



*The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
100 City Hall Plaza, 6th floor
Boston, MA 02108*

CHARLES BAKER
Governor

MARYLOU SUDDERS
Board Chair

KARYN POLITO
Lieutenant Governor

LOUIS GUTIERREZ
Executive Director

**Board of the Commonwealth Health Insurance Connector Authority
Administration and Finance Subcommittee Meeting**

Minutes

Tuesday, June 7, 2016
2:00 PM to 3:00 PM

State House
Boston, MA 02133
Room 373 Conference Room

Attendees: Marylou Sudders, Louis Gutierrez, Celia Wcislo. Lauren Peters attended as the representative of Kristen Lepore.

The meeting was called to order at 2:07 PM.

- I. Minutes:** The minutes of the February 3, 2016 ANF Subcommittee meeting were unanimously approved.
- II. FY2016 and FY2017 Administrative Finance Update:** The PowerPoint presentation “FY2016 and FY2017 Administrative Finance Update” was presented by Health Connector staff members Kari Miller, Chief Financial Officer, and Nupur Gupta, Financial Analyst. Ms. Miller began by providing an overview of the presentation, stating that it would cover a Fiscal Year (FY) 2016 and 2017 administrative finance update as well as an update on Health Connector audits. She stated that the FY16 year-end projection reflects a net loss of \$16.8M, which is favorable compared to the February reforecast, due to an increase in carrier fee revenue. She stated that the FY17 administrative budget projection reflects a net loss of \$2.7M, suggesting a path toward stability. In response to a question from Ms. Wcislo, Ms. Miller explained that the Health Connector is fortunate to be able to access dedicated revenue from the Commonwealth Care Trust Fund (CCTF). She stated that, in FY16, the Health Connector received \$23.2M from the CCTF. Next, Ms. Gupta

reviewed trends in Health Connector budget forecasts, noting that the current year-end projection reflects a \$16.8M net loss. She stated that year-end project expenses are expected to be \$71.7M in FY16, reflecting a decrease since the previous reforecast, primarily due to Affordable Care Act (ACA) transition costs. She noted that ACA transition costs have no impact on the bottom line. Ms. Wcislo inquired whether Health Connector operating costs have increased due to changes required by the ACA. Mr. Gutierrez stated that further detail would be provided later in the presentation but noted that the ACA is more complicated from a regulatory and operational perspective. Next, Ms. Gupta discussed FY16 enrollment month-by-month and noted an increase in enrollment compared to the February projection, primarily due to increased enrollment in the ConnectorCare program. She reviewed a chart and stated that ConnectorCare enrollment increases are due to a successful 2016 Open Enrollment period, MassHealth timeclocks, elimination of Health Safety Net (HSN) coverage and enrollment from the “eligible but unenrolled” population. She added that enrollment increases were offset by Health Connector timeclock activity as well as termination assumptions. She noted that the reforecast originally projected an enrollment decrease in February and March due to timeclocks but that this activity will now be reflected in FY17. She stated that the enrollment presented in the chart represents retroactivity and will therefore differ from Board report enrollment numbers as the Board report reflects point-in-time enrollment. Ms. Miller added that this also yields more accurate Per Member Per Month (PMPM) amounts. In response to a question from Ms. Wcislo, Ashley Hague, Deputy Executive Director of Strategy and External Affairs at the Health Connector, stated that the Commonwealth Care program ended with approximately 250,000 enrollees but noted that many then transitioned to MassHealth. Therefore, she noted, current enrollment is the Health Connector’s highest enrollment to date. Next, Ms. Gupta discussed the FY16 administrative budget reforecast and stated that, compared to February, the net position improved by \$1M. She stated that the primary driver is an increase in carrier fee revenue of \$1.4M. She added that federal grants, that are considered revenue, offset the variance in expenses. She noted that Health Insurance Exchange (HIX) Operations and Maintenance (O&M) expenses increased by \$0.3M. She stated that the Health Connector will end the year with \$17.6M in reserves.

Ms. Miller then reviewed the FY17 administrative budget recommendation. She stated that the FY17 administrative budget recommendation results in a net loss of \$2.7M and reflects the exhaustion of federal grant funds. She stated that the goal is to reach a break-even budget and that the Health Connector is moving in that direction. She outlined key assumptions in the budget, including the Health Connector’s recently-renewed contract with Dell. She stated that the only federal funding in the FY17 budget recommendation supports HIX and the Small Business Health Options Program (SHOP) – the remaining ACA transition costs. She stated that the budget includes ongoing risk adjustment assumptions for Plan Year 2016. She noted that revenue assumptions are unchanged, with a carrier fee of 2.5 percent to 3.0 percent and additional CCTF revenue. Next, Ms. Miller discussed historical per member costs and enrollment. She reviewed a chart and explained that the red bars represent PMPM administrative costs, which equal total expenses divided by total member months. She noted that, in FY07, the PMPM was \$20. She stated that, in subsequent years after the Health Connector’s launch, costs decreased but then increased

again in FY13 through FY17 due to costs associated with transition to the ACA. Secretary Sudders noted that 321,000 individuals were in temporary Medicaid coverage during the transition. Ms. Hague added that, while new members were put into temporary Medicaid coverage, the Health Connector maintained individuals in its unsubsidized population that is now considered the unsubsidized or Advance Premium Tax Credit (APTC)-only population. In response to a question from Secretary Sudders, Ms. Miller replied that she could look into the proportion of state and federal costs included in the total cost. Ms. Hague added that the Health Connector did not receive carrier revenue in prior years but received it again in FY16. In response to a question from Ms. Wcislo, Ms. Miller answered that the costs shown reflect only Health Connector costs. Ms. Miller stated that the PMPM decreased by approximately a dollar from FY16 to FY17. Mr. Gutierrez noted that HIX release activities remain significant and that Subject Matter Experts (SMEs) are conducting a lot of system testing during the ongoing transition.

Ms. Miller then discussed the Dell contract reflected in the FY17 budget. She stated that Dell runs the Health Connector's call center and conducts premium billing, primarily for the non-group population. She stated that the Health Connector recently signed a four-year contract with Dell, providing the Health Connector certainty for the future. She reviewed the key terms, including a \$6.77 per member per policy per month amount. She stated that, in this contract, the Health Connector and Dell prospectively agree on call assumptions and staffing levels. In response to a question from Ms. Wcislo, Ms. Miller confirmed that an example of a Service Level Agreement (SLA) is the agreed-upon acceptable length of time an individual can wait on hold before their call is answered. In response to a question from Ms. Wcislo, Mr. Gutierrez replied that "CRM" is the new Customer Relationship Management (CRM) system, Salesforce, which is in the cloud and allows Customer Service Representatives (CSRs) to better record and track calls. In response to a question from Ms. Peters regarding whether there is flexible funding available if call volume increases, Mr. Gutierrez replied that, in the Health Connector's initial agreement with Dell, the Health Connector was going to need to make service cuts. Instead, he stated, buffer funding has been taken to buy back service levels. Vicki Coates, the Health Connector's Chief Operating Officer, added that the contract increases penalties significantly if Dell does not meet service levels. Next, Ms. Miller discussed federal revenue in FY17. She stated that federal revenue to support operations in FY17 is exhausted and that, in FY16, the Health Connector was able to use \$200,000 in federal funding to fund staff costs incurred by remaining required ACA activities. She added that, now, federal funds can only be used to support remaining HIX and SHOP projects. Ms. Miller then discussed HIX O&M costs for FY17. She stated that the FY17 administrative budget recommendation reflects a \$5.1M liability for the Health Connector for HIX. She noted that this is higher than initially estimated. In response to a question from Ms. Wcislo, Mr. Gutierrez clarified that the \$5.1M reflects the Health Connector's ongoing operating costs, not development costs.

Next, Ms. Miller discussed FY17 administrative budget uncertainties. She stated that enrollment can impact the budget forecast as well as call center and premium processing work orders that could be needed outside of the contract with Dell. She noted SHOP development and implementation as an uncertainty, as the Health Connector has \$5.5M in

federal funding for SHOP development that expires in December 2016. Another uncertainty, she added, is that HIX O&M costs could shift between fiscal years. In response to a question from Ms. Wcislo regarding whether Massachusetts is required to run a SHOP program, Mr. Gutierrez stated that the Health Connector is conducting a final examination of options and plans to provide an update to the Board of Directors in July. Ms. Miller continued to review FY17 administrative budget considerations and noted that the Health Connector has remaining establishment grant funding as well as capital funds from the Massachusetts Office of Information Technology (MassIT). In response to a question from Ms. Wcislo, Ms. Miller replied that just over \$12M is to be paid by MassIT. She noted pension liability as a budget uncertainty, as the Health Connector does not currently have pension liability. She stated that pension liability belongs to the Commonwealth but the Health Connector now must record its liability. She stated that the Health Connector's liability from its inception is approximately \$7.5M and that, while there is currently no legislation stating that the Health Connector is liable, it would be a significant cost if that were to change. Ms. Miller then reviewed FY17 projected enrollment, stating that enrollment is projected to be 18 percent higher than in FY16. She added that most of the increase is expected to be in the ConnectorCare program. She stated that the decrease from July to August represents timeclock assumptions. She noted that FY17 enrollment projections also incorporate MassHealth redeterminations and timeclock activity. In response to a question from Secretary Sudders, Ms. Miller answered that the assumption for terminations is 2.5 percent per month. In response to a question from Ms. Wcislo, Ms. Miller stated that the Health Connector is dedicated to researching where its members come from and added that the Health Connector would like to collaborate with MassHealth on this effort. Ms. Hague added that, through data, the Health Connector can determine member churn from MassHealth but that, since the Health Connector is not linked with the Department of Unemployment Assistance (DUA), for example, it cannot determine which members are receiving unemployment assistance. She added that the Health Connector hopes to access the All Payer Claims Database (APCD) to determine whether it can track members. In addition, she stated, the Health Connector tries to use survey tools to understand why members enroll in coverage. Ms. Miller then reviewed FY17 expected expenses and stated that \$11.9M is expected from federal grant funding and that \$66.6M will be for operations costs. She noted that over two-thirds of the budget is related to customer service expenses. In response to a question from Ms. Wcislo, Ms. Miller answered that non-group call center and premium processing are conducted by Dell. She then reviewed the FY17 budget recommendation in detail and stated that a net loss of \$2.7M is projected at the end of FY17. In response to a question from Secretary Sudders, Ms. Miller explained that the \$8M for personnel includes all staff salaries, plus fringe. She added that consultant costs are considered elsewhere in the budget. In response to a question from Secretary Sudders, Ms. Miller confirmed that administrative costs reflect non-personnel support such as copy machines. In response to a request from Ms. Peters, Ms. Miller stated that she could provide a comparison of budget categories in FY16 and FY17. She added that, in FY17, Dell, HIX O&M and personnel costs are higher than in FY16. Mr. Gutierrez noted that the Health Connector has tried to decrease its contracted resources.

- III. Audit Update:** The “FY2016 Financial Audit Planning” portion of the Administrative Finance Update presentation was presented by Kari Miller. She stated that the Health Connector is currently required to undergo three audits: a standard financial audit, an A-133 audit and a programmatic audit, which is a new Centers for Medicare & Medicaid (CMS) requirement. She stated that audits will be done by KPMG. She stated that the Health Connector’s Master Services Agreement (MSA) with KPMG was extended through June 30, 2017 and that this will be the last work order under that procurement. She reviewed the timeline of anticipated audit activities and stated that the programmatic audit will begin at the end of the calendar year. In response to a question from Ms. Wcislo, Ms. Miller stated that the programmatic audit is a CMS requirement and includes enrollment, the Navigator program, and the call center. She noted that it is more expansive than the financial audit. In response to a question from Ms. Wcislo, Secretary Sudders replied that it is good practice to conduct a re-procurement every few years and Ms. Miller confirmed that the Health Connector will re-procure next year.
- IV. Update to Bylaws:** Ashley Hague presented the “Update to Bylaws” agenda item. She stated that the Health Connector received feedback on bylaws updates from Board members and that the Health Connector is revisiting the section that received the most feedback. She stated that the Health Connector wanted to bring the updates before the ANF Subcommittee because the bylaws relate to contracts and finance. She noted that the full Board, not the ANF Subcommittee, can amend the bylaws but the Health Connector will bring a bylaws update to the Board of Directors at the July meeting. She then reviewed the proposed updates. She stated that, currently, the Health Connector gives the Board notification five days in advance before signing contracts between \$5,000 and \$250,000. She stated that the Health Connector proposes to increase the threshold to \$15,000 because most contracts are larger than \$5,000. She added that the five-day requirement means that the Health Connector must enter into several small contracts and that, while the Health Connector will still notify the Board every month, the notification will not necessarily occur immediately prior to when work begins under the contract. She stated that the current contract threshold requiring a Board vote is \$250,000 and that the Health Connector does not propose to change that amount. She noted that while a lot of the Health Connector’s contracts are for substantial amounts, most of the contract-related Board votes are for change orders, work orders or contract extensions. She stated that the next substantive change to the bylaws is the proposal that the Health Connector does not need to come before the Board for a vote on a change order, work order or extension unless the change is in excess of 25 percent of the original contract amount. Secretary Sudders stated that Board members may want assurance that a change order near 25 percent would not have a material impact on the Health Connector’s overall bottom line. She stated that the Health Connector is on a path to sustainability and that appropriate pressure from the Board is put on staff. Ms. Peters suggested an edit to the bylaws that states that if a contract change affects the bottom line, the Health Connector must come to the Board for a vote. Ms. Hague noted that the Board votes on the budget but that it changes throughout the year. Secretary Sudders stated that the ANF Subcommittee unanimously recommends that the changed bylaws be brought before the Board of Directors.

V. **Personnel Review:** The ANF Subcommittee then conducted a personnel review. Edward DeAngelo, General Counsel at the Health Connector, stated that Board members must meet once per year to discuss executive compensation without executive staff present. Executive staff members then left the room; the only staff member of the Health Connector present during this discussion was the writer of these minutes. Secretary Sudders remarked that Mr. Gutierrez's performance evaluation does not accurately reflect his significant contributions and stated that Mr. Gutierrez understates his performance. Ms. Wcislo stated that Mr. Gutierrez's hiring choices, particularly Ms. Coates, have been exceptional. She stated that he is well-liked by staff and that it is exceptional that he was able to rally staff after the transition years. Ms. Peters agreed. Ms. Wcislo stated that the Health Connector is much calmer and that the system is working better. She added that the Student Health Insurance Program (SHIP) presentation at the upcoming Board of Directors meeting will exhibit improved collaboration with MassHealth. Secretary Sudders noted that Mr. Gutierrez requested that there be no increase to his salary. She acknowledged that the ANF Subcommittee reviewed the salaries of the top seven Health Connector employees. Ms. Wcislo commended Ms. Miller, stating that, given the complexities of the Health Connector's finances, Ms. Miller has done an excellent job stepping into the role and presenting information clearly. Ms. Peters remarked that Health Connector salaries tend to be higher than in other agencies and Ms. Wcislo stated that salaries tended to be higher in the past because employees were hired from the insurance industry. Secretary Sudders stated that if employees with longer tenure leave the agency, salaries might need to be leveled.

The meeting was adjourned at 3:04 PM.

Respectfully submitted,
Maria H. Joy