the remainder of the fiscal year, it is estimated that Covered California’s operating revenues and other income²⁷ will be \$20.6 million lower than budgeted. Exchange-based individual medical plan revenues are forecasted to achieve 95.0 percent of both their budgeted enrollment and revenue target for the fiscal year. During the first half of the fiscal year (July to December), actual enrollment reached 99 percent of the levels forecasted in the budget, while in the second half of the year (January to June) enrollment is forecasted to achieve 93.0 percent of the levels projected in the budget.

Covered California is on target to recognize total operating expenditures that are \$68,200 less than the board approved budget of \$379.1 million.

Throughout FY 2019-20, Covered California adjusted its expense plan to meet the needs of the ever-changing environment. Covered California modified its spending plans in some areas to accommodate expenses in other areas. During the special-enrollment period, additional marketing expenses were incurred to ensure maximum consumer awareness of the state subsidies and health insurance mandate and penalty. In addition, in the latter half-of fiscal year 2019-20, Covered California recognized several unanticipated COVID-19-related expenses. These one-time expenses totaled \$14.7 million.

²⁷ Non-operating income represent interest income earned on short-term investment held in the state of California Surplus Money Investment Fund (SMIF).

Unanticipated COVID-19 expenses were primarily associated with additional marketing activities and service center efforts. In addition, Covered California also incurred expenses for cleaning office sites, and to transition its workforce into a telework environment. This resulted in moving expenses and the purchase of specific computer equipment to enable employees to work from home. If Covered California had not incurred these unanticipated COVID-19-related expenses, total operating expenses would have been \$364.4 million, which would be \$14.7 million less than the board-approved budget of \$379.1 million.

In addition to these one-time COVID-19 related expenses, Covered California also incurred expenses related to the pandemic that resulted in losing productive work hours or a redirection of resources away from generally performed functions to COVID-19-related tasks. These expenses are estimated to total \$9.6 million.

Personnel expenditures are forecasted to exceed budgeted expenditures by \$8.4 million. Personnel expenses were higher than the amount budgeted. Expenditures associated with contracts greater than \$1 million are expected to be less than budgeted by \$6.1 million, while other equipment and expenses are forecasted to recognize a favorable budget variance of \$2.3 million (see Table 8. Statement of Revenue, Expenses and Changes in Fund Net Position and Enrollment FY 2019-20 Actual/Forecasted and Variance Budgetary-Legal Basis).

Table 8.
Statement of Revenue, Expenses and Changes in Fund Net Position and Enrollment
FY 2019-20 Actual/Forecasted and Variance Budgetary-Legal Basis
(Dollars in Millions)

	FY 2019-20 Approved Budget	FY 2019-20 Actual/Forecasted	Difference
Average Monthly Enrollment	1,458,936	1,389,107	\$ (69,829)
Per-Member-Per-Month FFS- Medical	\$ 21.16	\$ 20.96	\$ (0.20)
Plan Individual - Medical - Total Member Mo.	17,507,232	16,669,289	\$ (837,943)
Plan Individual - Dental - Total Member Mo.	2,422,177	2,499,445	\$ 77,268
Plan CCSB - Medical & Dental - Total Member Mo.	691,639	747,512	\$ 55,873
Operating Revenues			
Plan Assessments Individual - Medical	\$370.4	\$349.4	(\$21.0)
Plan Assessments Individual - Dental	\$2.1	\$2.0	(\$0.1)
Plan Assessments CCSB - Medical & Dental	<u>\$17.4</u>	<u>\$17.8</u>	<u>\$0.5</u>
Total Operating Revenues	\$389.9	\$369.2	(\$20.6)
Other Income			
SMIF Interest	<u>\$0.0</u>	<u>\$6.9</u>	<u>\$6.9</u>
Total Revenues/Income-All Sources	\$389.9	\$376.2	(\$13.7)
Operating Expenses			
Personnel Services	\$121.2	\$129.6	(\$8.4)
Contracts >\$1M	\$183.1	\$177.0	\$6.1
Other OE&E	<u>\$74.8</u>	<u>\$72.5</u>	<u>\$2.3</u>
Total Operating Expenses	<u>\$379.1</u>	<u>\$379.1</u>	<u>\$0.1</u>
Overall Increase/(Decrease) In Net Position	<u>\$10.7</u>	<u>(\$2.9)</u>	<u>(\$13.8)</u>

Appendix A-III. Enrollment and Revenue Forecast

Covered California's FY 2020-21 enrollment and revenue forecasts follow a 12-month period filled with significant and transformative events. These include the implementation of legislative initiatives designed to support marketplace enrollment and expand coverage in California, as well as the onset of a severe economic downturn resulting from emergency measures designed to halt the spread of the COVID-19 pandemic.

The implementation of a state individual mandate and penalty, together with new state subsidies and expanded open- and special-enrollment periods as well as more-aggressive marketing and outreach efforts, together increased the number of Californians obtaining health care coverage from Covered California-based health insurance companies. This is consistent with health care marketplace enrollment experience nationally, where more active marketing and outreach, and longer sign-up periods are associated with higher state plan selection rates²⁸. The expectation that these initiatives would bring younger and healthier individuals into plan risk pools, combined with Covered California's efforts to increase the number of competing carriers in its geographic service areas, moderated premium rate increases for 2020. This held premium growth to less than 1 percent over 2019. New plan selections were strong in early 2020 resulting in a substantial increase in effectuated enrollments compared to the year previous.

In mid-March 2020, reacting to the risk posed by the spreading COVID-19 pandemic, state and local leaders throughout California, imposed social distancing restrictions that resulted in the immediate shuttering or scaling back of many businesses. Over a period of weeks, terminated and furloughed workers began filing initial unemployment claims in numbers that greatly exceeded initial unemployment claims made in any week during the Great Recession of 2007-09. A byproduct of this sharp unprecedented rise in unemployment will be the loss or disruption of health care coverage for millions of impacted workers and families. To assist them in maintaining their health care coverage, Covered California established a new broad special enrollment period, from March 20 through June 2020, and substantially expanded its outreach and customer support efforts.

Covered California's Enrollment Forecast

The enrollment forecast model developed by Covered California incorporates analyses of the California labor market over time, and forecasts of the slowdown in the economy and the loss of jobs, reduced hours and possible furloughs. Using the labor market analysis, Covered California evaluated in-flows into Covered California and out-flows from Covered California throughout the economic slowdown period modeled. The model factors in the likely extent to which, as individuals lose jobs, experience reduced work

²⁸ "ACA Marketplace Open Enrollment Numbers Reveal the Impact of State-Level Policy and Operational Choices on Performance," Rachel Schwab and Sabrina Corlette, The Commonwealth Fund, April 16, 2019. <https://www.commonwealthfund.org/blog/2019/aca-marketplace-open-enrollment-numbers-reveal-impact>.

hours, or are furloughed, those with employer-sponsored insurance (ESI) would lose that coverage.

In addition to the in-flows resulting from the loss of ESI, Covered California also evaluated individuals in the direct-purchase insurance (DPI) market. Within this group, both in-flows and out-flows will occur when an individual's or family's income declines due to the economic slowdown. Like those with ESI, these individuals will lose jobs throughout the economic slowdown. Some individuals who are currently enrolled in Covered California may exit due to income reductions that place them below the Medi-Cal income eligibility threshold. For others, the income loss may transition them into a lower federal poverty level (FPL) and make them eligible for more favorable Advance Premium Tax Credits (APTC). Finally, some may enroll into Covered California who are currently participating in the DPI market outside of the exchange, as their income loss drives them to seek coverage that is less costly.

Covered California modeled and evaluated these populations and developed scenarios that combine labor market analysis with Current Population Survey – Annual Social and Economic Supplement (CPS-ASEC) data to construct Covered California enrollment scenarios.

Incorporating the Impact of the Pandemic and Subsequent Economic Suppression

The model incorporated an analysis of the California labor market over time and forecasted the slowdown in the economy and the loss of jobs and reduced hours. The forecasts reflect modeling of three potential scenarios:

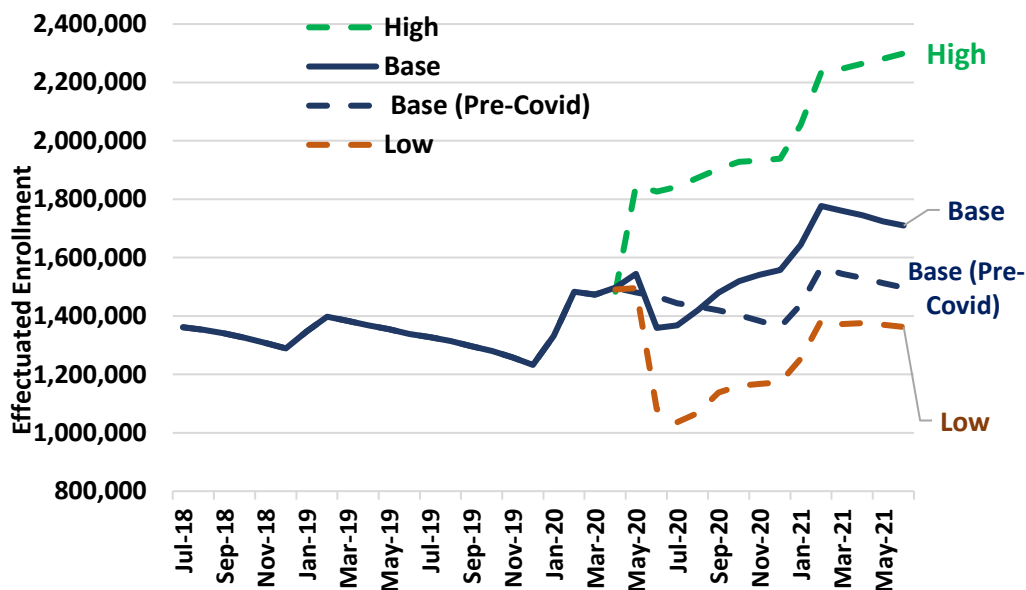
- **V-Shaped Recovery:** The first scenario we modeled assumed a shorter “V-shaped” economic scenario, featuring a sharp decline in employment followed by a stronger, faster recovery. Under this scenario, unemployment rises to 22 percent during the second and third quarter of 2020 and then drops to 10 percent to 11 percent over the next six months, where it remains throughout 2021.
- **W-Shaped Recovery:** The second scenario we modeled assumed a more pessimistic L- or W-shaped recovery featuring a sharp economic decline, followed by a weaker partial recovery and then another decline with high and only gradually declining unemployment.
- **Economic Consensus:** The third scenario consolidated forecasts from major economic forecasting groups to develop labor market assumptions through 2022²⁹. This scenario forecasts an economic decline and recovery more visually resembling a Nike Swoosh, with a very sharp decline featuring unemployment rates in the 22- to 23 percent range in the second quarter of 2020, followed by steadily falling unemployment during 2021, dropping to the 10 to 11 percent range by the end of 2021.

²⁹ These included the economic forecasting branches of the Congressional Budget Office, the International Monetary Fund, the Federal Reserve, Goldman Sachs, Morgan Stanley, and Deloitte Consulting.

Enrollment Forecasts

To capture the full spectrum of possible enrollment outcomes, the forecasts include an upper-bound estimate, baseline estimate and a lower-bound estimate. The upper- and lower-bound estimates reflect the labor force impacts of a deeper recession, higher unemployment, and weaker, longer recovery. The more pessimistic set of employment assumptions utilized in this model generated a wider range of enrollment gains and losses than the alternate model based on a shorter and stronger recovery (see Figure 11. Trend in Enrollment with Forecasted Levels at the High; Base and Low Estimate; FY 2018-19 through FY 2020-21). Given the uncertainty around COVID-19 and the development of a vaccine or effective treatments, we feel a number of outcomes are possible. Therefore, the wide range presented highlights the great uncertainty surrounding the future.

Figure 11.
Trend in Enrollment with Forecasted Levels at the High; Base and Low Estimate;
FY 2018-19 through FY 2020-21



The **base** enrollment forecast was derived by modeling changes in the labor force and sources of health care coverage based on our survey of unemployment projections through 2023 issued by major economic forecasting groups (the economic consensus forecast modeled and described above).

At the base estimate, average monthly enrollment in FY 2020-21 is forecasted to be 1,603,850, which would be 15.5 percent greater than the 1,389,107 forecasted for FY 2019-20. This represents an increase in average monthly enrollment of 214,742 (see Table 9. Individual Market Enrollment and Revenue Forecasts). The introduction of California’s state mandate and penalty, combined with Covered California’s extended open- and special-enrollment periods, boosted new-enrollee plan selections and effectuated enrollment in early 2020. Effectuated enrollments were roughly 95,000 members higher in February and March 2020 compared to the same months in 2019.

This means that the beginning level of enrollment for FY 2020-21 will be at a substantially higher level compared to the start of FY 2019-20.

Table 9.
Individual Market Enrollment and Revenue Forecasts
Effectuated Enrollment
(Average Monthly Enrollment)

Scenario	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
High	1,389,107	2,066,992	1,958,545	1,882,868
Base	1,389,107	1,603,850	1,677,342	1,663,587
Low	1,389,107	1,238,530	1,394,127	1,450,247

At the **high** estimate, average monthly enrollment in FY 2020-21 would be 2,066,992. The high-estimate model assumes that 69 percent of individuals losing employer-sponsored insurance and having incomes too high to qualify for Medi-Cal will enroll in Covered California health plans. It also assumes roughly a 15 percent net outflow from Covered California of individuals with direct-purchase insurance who lose jobs or income but remain above the Medi-Cal income threshold.

At the **low** estimate, average monthly enrollment in FY 2020-21 would fall to 1,238,530. The low-estimate model assumes that 25 percent of individuals losing employer-sponsored insurance and having incomes too high to qualify for Medi-Cal will enroll in Covered California health plans. It also assumes a 65 percent net outflow from Covered California of individuals with DPI who lose jobs or income but remain above the Medi-Cal income threshold.

Under all three forecasts, Covered California may experience changes in its enrolled population, as new, recession-affected individuals and households losing employer-based insurance enroll in Covered California plans, and existing enrollees losing jobs and income may qualify for Medi-Cal and leave of Covered California plans. This process may change the risk profile of the enrolled population as older individuals who are likely to have more income and greater medical needs will be more motivated to enroll, while younger and healthier enrollees with less income may transition to Medi-Cal.

As the economy begins to stabilize and gradually return to normal, new enrollments and enrollment terminations should return to their pre-pandemic levels. Most economic projections currently predict that following the economic shock of 2020, levels of employment will steadily recover from 2021 to 2023. This is reflected in Covered California’s enrollment projections.

Supported by California’s mandate and penalty, as well as its subsidy program, which is funded through 2022, the base forecast projects average monthly enrollment rising from 1,603,850 in FY 2020-21 to 1,667,342 in FY 2021-22 and falling slightly to 1,663,587 in FY 2022-23, as the economy recovers. The base enrollment projection reflects the board’s approving the recommended reduction of the assessment on health plan

premiums from 3.5 percent to 3.25 percent of premium for 2021, and forecasts a further reduction to 3 percent in 2022 (see Table 10. Plan Assessments).

Table 10.
Plan Assessments
(Dollars in Millions)

Scenario	FY 2019-20*	FY 2020-21**	FY 2021-22**	FY 2022-23
High	\$349,393,355	\$480,957,856	\$482,943,275	\$475,366,113
Base	\$349,393,355	\$397,295,839	\$420,613,952	\$425,474,831
Low	\$349,393,355	\$297,458,989	\$329,982,650	\$350,098,121

* Actual

** Assessment fee lowered from 3.5 percent to 3.25 percent on Jan. 1, 2021.

*** Assessment fee lowered from 3.25 percent to 3.0 percent on Jan. 1, 2022.

The state subsidy program has been funded by the Legislature through calendar year 2022. The non-renewal of the program in 2023 could have a somewhat negative impact on enrollment. As additional information becomes available, we will update our forecast for the potential impact of the elimination of the state mandate and subsidy programs.

In particular, the first in the nation expansion of subsidies for individuals earning more than 400 percent of the federal poverty level were intended to be a national model and signal for Congress to undertake needed expansion of the Affordable Care Act subsidies.

Covered California’s Forecast Premium Projections

The two major drivers of increases or decreases in the premiums paid by Covered California enrollees are: (1) the annual changes in the prices of hospital and medical services, pharmaceutical agents, medical supplies and equipment; and (2) the risk mix of the population covered. Premiums reflect variables such as changes in the average age of enrolled beneficiaries, geographic differences in the price of medical services, and competition among carriers. The average premium paid overall may decrease if substantial numbers of enrollees select new plans in a less expensive metal tier, or select a less expensive plan in the same metal tier offered by a different carrier.

In 2020, Covered California plan enrollees benefited from extremely modest increases in health plan premiums. Health insurance companies anticipated that the establishment of a new state health insurance mandate and tax penalty, combined with the introduction of the new state subsidy, would increase the proportion of younger, healthier enrollees in their risk pools, driving down the average medical spending per enrollee. Covered California’s efforts to increase the number of carriers in its geographic service areas increased competition and consumer choice, which also had a moderating effect on increases in premiums.

Calendar year 2021 offers a somewhat different set of circumstances for considering changes to premiums. The demographic composition of Covered California plan enrollees is now subject to change as higher levels of unemployment mean potentially large numbers of Californians who previously had employer coverage seek Medi-Cal or Covered California coverage. Covered California health plans will likely receive many

new enrollees seeking subsidized replacement coverage for the employer-sponsored insurance that they lost due to layoffs or reduced work hours, while other individuals currently enrolled in Covered California and losing jobs and income may transition into Medi-Cal. Still others may transition into Covered California from the individual market as they seek federal and state credits through the exchange.

Estimates of changes in health insurance premiums developed before the COVID-19 outbreak serve as a baseline. Expectations of additional costs associated with the COVID-19 pandemic may result in insurers raising premiums in anticipation of higher medical costs, although the extent of these increases is unknown. Uncertainty over the eventual number of individuals becoming ill with the COVID-19 virus and requiring expensive treatment, the deferral of non-COVID health care services, as well as the length of the pandemic, has created challenges for health insurers as they attempt to determine the underlying costs that they will use to develop rates for 2021.

Other elements of uncertainty that insurers must evaluate include the costs of testing, as well as the cost of any vaccine developed to combat the virus, which may become available in late 2020 or 2021. Both have the potential to boost spending.

Insurers generally expect greater levels of medical spending in 2020 and 2021, although there is also a wide variation in estimates of the full magnitude of that spending as the length and severity of the outbreak is currently unknown. To the extent health insurance companies price the cost of uncertainty into their premiums for 2021, rates could be higher than they would be in a “normal” year. The potential that there will be a margin for uncertainty added to the pre-COVID-19 forecasted base also will consider the extent to which health insurance companies believe it is necessary to plan for a rebound in non-COVID-19 related health expenditures. In recent years, premium growth based on average annual health care price increases has been between 5.5 percent and 6 percent. Covered California will not complete its negotiations of rates for 2021 with health insurance companies until July 2020, after the budget is adopted. For forecasting purposes (see Table 11. Projected Premium Growth Rates), the budgets were developed based on adding a margin for uncertainty of zero at the lower bound (6 percent premium growth), 2 percent at the base, or the midpoint estimate (8 percent premium growth), and 4 percent for the high estimate (10 percent premium growth).

**Table 11.
Projected Premium Growth Rates**

Scenario	Plan Year 2020	Plan Year 2021	Plan Year 2022	Plan Year 2023
	Actual	Projected	Projected	Projected
High	.08 percent	8.0 percent	7.0 percent	6.0 percent
Base	.08 percent	8.0 percent	7.0 percent	6.0 percent
Low	.08 percent	8.0 percent	7.0 percent	6.0 percent

As the pandemic and the uncertainty created by it eventually subside, and demand for medical services returns to pre-outbreak baseline levels, we would expect Covered California plans to reduce their premiums to a level near the overall growth in the cost of medical services. Covered California will continue its efforts to maintain balanced risk

pools, foster competition, and enhance consumer choice in order to keep premiums as low as possible.

Covered California for Small Business Forecast

Covered California for Small Business is California’s version of the Small Business Health Options Program (SHOP) established under the Affordable Care Act. It is a small-group health insurance program for employers with 100 or fewer employees who want to provide either health or dental insurance, or both, to their employees.

Under the Affordable Care Act, the same essential set of regulations³⁰ applied to the individual market are also applied to the small-group market. These include: open enrollment, no exclusion of preexisting conditions, modified community rating (meaning that insurers cannot vary rates based on health status), a standard set of “essential health benefits,” and a limit on the percentage of premium that insurers can devote to profits or overhead, known as a minimum “medical loss ratio”.

Covered California for Small Business is one of several sources of health insurance within California’s small-group market, which is defined as insurance purchased by businesses with 100 or fewer full-time equivalent employees. California’s small-group market is estimated to provide coverage for over 2.3 million covered lives. In 2018, Covered California for Small Business provided insurance for roughly 3 percent of the small-group market.

Covered California for Small Business offers plans from six health insurance companies that are available to small employers for year-round enrollment. Employers can select from four levels of coverage — Bronze, Silver, Gold and Platinum — allowing them to tailor health insurance to their employees’ specific needs. Employers may purchase health insurance with the help of a registered agent or broker. Smaller employers, those with 25 or fewer employees, may qualify for a Small Business Health Care Tax Credit to lower premium costs.

Beginning in 2017, the assessment rate for Covered California for Small Business plans was 5.2 percent of the gross premiums. This rate will continue for plan year 2021.

Since its inception in 2014, Covered California for Small Business has experienced steady growth in its number of participating employer groups and covered lives. Poised to continue gaining groups and members, Covered California for Small Business may encounter very strong headwinds as result of the COVID-19-induced recession.

The social distancing restrictions implemented in March by many state and local governments have affected many small businesses, resulting in their temporary closure or scaling back of operations. Businesses that required workers or customers to be in close physical proximity were the most heavily affected. Other businesses whose employees can work at home, or safely separated from customers or coworkers, have been less affected.

In 2020, Covered California’s early forecasts expected that the upward trend in Covered California for Small Business enrollment would continue, as result of Covered

³⁰ “The Rules for California Small Business Health Insurance,” BenefitsCafe.com, March 2020. <https://www.benefitscafe.com/Rules-for-California-Small-Business-Health-Insurance.pdf>.

California's ongoing efforts to improve and expand the selection of plans and coverage options for small employers. Those projections have recently been revised to incorporate the potential impact of the COVID-19 recession. Historically, small businesses have been more negatively affected by recession than larger enterprises. During the Great Recession of 2007-09, small businesses (defined as businesses with 250 employees or fewer) experienced disproportionate job loss compared to their share of total employment in the economy. Nationally, small businesses accounted for 45 percent of employment, but as the economy shed about 5 million jobs from 2008 to 2009, they accounted for 62 percent of the net job loss. Compared to the Great Recession, the early stages of the COVID-19 economic crisis suggest that job losses will fall even more disproportionately within the small business sector³¹. Job losses during the current recession are likely to exceed those of the previous recession³², which unlike the present situation, did not feature social distancing restrictions.

Covered California is acting to assist Covered California for Small Business employer groups experiencing reduced business activity due to social distancing restrictions. Covered California for Small Business will allow small businesses an additional 30-day grace period to make their premium payments for the months of April and May 2020. Actions by the federal government and the Small Business Administration to extend eight weeks of cash-flow assistance through 100 percent federally guaranteed loans under the Paycheck Protection Program (PPP) may also help reduce the loss of small business jobs and health care coverage.

Enrollment and Revenue Forecast

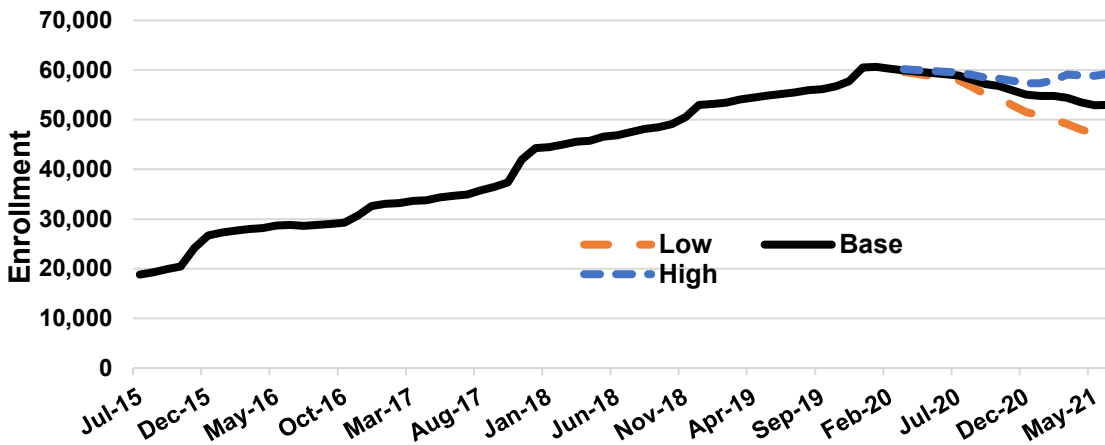
The FY 2020-21 enrollment and revenue forecast for Covered California for Small Business utilizes a conservative set of assumptions. The base and low estimates anticipate a decrease in both new enrollments and the retention rate for existing members. The high estimates assume only a small dip in enrollment through 2020 with a recovery to 2019 enrollment levels in 2021. All three scenarios assume increases in average premiums, including growth in medical costs of 8 percent in 2021, 7 percent in 2022, and 6 percent in 2023.

The **base** estimate scenario expects that Covered California for Small Business Covered California for Small Business plans will experience a decrease in new members and a decrease in the retention rate due to the impact of the COVID-19 recession. Under the base forecast, average monthly enrollment drops from 57,956 to 54,315, a 6.3 percent decrease compared to FY 2019-20, while revenue decreases by 0.7 percent compared FY 2019-20 (see Figure 12. Covered California for Small Business Enrollment FY 2015-16 to FY 2020-21).

³¹ "What the Great Recession can tell us about the COVID-19 small business crisis," March 25, 2020, The Brookings Institute. <https://www.brookings.edu/blog/the-avenue/2020/03/25/what-the-great-recession-can-tell-us-about-the-COVID-19-small-business-crisis/>.

³² "An Analysis of Unemployment Insurance Claims in California During the COVID-19 Pandemic," California Policy Lab, April 2020. https://www.capolicylab.org/wp-content/uploads/2020/05/An-Analysis-of-Unemployment-Insurance-Claims-in-California-during-the-COVID-19-Pandemic.pdf?mod=article_inline.

Figure 12.
Covered California for Small Business Enrollment FY 2015-16 to FY 2020-21



The **base** estimate scenario expects that Covered California for Small Business Covered California for Small Business plans will experience a decrease in new members and a decrease in the retention rate due to the impact of the COVID-19 recession. Under the base forecast, average monthly enrollment drops from 57,956 to 54,315, a 6.3 percent decrease compared to FY 2019-20, while revenue decreases by 0.7 percent compared FY 2019-20 (see Figure 12. Covered California for Small Business Enrollment FY 2015-16 to FY 2020-21).

The **high** scenario assumes a shorter, milder recession and faster V-shaped economic recovery. It forecasts a .06 percent increase in average monthly enrollment and a 6.2 percent increase in revenue compared FY 2019-20. Under this scenario, there is a slight decrease in new sales and the retention rate in plan year 2020, while in plan year 2021 new sales and the retention rate return to 2019 levels (see Table 12. Covered California for Small Business Enrollment and Revenue Forecasts Effectuated Enrollment).

Table 9.
Covered California for Small Business Enrollment and Revenue Forecasts Effectuated Enrollment (Fiscal Year End)

Scenario	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
High	62,293	59,121	63,377	68,907
Base	62,293	51,578	50,827	54,166
Low	62,293	45,414	43,112	45,263

The **low**, or pessimistic enrollment alternative, assumes a longer, deeper recession and a weaker, more protracted recovery. Under the low scenario, average monthly enrollment falls by 12,645, a 22 percent decrease, and revenue declines by \$1.4 million, or -7.7 percent.

The smaller decrease in revenue reflects an expected 8 percent increase in premiums in 2021 (see Table 13. Covered California for Small Business Medical and Dental Plan Assessments).

**Table 13.
Covered California for Small Business
Medical and Dental Plan Assessments**

Scenario	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
High	\$ 17,831,553	\$ 18,812,600	\$ 20,734,392	\$ 23,329,150
Base	\$ 17,831,553	\$ 17,594,281	\$ 17,405,449	\$ 18,909,915
Low	\$ 17,831,553	\$ 16,345,457	\$ 15,408,342	\$ 16,527,415

Covered California’s Individual Dental Plans for Children and Families

Covered California offers individual dental plans for children and families. Children’s dental benefits are automatically included in the health plans offered through Covered California. For children who are insured by both a health plan and a family dental plan, the two plans will coordinate benefits. Dental coverage is not an essential health benefit for adults, however, so adult dental coverage is offered separately from health insurance plans.

Covered California offers two types of dental plans: HMO (health maintenance organization) plans, and PPO (preferred provider organization) plans. Participating dental carriers are Access Dental Plan, Anthem Blue Cross, California Dental Network, Delta Dental of California, Dental Health Services, Liberty Dental Plan, and Premier Access.

The Covered California assessment fee for individual dental plans is the same as for individual medical plans. It is currently 3.5 percent and will be reduced to 3.25 percent in January 2021.

Enrollment and Revenue Forecasts

As with Covered California for Small Business, the enrollment forecast for individual dental plans employs a conservative set of assumptions reflecting uncertainty about the economy and its impact on levels of enrollment. Enrollment in Covered California individual dental plans is forecasted to average 189,941 members monthly in FY 2019-20 and fall by 1.2 percent to 187,602. From this level, enrollment is forecasted to grow by 5 percent in FY 2021-22, and 10 percent in FY 2022-23, rising in tandem with a recovering economy (see Table 14. Individual Dental Plan Enrollment and Revenue Forecasts).

**Table 14.
Individual Dental Plan Enrollment and Revenue Forecasts
Effectuated Enrollment**

Scenario	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Base	189,941	187,602	196,982	216,680

Assessment fee revenue from individual dental plans in FY 2020-21 is forecast to total \$1.932 million. Dental plan revenue will decline slightly in FY 2020-21, and rise again in FY 2021-22 and FY 2022-23 (see Table 15. Individual Dental Plan Assessments).

**Table 15.
Individual Dental Plan Assessments**

Scenario	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Base	\$ 2,023,257	\$1,932,771	\$ 2,029,410	\$ 2,232,351

Total operating revenue for FY 2020-21 is forecast to total \$416.8 million. From this total, \$397.3 million (95.3 percent) is forecasted to be generated from individual medical plan assessment fees, \$1.9 million (0.5 percent) is forecasted to be generated from individual dental plan assessment fees, and \$17.6 million (4.2 percent) is forecasted to be generated from Covered California for Small Business medical and dental plan assessment fees (see Table 16. Assessment Fee Revenue).

**Table 16.
Assessment Fee Revenue**

Market	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
On-Exchange Individual Market	\$349,393,355	\$397,295,839	\$420,613,952	\$425,474,831
Individual - Dental	\$2,023,267	\$1,932,771	\$2,029,410	\$2,232,351
Covered California for Small Business	\$17,831,553	\$17,594,281	\$17,405,449	\$18,909,915
Total Assessment Fee Revenue	\$369,248,176	\$416,822,891	\$440,048,811	\$446,617,097

Appendix A-IV. Multi-Year Projection: Fiscal Year 2019-20 to Fiscal Year 2022-23

Covered California's multi-year financial plan projects revenue and expenditures for three years into the future, spanning from FY 2019-20 to FY 2022-23. The multi-year financial plan allows executives, the board and other stakeholders to see the implications of decisions made over time and consider a longer time horizon.

This multi-year financial projection helps policy makers evaluate expenditure commitments, enrollment trends and revenue trends. The multi-year financial plan also highlights anticipated fiscal risks and opportunities. The projection is used to identify major known fiscal conditions and project future conditions. Finally, the multi-year projection is a strategic planning tool for fiscal sustainability.

The multi-year financial projection is not a budget and does not include any proposed balancing solutions or modified service levels. Rather, it is a planning tool to for discovering opportunities and challenges over a longer time horizon.

Base Financial Projection Detail

The base estimate incorporates the impact of net increases in enrollment due to the slowing economy and recession triggered by COVID-19. Additionally, it reflects estimates of increases in the average premiums, including the growth in medical costs of 8 percent in 2021, 7 percent in 2022, and 6 percent in 2023. Authorized positions are assumed to remain at the FY 2020-21 budget total of 1,419 throughout the projection span.

The base enrollment projection reflects board adoption of the proposal to reduce the assessment on individual market premiums to 3.25 percent for 2021, with the projections reflecting a further reduction to 3 percent in 2022. Covered California for Small Business plan assessments are assumed to remain at a level of 5.2 percent of premium for the duration of the forecast. The base projection reflects a \$440.2 million operating budget in FY 2020-21, including significant increases in incremental expenses related to the responding to the COVID-19 recession. Operating expenses for FY 2021-22 and FY 2022-23 would decline as spending to meet Californians' needs during the recession are pulled back. Operating expenses are forecast to be \$428.9 million in FY 2021-22 and \$430.5 million in FY 2022-23 (see Table 17. Base Covered California Condensed Statement of Revenue, Expense, and Change in Net Position Enrollment Estimate: for FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23). Under the base projection, individual medical plan average monthly enrollment is forecast to be 1,603,850 in FY 2020-21, 1,677,342 in FY 2021-22, and 1,663,587 in FY 2022-23.

Revenues and other incomes are projected to be lower than operating expenditures in FY 2020-21. This is primarily driven by the COVID-19 pandemic and Covered California's investment in marketing, consumer support and outreach during this unprecedented time. In FY 2020-21, Covered California is projected to generate \$417.7 million in revenue/other income and \$440.2 million in operating expenses. It will experience an overall decrease in net position of \$22.5 million.

**Table 17. Base
Covered California
Condensed Statement of Revenue, Expense, and Change in Net Position
Enrollment Estimate: for FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23
(Dollars in Millions)**

	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget	Fiscal Year 2021-22 Projected	Fiscal Year 2022-23 Projected
Authorized Positions	1,391	1,419	1,419	1,419
Average Monthly Enrollment Per-Member Per-Month Individual Medical	1,389,107 \$ 20.96	1,603,850 \$ 20.64	1,677,342 \$ 20.90	1,663,587 \$ 21.31
Plan Individual - Medical	16,669,289	19,246,198	20,128,104	19,963,046
Plan Individual - Dental	2,499,445	2,251,221	2,363,782	2,600,160
Plan CCSB - Medical & Dental	747,512	651,776	605,423	629,339
Operating Revenues	\$ 369.2	\$ 416.8	\$ 440.0	\$ 446.6
Other Income - SMIF Interest	<u>\$ 6.9</u>	<u>\$ 0.9</u>	<u>\$ 0.8</u>	<u>\$ 2.1</u>
Total Revenues / Income - All Sources	\$ 376.2	\$ 417.7	\$ 440.9	\$ 48.7
Less: Operating Expenses	\$ (379.1)	\$ 440.2)	\$ (428.9)	\$ 430.5)
Overall Increase/(Decrease) in Net Position	<u>\$ (2.9)</u>	<u>\$ (22.5)</u>	<u>\$ (353.6)</u>	<u>\$ (351.8)</u>
Cash Reserve	\$ 404.20	\$ 361.7	\$ 353.6	\$ 351.8
Months of Budgeted Operations Funded	11	10	10	9

Note: Cash Reserve balance does not include dollars held in the Capital Projects fund. See Section VI. Covered California's FY 2020-21 Capital Projects Budget.

In FY 2021-22, revenues/other income are projected to rise to \$440.9 million, while operating expenses fall to \$428.9 million, reflecting the scaling back of COVID-19-related activities. While operating expenses decline due to the reduction in COVID-19 expenses, they do reflect natural baseline growth associated with general inflation. In FY 2021-22 Covered California is projected to experience an overall increase in net position of \$11.9 million. Authorized positions are assumed to remain at the FY 2020-21 budget level of 1,419.

In FY 2022-23, revenues/other income are projected to rise to \$448.7 million, while operating expenses are projected to increase modestly to \$430.5 million, producing an overall increase in net position of \$18.2 million. The modest increase in operating expenses is associated with general inflation and increases in personnel expenses. Authorized positions are assumed to remain at the FY 2020-21 budget level of 1,419.

Covered California is projected to end FY 2022-23 with a cash reserve totaling \$351.8 million, which would fund approximately nine months of annual budgeted operations,

while Covered California’s capital projects cash balance is projected to total \$60.7 million (see Table 18. Base Covered California Cash Budget and Cash Reserve Balance At June 30).

**Table 18. Base
Covered California Cash Budget and Cash Reserve Balance
At June 30
(Dollars in Millions)**

	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget	Fiscal Year 2021-22 Projected	Fiscal Year 2022-23 Projected
Cash at Beginning of the Year	\$ 467.1	\$ 450.9	\$ 408.4	\$ 407.3
Add Cash In-Flows	\$ 376.2	\$ 417.7	\$ 440.9	\$ 448.7
Less: Cash Out-Flows	<u>\$ (392.4)</u>	<u>\$ (460.2)</u>	<u>\$ (441.9)</u>	<u>\$ (443.5)</u>
Cash at End of the Year	\$ 450.9	\$ 408.4	\$ 407.3	\$ 412.5
Less: Cash for Capital Projects	<u>\$ (46.7)</u>	<u>\$ (46.7)</u>	<u>\$ (53.7)</u>	<u>\$ (60.7)</u>
Cash Reserve	\$ 404.2	\$ 361.7	\$ 353.6	\$ 351.8
 Months of Budgeted Operations Funded	 11	 10	 10	 9

Low Financial Projection Detail

The low-enrollment projection reflects the uncertainty associated with the COVID-19 pandemic and the depth of the recession and recovery. The low enrollment scenario could result from federal policy decisions that direct more of those losing employer-sponsored insurance toward forms of coverage other than Covered California, such as fully subsidized COBRA, Medicare or Medicaid. In addition, individuals may be more likely to enroll into Medi-Cal instead of Covered California due to incongruent income determinations. The low-enrollment scenario assumes that average monthly enrollment falls to 1,238,530 in FY 2020-21.

This scenario includes increases in average premiums, including growth in medical costs of 8 percent in 2021, 7 percent in 2022, and 6 percent in 2023. The plan assessment rate reflects the approved reduction to 3.25 percent in 2021, with possible reductions to 3.0 percent 2022 and 2023. Authorized positions are assumed to remain at the FY 2020-21 budget total of 1,419 throughout the projection span.

In the low financial projection scenario, the multi-year projection estimates total revenues/other income of \$316.5 million in FY 2020-21, \$347.9 million in FY 2021-22, and \$369.8 million in FY 2022-23 (see Table 19. Low Covered California Condensed Statement of Revenue, Expense, and Change in Net Position Enrollment Estimate: FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23).

Over the four-year multi-year projection horizon under the low bound enrollment scenario —if there were no changes to its revenue or expenditures —Covered

California's cash reserve is projected to drop from \$404.2.3 million to \$78.9 million. At \$78.9 million, Covered California would be able to fund roughly two months of budgeted annual operations (see Table 20. Low Covered California Cash Budget and Cash Reserve Balance At June 30).

The low scenario presents challenges, and Covered California would make deliberate actions to address these challenges before recognizing such significant impacts on its reserves. First, Covered California monitors enrollment trends throughout the entire fiscal year. Using a rolling forecast, it projects revenue trends as the enrollment data becomes available. This provides feedback that can be used to make course corrections. If enrollment levels are projected to fall below base levels, Covered California would take actions to reduce operating expenses or modifying revenues, or both, by increasing the assessments on health plan premiums.

**Table 19. Low
Covered California
Condensed Statement of Revenue, Expense, and Change in Net Position
Enrollment Estimate: FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23
(Dollars in Millions)**

	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget	Fiscal Year 2021-22 Projected	Fiscal Year 2022-23 Projected
Authorized Positions	1,391	1,419	1,419	1,419
Average Monthly Enrollment Per-Member Per-Month	1,389,107	1,238,530	1,394,128	1,450,247
Individual Medical	\$ 20.96	\$ 20.01	\$ 19.72	\$ 20.12
Plan Individual - Medical	16,669,289	14,862,359	16,729,530	17,402,959
Plan Individual - Dental	2,499,445	2,251,221	23,782	2,600,160
Plan CCSB - Medical & Dental	747,512	597,900	519,129	530,234
Operating Revenues	\$ 369.2	\$ 315.7	\$ 347.4	\$ 368.9
Other Income - SMIF Interest	<u>\$ 6.9</u>	<u>\$ 0.9</u>	<u>\$ 0.5</u>	<u>\$ 0.9</u>
Total Revenues / Income - All Sources	\$ 376.1	\$ 316.5	\$ 347.9	\$ 369.8
Less: Operating Expenses	<u>\$ (379.1)</u>	<u>\$ (440.2)</u>	<u>\$ 428.9)</u>	<u>\$ (430.5)</u>
Overall Increase/(Decrease) in Net Position	<u>\$ 2.9)</u>	<u>\$ (123.7)</u>	<u>\$ (81.0)</u>	<u>\$ (60.7)</u>
Cash Reserve	\$ 404.2	260.7	\$ 159.7	\$ 78.9
Months of Budgeted Operations Funded	11	7	4	2

**Table 20. Low
Covered California Cash Budget and Cash Reserve Balance
At June 30
(Dollars in Millions)**

	Fiscal Year 2019-20 Actual / Forecasted	Fiscal Year 2020-21 Approved Budget	Fiscal Year 2021-22 Projected	Fiscal Year 2022-23 Projected
Cash at Beginning of the Year	\$ 467.1	\$ 450.9	\$ 307.4	\$ 213.4
Add Cash In-Flows	\$ 376.2	\$ 316.5	\$ 347.9	\$ 369.8
Less: Cash Out-Flows	\$ (392.4)	\$ (460.0)	\$ (441.9)	\$ 443.5
Cash at End of the Year	\$ 450.9	\$ 307.4	\$ 213.4	\$ 139.6
Less: Cash for Capital Projects	\$ (46.7)	\$ (46.7)	\$ (53.7)	\$ (60.7)
Cash Reserve	\$ 404.2	\$ 260.7	\$ 159.7	\$ 78.9
Months of Budgeted Operations Funded	11	7	4	2

High Financial Projection Detail

The high-enrollment scenario assumes that a greater percentage of those losing employer-sponsored insurance, as well as those insured with off-exchange plans, will seek more affordable options.

The high scenario includes increases in average premiums, including growth in medical costs of 8 percent in 2021, 7 percent in 2022, and 6 percent in 2023.

The plan assessment rate reflects the approved reduction to 3.25 percent, with the forecast reflecting an additional reduction to 3.0 percent in 2022. Authorized positions are assumed to remain at the FY 2020-21 budget total of 1,419 throughout the projection span.

The high scenario projected enrollment gains above FY 2019-20 levels of 51 percent and an average monthly enrollment of 2,066,992 in FY 2020-21. Under the high enrollment and financial projection scenario, the multi-year projection estimates assessment revenues/other income of \$502.6 million in FY 2020-21, \$506.8 million in FY 2021-22, and \$503.9 million in FY 2022-23 (see Table 21. High Covered California Condensed Statement of Revenue, Expense, and Change in Net Position — High Enrollment Estimate: FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23).

**Table 21. High
Covered California
Condensed Statement of Revenue, Expense, and Change in Net Position —
High Enrollment Estimate: FY 2019-20, FY 2020-21, FY 2021-22, and FY 2022-23
(Dollars in Millions)**

	FY 2019-20 <u>Actual/Forecasted</u>	FY 2020-21 <u>Proposed Budget</u>	FY 2021-22 <u>Projected</u>	FY 2022-23 <u>Projected</u>
Authorized Positions	1,391	1,419	1,419	1,419
Average Monthly Enrollment-Individual	1,389,107	2,066,992	1,958,545	1,882,868
Per-Member-Per-Month Individual Medical	\$ 20.96	\$ 19.39	\$ 20.55	\$ 21.04
Plan Individual - Medical	16,669,289	24,803,904	23,502,540	22,594,416
Plan Individual - Dental	2,499,445	2,251,221	2,363,782	2,600,160
Plan CCSB - Medical & Dental	747,512	701,333	734,676	794,785
Operating Revenues	\$ 369.2	\$ 501.7	\$ 505.7	\$ 500.9
Other Income - SMIF Interest	\$ 6.9	\$ 0.9	\$ 1.1	\$ 2.9
Total Revenues/Income - All Sources	\$ 376.2	\$ 502.6	\$ 506.8	\$ 503.9
Less: Operating Expenses	\$ (379.1)	\$ (440.2)	\$ (428.9)	\$ (430.5)
Overall Increase/(Decrease) In Net Position	\$ (2.9)	\$ 62.5	\$ 77.8	\$ 73.4
Cash Reserve	\$ 404.2	\$ 446.8	\$ 504.6	\$ 558.0
Months of Budgeted Operations Funded	<u>11</u>	<u>12</u>	<u>14</u>	<u>15</u>

Under the high scenario, Covered California is projected to recognize an increase in its overall net position for fiscal years 2020-21, 2021-22, and 2022-23 of \$62.5 million, \$77.8 million, and \$73.4 million respectively. Covered California's cash reserves would fund 12 months of annual budgeted operations in FY 2020-21, 14 months in FY 2021-22, and 15 months in FY 2022-23 (see Table 22. High Covered California Cash Budget and Cash Reserve Balance At June 30).

**Table 22. High
Covered California Cash Budget and Cash Reserve Balance At June 30
(Dollars in Millions)**

	FY 2019-20 <u>Actual/Forecasted</u>	FY 2020-21 <u>Proposed Budget</u>	FY 2021-22 <u>Projected</u>	FY 2022-23 <u>Projected</u>
Cash At Beginning of Year	\$ 467.1	\$ 450.9	\$ 493.5	\$ 558.3
Add Cash In-flows	\$ 376.2	\$ 502.6	\$ 506.8	\$ 503.9
Less: Cash Out-Flows	\$ (392.4)	\$ (460.0)	\$ (441.9)	\$ (443.5)
Cash at End of Year	\$ 450.9	\$ 493.5	\$ 558.3	\$ 618.7
Less: Cash For Capital Projects	\$ (46.7)	\$ (46.7)	\$ (53.7)	\$ (60.7)
Cash Reserve	\$ 404.2	\$ 446.8	\$ 504.6	\$ 558.0
Months of Budgeted Operations Funded	<u>11</u>	<u>12</u>	<u>14</u>	<u>15</u>

Covered California's cash position would be greatly enhanced under the high scenario. If Covered California experienced enrollment levels reflected in the high scenario, it would assess its financial position and make decisions likely to affect both its revenues and expenditures. Given the increased revenue, it could consider lowering its assessment fee on health care premium. It may also likely experience additional expenses associated with the large enrollment increases, which would lead to additional operating expenses.

Appendix A-V. Planning & Budget Process for Fiscal Year 2020-21

Budget Guiding Principles

Covered California is required to prepare an annual report to the Governor and the Legislature. This written report focuses on the implementation and performance of Covered California's functions during the preceding fiscal year.

The budget process is facilitated by the Financial Management division, working closely with the executive leadership and all program areas. Covered California's board-adopted guiding financial principles include:

- Developing a budget that directly supports growth and retention of membership.
- Establishing organizational priorities that enable Covered California to serve as an effective example of how marketplaces can improve the cost and quality of health care.
- Ensuring the assessment fee places the lowest possible burden on consumers' premiums, has a path for decreasing over time and reflects savings to health plans compared to prior acquisition costs.
- Continuing to build infrastructure that can reduce future costs, support talent, succession plans, business continuity and legal compliance.
- Continuing to review programs to identify opportunities for efficiencies.
- Maintaining a reserve that is sufficient to cover financial obligations and allow for time to adjust revenue and expenditures in the event of an unanticipated fiscal event.
- Remaining financially nimble to assure the ability to transition should significant changes occur.

Budget Objectives

Budgeting represents the tactical application of an organization's business plan. Achieving the goals outlined in a strategic plan requires a budget that finances the business plan and establishes measures and indicators of performance. This allows Covered California executives, program managers, the board, and those charged with directing to make course changes throughout the fiscal year to achieve desired goals.

Covered California's budget:

- Facilitates planning of actual operations: The budget process requires managers to consider how conditions and the steps they may need to make may change throughout the fiscal year.
- Coordinates Covered California's activities: The budgeting process encourages program managers to develop relationships with other parts of the organization. This facilitates understanding of interactions among programs and how they support Covered California overall.

- Facilitates communication of budget plans to managers: An important aspect to the budget process is communicating Covered California’s goals, plans and initiatives. The budgeting process encourages communication of individual program goals, plans and initiatives. These individual program goals, plans and initiatives roll up into Covered California’s overall goals, plans and initiatives.
- Serves as a control device: The budget allows program managers to compare actual expenses with budget expenses to evaluate financial performance.
- Provides a tool for evaluating performance: The budget allows for assessing performance toward specific goals, objectives and strategies.

Budget Framework

Covered California’s budget framework is constructed by developing a master budget. The master budget consists of:

1. An operating budget.
2. A capital budget.
3. A cash budget.

Operating Budget: The operating budget presents Covered California’s detailed plan of day-to-day operations. The operating budget presents revenues and expenses by major category. The operating budget is developed by starting with a workload budget and then adding budget concept statements (BCSs).

Capital Budget: The capital budget presents the fund sources and expenditures for capital assets. These capital assets may place major demands

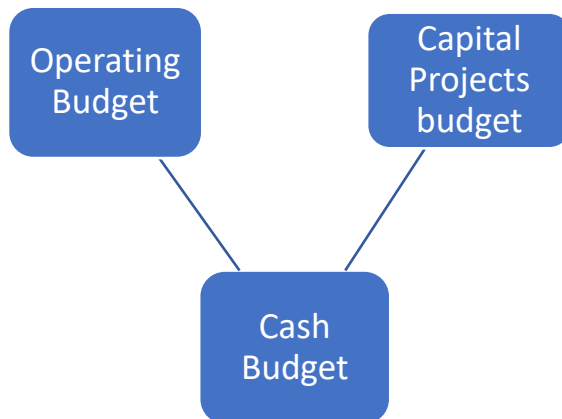
on Covered California’s cash flows. The capital budget is designed to assess capital purchases, control risk, set priorities and facilitate planning of these major investments.

Cash Budget: The cash budget links the operating budget and capital budget together. The cash budget considers the timing of payments and the timing of receipt of cash from operating revenues. The cash budget allows management to assess Covered California’s overall net position, cash reserves and capital condition (see Figure 13. Covered California’s Budget Framework).

Workload Budget

- *A workload budget reflects what a given program will cost next year under existing law and policy.*
- *A workload budget is defined as the budget year cost of currently authorized services, adjusted for changes in enrollment, caseload, or population, and other factors including inflation, one-time expenditures, federal and court-ordered mandates.*

**Figure 13.
Covered California's Budget Framework**



Budget Process

Covered California's budget process involves broad and extensive planning that incorporates input from executives, board members, public stakeholders, and operational programs. The budget process commences with a thorough review of each program's current budget. Collaborating with each program, the Financial Management division's budget team reviews each budget line item and develops the **workload budget** for the upcoming budget year. The workload budget for the FY 2020-21 represents anticipated expenditures for the FY 2020-21 budget year assuming no increases other than for inflation and natural growth. This represents a static budget, increased for inflation, continuing contract expenses, leases, or decreases for contract expirations, changes in contract priorities, anticipated wage increases and more.

In general, the **workload budget** takes the actual operating expenses for FY 2019-20 and expands it due to rising enrollment, caseload and population, as well as inflation and any new statutory requirements for a program. Also considered are changes in operations, such as reductions in the vacancy rate. It also reduces the budget for specific line items that may no longer apply to the budget period. For example, contracts may expire, and the associated funding is no longer needed.

In tandem with the establishment of the workload budget, Covered California executives, board members and various stakeholders work to establish priorities for the upcoming budget year. This process involves reevaluating Covered California's core principles, mission and pillars. It also entails assessing what was accomplished during the most recent fiscal year and evaluating the current environment.

Some Covered California programs may make initial requests for resources, while some may remain static; resources may be adequate for what they intend to accomplish. Other programs may be implementing new policy initiatives, attempting to expand capacity to achieve specific goals, or working to close the gap between resources and workload.

Each program is required to submit a **budget concept statement (BCS)** that describes in detail their resource request. This may include a reduction in resources; however, this generally involves requesting new resources to meet changing workload as a result of budget priorities. The program must provide detailed analyses of workload, estimated contract costs and contract specifics such as the term of the contract. In addition, the program must justify the need for additional resources. In some cases, the justification may be due to a legislative mandate. In other cases, it may be the result of changing priorities and the establishment of a new initiative (e.g., state subsidies, mandate).

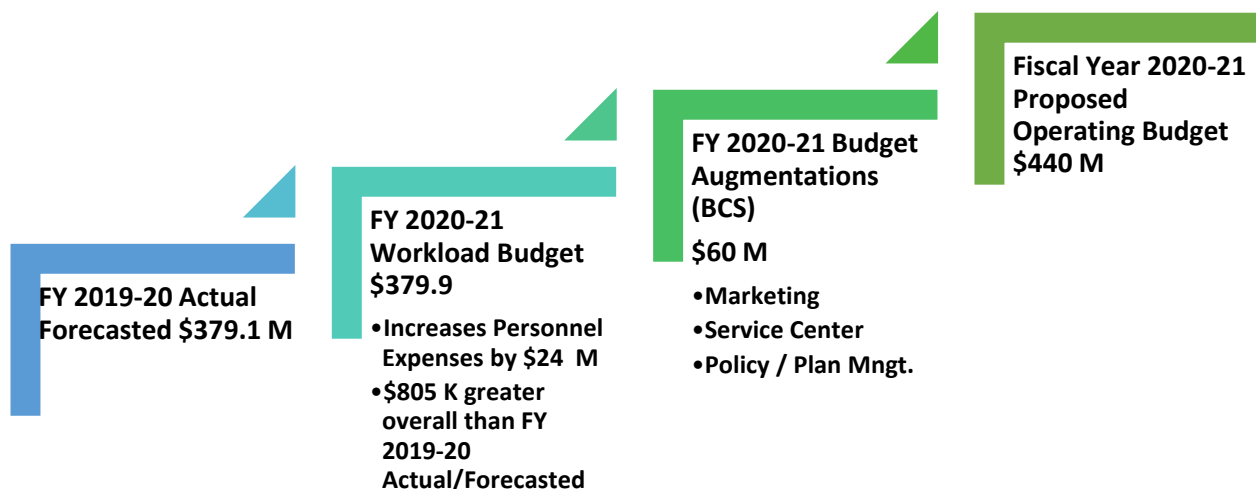
Budget Concept Statement (BCS)

A budget concept statement is a formal document that is required when a Covered California program needs additional resources or a reduction in resources to change the level of service or funding for activities authorized by the Board or executive management, or to propose new program activities not currently authorized.

Each BCS is evaluated by Covered California’s budget office. The submitted documentation is analyzed and monetized. Once all BCSs are summarized and estimated expenses are incorporated, prioritization begins. Because decisions must be made that are congruent with available Covered California financial resources, and Covered California’s future financial condition is always considered in light of the current budget requests, much deliberation occurs. Each program justifies the need for the current budgetary resource request, and executive management makes the final decision. Some BCS requests may be modified, while others may be eliminated or delayed until next fiscal year.

Once final decisions have been made, the BCSs are combined with the workload budget to create the FY 2020-21 operating budget (see Figure 14. Budget Process — Stages in Budget Development Process). This process is also followed for the capital projects budget.

**Figure 14.
Budget Process — Stages in Budget Development Process**



Fiscal Year 2020-21 Workload Budget

Covered California's workload budget for FY 2020-21 totals \$379.9 million, an increase 0.2 percent, or \$805,000 above actual operating expenses for FY 2019-20 actual/forecasted (see Table 21: Covered California Analysis of Change in Operating Expenses FY 2019-20 Actual vs. FY 2020-21 Workload Budget). For this analysis, Covered California classified operating expenses into three major expense categories:

- Personnel expenses.
- Contracts greater than \$1 million.
- Other operating expenses and equipment (OE&E).

The growth in operating expenses between the FY 2019-20 actual/forecasted and the FY 2020-21 workload budget was driven by the net effect of personnel expense increases and decreases in contracts greater than \$1 million and other operating expenses and equipment (OE&E).

Personnel expenses grew by 18.7 percent between FY 2019-20 actual/forecasted and the FY 2020-21 workload budget, rising from \$129.6 million to \$153.8 million (see Table 23. Covered California Analysis of Change in Operating Expenses FY 2019-20 Actual vs. FY 2020-21 Workload Budget). Roughly 60 percent of the increase was associated with staff benefits. This included a new commitment by the state to contribute to retiree health that equaled \$260 per-employee-per-month and supplemental pension contributions. Salary and wages accounted for roughly 40 percent of the increase and was driven by merit raises, a 2.5 percent general salary increase, reduced salary savings, reclassification of positions into higher salaried classifications, and retiree payouts. The decrease in "Contracts greater than \$1 million" was primarily the result of a decrease in CalHEERS/OSI contract expenses, related to one-time expenses associated with implementing state subsidies. The "other OE&E" decrease in expenses was related to IT contracts that expired during FY 2019-20.

Table 23.
Covered California
Analysis of Change in Operating Expenses
FY 2019-20 Actual vs. FY 2020-21 Workload Budget
(Dollars in Millions)

<u>Expense Category</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Difference</u>	<u>% Change</u>
	<u>Actual/Forecasted</u>	<u>Workload Budget</u>		
Personnel	\$129.6	\$153.8	\$24.2	18.7%
Contracts > \$1 Million	\$177.0	\$169.8	(\$7.2)	-4.1%
Other OE&E	<u>\$72.5</u>	<u>\$56.3</u>	<u>(\$16.2)</u>	<u>-22.3%</u>
Total	<u>\$379.1</u>	<u>\$379.9</u>	<u>\$0.8</u>	<u>0.2%</u>

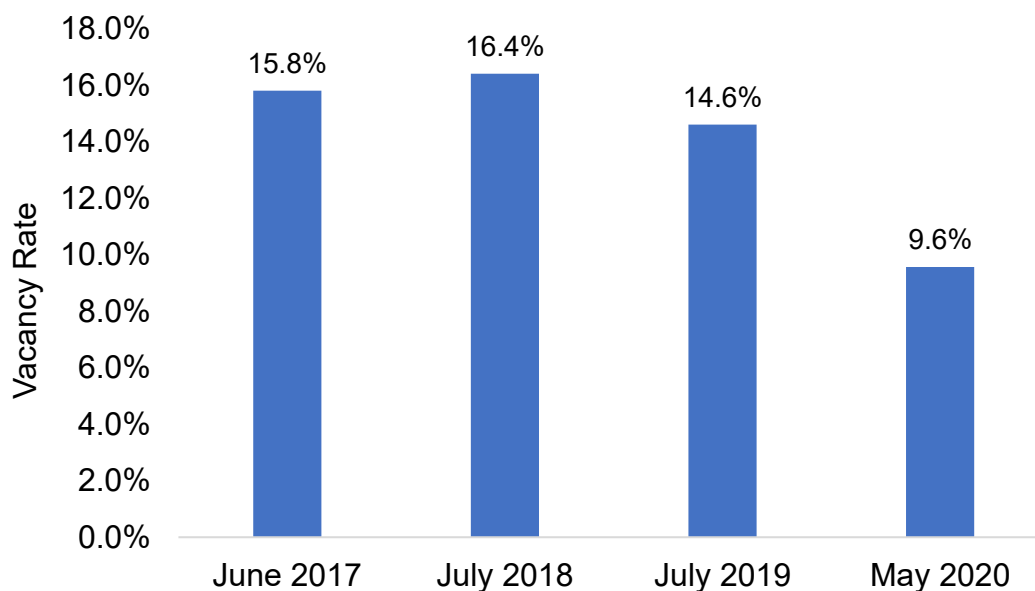
Personnel Expense Drivers

Vacancy Rate

Vacancies in authorized employee positions are a normal part of human resources management in both the public and private sectors. When employees move to other jobs or retire, it takes time to fill their positions, and when new positions are authorized, it takes time to fill them as well. The state’s overall budget has included provisions for “salary savings” to account for the fact that departments cannot fill 100 percent of their positions all of the time. When a department requests funding for new positions in a budget change proposal, its request for funds to cover salaries and related costs generally is reduced by 5 percent. In subsequent years, augmentations to departments to cover the increasing costs of employee salaries also generally are reduced to take account of the 5 percent salary savings factor. Covered California also experiences vacancies and has recognized a declining vacancy rate over the past couple of years.

In June 2017, Covered California’s vacancy rate was 15.8 percent, but by May 2020 the vacancy rate dropped to 9.6 percent (see Figure 15. Covered California’s Overall Vacancy Rate at Specific Points in Time). This represented a 6.2 percentage point decline from June 2017, or a 34.2 percent decline in the vacancy rate. While a drop in the vacancy rate is good for Covered California’s overall operations, it does increase personnel expenses. Salary savings declines due to the lower vacancy rate. Given the current environment, it is anticipated that attrition rates will be lower than historical trend due to the economic slowdown.

Figure 15.
Covered California’s Overall Vacancy Rate at Specific Points in Time



In the FY 2019-20 budget, Covered California assumed salary savings of 12 percent, which was based on an expected vacancy rate of roughly 14 percent. However,

throughout FY 2019-20, Covered California’s vacancy rate continued to decline. Dropping from 14.6 percent in July 2019 to 9.6 percent by May 2020. While Covered California recognized only a portion of the declining vacancy rate in FY 2019-20, it will recognize the full effects of the reduced vacancy rate in FY 2020-21. Therefore, the FY 2020-21 workload budget was adjusted for this fact. After adjusting for the revised vacancy rate (9.4 percent), salary savings dropped from 12 percent to 5.8 percent. In turn, personnel expenses rose by \$5.4 million.

Prefunding of Retiree Health Care

Commencing July 2018, the state and employees agreed to equally prefund retiree health care. The maximum contribution available to retired state employees has been the 100/90 formula. The state pays for 100 percent of the retiree’s health care premiums and 90 percent of that of their dependents. Retired state employees are generally eligible to receive this contribution after 20 years of state service. Retired employees with 10 years of state service receive 50 percent of this amount, increasing 5 percent annually until the 100 percent level is earned. Most state retirees receive the full 100/90 contribution.

The amount of the employee and matching employer contributions required to prefund retiree health care was phased in over three years, with a gradual increase in the percent of pensionable compensation. Covered California’s expense will be equal to 3.5 percent of PERS pensionable compensation in FY 2020-21, representing a 1.2 percent increase over FY 2019-20 (see Table 24. Prefunding of Retiree Health Care Percent Phase-In).

**Table 24.
Prefunding of Retiree Health Care Percent Phase-In**

Fiscal Year	Percent of Pensionable Compensation	Total FY Percent
July 2018	1.2 percent	1.2 Percent
July 2019	1.1 Percent	2.3 Percent
July 2020	1.2 Percent	3.5 Percent

Source: SEIU Contract. https://www.seiu1000.org/sites/main/files/file-attachments/seiu_master_agreement_2017_final1.pdf

Improving Affordability and Access to Health Care

All SEIU Local 1000 represented employees enrolled in a CalPERS health plan will receive a monthly payment of \$260 commencing July 1, 2020. It is estimated that this will cost Covered California \$1.9 million for FY 2020-21.

General Salary Increase

Effective July 1, 2020, all SEIU employees will receive a 2.5 percent salary increase. Covered California’s expenses for FY 2020-21 total \$88.0 million.

Supplemental Pension Payment

The state borrowed \$6 billion from the state's portion of the Pooled Money Investment Account (PMIA) to make a supplemental payment to CalPERS³³. This \$6 billion contribution was made in addition to the actuarially required contributions to CalPERS — referred to as an “additional discretionary payment” to CalPERS. The loan would be repaid with interest each year. The rate would float (vary) with a two-year Treasury rate — specifically, an index based on the average yield of a range of Treasury securities, adjusted to the equivalent of a two-year maturity. Each state fund would begin making payments in 2018-19 and would later proportionally compensate the General Fund for their share of the interest and principal. In FY 2020-21, Covered California’s portion totals \$3.2 million.

Contribution for Employee’s Health Care Premiums

The state pays a large share of state employee health premiums. The state’s contribution is determined through a two-step process:

- Calculate Average Premium Cost: The state identifies the four health plans with the highest enrollment of state employees and calculates a weighted average of the premiums for these plans.
- Apply Contribution Rate: For most state employees, the state pays 80 percent of the average premium cost for the employee and 80 percent of the average additional costs for his or her dependents. This is referred to as the “80/80” formula.

Health care inflation results in additional benefit expenses for Covered California. In addition, the mix of employees, single individuals versus families with dependents, also affects benefit expenses.

Mid-Year Staff Additions

During FY 2019-20, Covered California added five (5) staff positions. These staff positions were added to Policy (2), Information Technology (2) and Public Relations and Communications (1).

Workload Budget

As noted, the workload budget represents the FY 2020-21 budget assuming no new policy initiatives and adjusted for inflation, caseload, etc. The FY 2020-21 workload budget totals \$379.9 million. Personnel accounts for \$153.8 million, or 40 percent of overall workload budget expenses. Contracts greater than \$1 million accounts for \$169.8 million and constitutes 45 percent of total workload budget expenses, while other operating expenses and equipment accounts for \$56.3 million and 15 percent of overall workload budget expenses.

³³ *Repaying the CalPERS Borrowing Plan*, California Legislative Analyst’s Office, April 4, 2018. <https://lao.ca.gov/Publications/Report/3797>.