



FY22 and FY23 Health Connector Financial Update

Administration and Finance Subcommittee Meeting

January 19, 2022

Overview

The purpose of this presentation is to provide the A&F Subcommittee with updated FY22 financial projections and present the FY23 budget recommendation.

Programmatic Budget

- Current projected FY22 expenses are \$21.7M lower than what was communicated at the June A&F Subcommittee meeting. The difference is mostly due to lower membership
- FY23 recommendation is estimated at \$158.3M net of FFP, an increase of \$78.4M compared to current FY22 projections. The increase is primarily due to the uncertain future for the federal Build Back Better legislation (ending of more generous subsidies under ARP)
 - FY22 and FY23 assume the Public Health Emergency (PHE) ends on April 15, 2022

Administrative Budget*

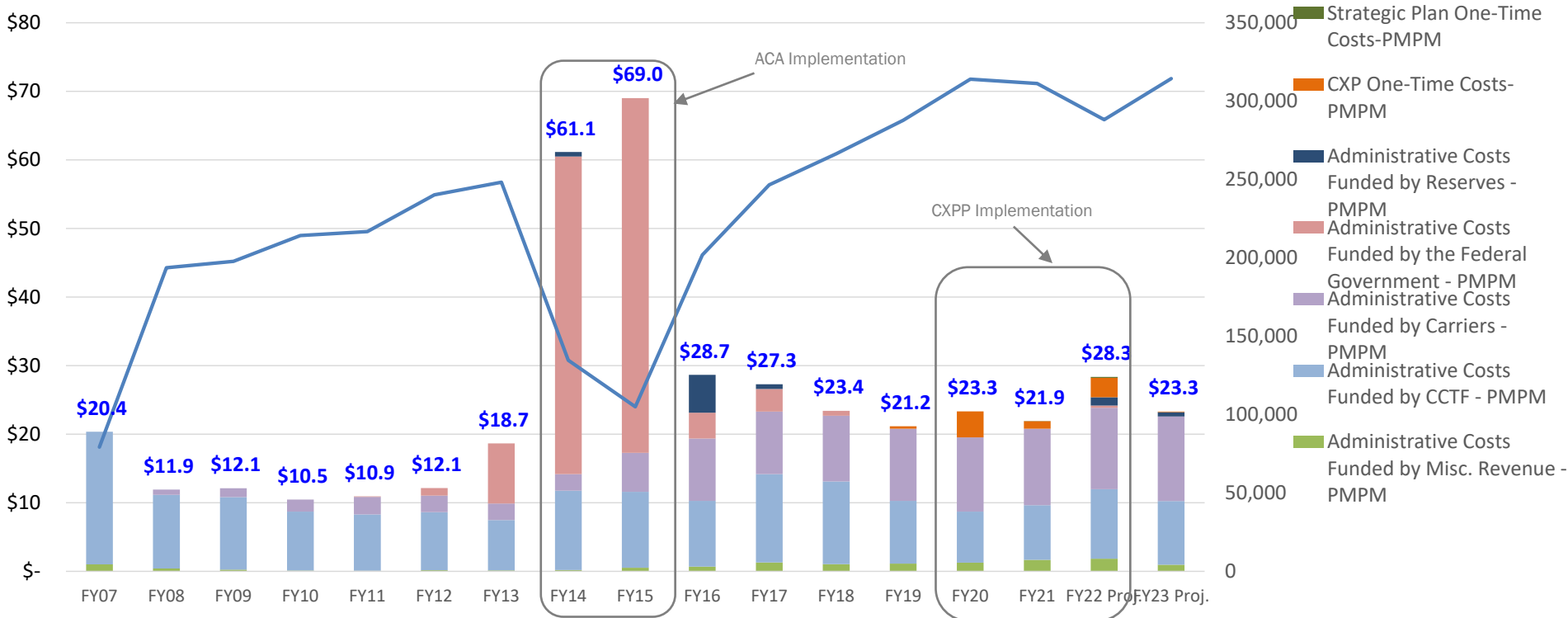
- FY22 net position is unfavorable to the Board-approved budget by \$0.8M
- FY23 proposed budget reflects an approximately break-even net position and the completion of CXP implementation activities

*Please note all variances are reflective of the non-GAAP net position, before GASB51 adjustments are applied

Health Connector Per Member Per Month Administrative Costs - Inflation Adjusted

Exclusive of one-time implementation costs and strategic plan investments, the PMPMS are \$25.4 and \$23.2 for FY22 and FY23, respectively.

Health Connector Administrative Costs
Per Member Per Month Costs (PMPM)





FY22 Update

FY22 ConnectorCare Key Assumptions

- **Assumed that the PHE announced by HHS will not be extended beyond April 15, 2022**
 - Under this assumption, the Health Connector is likely to see the first members coming from MassHealth in May 2022
 - If PHE is further extended, the programmatic budget costs will be reduced (but the administrative budget impact would be unfavorable)
- **FY22 includes an added 2nd tier for premium stabilization**

FY22 Health Connector Program Budget

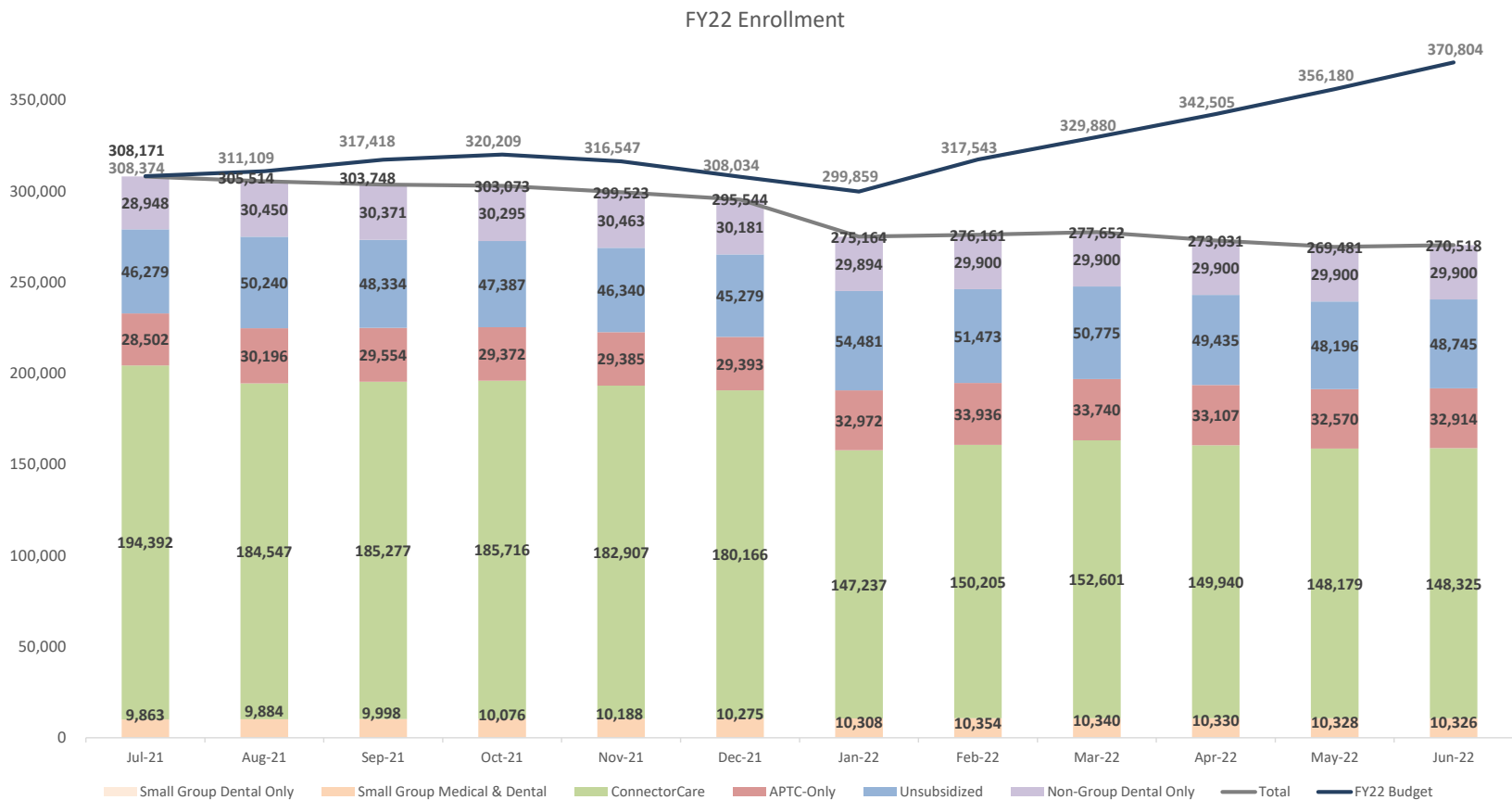
Net of FFP, FY22 is estimated at \$79.9M which is \$21.7M lower than the estimate produced for the June A&F Subcommittee meeting. This favorable variance is mostly due to lower membership. CY2022 rates (their impact on state premium wrap) and carriers' resubmission of CSR reconciliation files are also contributing to the difference.

| | FY22 as of June 2021 A&F Subcommittee meeting | FY22 as of January 2022 | Jan 2022 vs. June 2021 Variance |
|--|---|----------------------------|------------------------------------|
| ConnectorCare Year-End Members | 216,117 | 148,325 | (67,792) |
| ConnectorCare Members (Avg) | 198,092 | 166,816 | (31,276) |
| ConnectorCare Member Months | 2,377,103 | 2,001,789 | (375,314) |
| ConnectorCare (AWSS + NON AWSS + AI/AN) | \$117,333 | \$80,051 | -\$37,282 |
| State Premium Wrap | \$24,334 | \$13,655 | -\$10,679 |
| State CSR | \$132,787 | \$112,528 | -\$20,258 |
| Cost Sharing Reduction Reconciliation (CY 20) | -\$39,788 | -\$46,132 | -\$6,344 |
| State Mandated Benefits | \$501 | \$418 | -\$83 |
| MLR Rebate | \$0 | -\$463 | -\$463 |
| Wellness program subsidies | \$800 | \$450 | -\$350 |
| CCTF Draw | \$35,000 | \$35,000 | \$0 |
| Total Program Cost (Gross) | \$153,634 | \$115,456 | -\$38,178 |

| | | | |
|--|------------------|------------------|------------------|
| ConnectorCare (AWSS + NON AWSS + AI/AN) | \$65,319 | \$44,298 | -\$21,022 |
| State Premium Wrap | \$14,129 | \$8,040 | -\$6,089 |
| State CSR | \$74,919 | \$63,301 | -\$11,619 |
| Cost Sharing Reduction Reconciliation (CY 20) | -\$23,729 | -\$27,043 | -\$3,313 |
| State Mandated Benefits | \$501 | \$418 | -\$83 |
| MLR Rebate | \$0 | -\$251 | -\$251 |
| Wellness program subsidies | \$800 | \$450 | -\$350 |
| CCTF Draw | \$35,000 | \$35,000 | \$0 |
| Total Program Cost (Net of FFP) | \$101,620 | \$79,914 | -\$21,706 |

FY22 Projected Enrollment

FY22 projected enrollment reflects an **11.3%** decrease compared to the BOD budget mostly due to the extension of the PHE to April 15th. The BOD budget assumed the PHE would end on December 31, 2021.



FY22 Administrative Budget

The FY22 net position reflects a \$0.8M unfavorable variance primarily due to additional implementation support required for walk-in centers.

| FY22 Health Connector Administrative Budget | FY2022 BOD Approved Budget (July 2021) | FY2022 Current | Variance (Current vs. BOD) | |
|--|--|----------------------|----------------------------|------------|
| Total Member Months | 3,898,462 | 3,457,580 | (440,882) | -11.3% |
| Revenue: | | | | |
| Carriers | \$45,342,946 | \$41,080,575 | -\$4,262,371 | -9% |
| CCTF | \$35,000,000 | \$35,000,000 | \$0 | 0% |
| Student Health Insurance Program | \$90,000 | \$90,000 | \$0 | 0% |
| GASB 68 (Pension Liability) Revenue | \$3,057,632 | \$3,057,632 | \$0 | 0% |
| American Rescue Plan (ARP) Implementation | \$3,728,098 | \$2,800,960 | -\$927,138 | -25% |
| Investment & Miscellaneous Revenue | \$404,246 | \$427,682 | \$23,436 | 6% |
| Total Revenue | \$87,622,921 | \$82,456,848 | -\$5,166,072 | -6% |
| Expense: | | | | |
| Call Center, Enrollment and Premium Processing | \$55,174,695 | \$50,619,736 | -\$4,554,958 | -8% |
| Customer Experience Implementation | \$8,786,183 | \$9,796,386 | \$1,010,203 | 11% |
| HIX Operations and Maintenance | \$8,500,000 | \$8,500,000 | \$0 | 0% |
| Appeals Program | \$413,044 | \$381,347 | -\$31,697 | -8% |
| Navigators, Outreach and Education | \$5,580,142 | \$5,894,142 | \$314,000 | 6% |
| Personnel and Fringe | \$10,115,028 | \$10,049,778 | -\$65,251 | -1% |
| GASB 75 (OPEB Obligation) | \$570,941 | \$621,211 | \$50,269 | 9% |
| GASB 68 (Pension Liability) | \$3,057,632 | \$3,057,632 | \$0 | 0% |
| IT (non-HIX)/Facility/Administrative | \$3,722,737 | \$3,863,243 | \$140,506 | 4% |
| Consulting and Professional Support | \$2,091,888 | \$1,975,958 | -\$115,931 | -6% |
| HIX Noticing and OE Improvements | \$300,000 | \$300,000 | \$0 | 0% |
| Strategic Plan Investments | \$275,000 | \$125,000 | -\$150,000 | -55% |
| American Rescue Plan (ARP) Implementation | \$3,728,098 | \$2,800,960 | -\$927,138 | -25% |
| Total Expense | \$102,315,388 | \$97,985,392 | -\$4,329,996 | -4% |
| Net Position | -\$14,692,467 | -\$15,528,544 | -\$836,077 | 6% |
| Reserves | \$29,254,651 | \$32,015,585 | \$2,760,934 | 9% |
| GASB 51 Adjustment | | | | |
| GASB 51 Adjustment | \$952,843 | -\$297,796 | -\$1,250,639 | -131% |
| Total Expense Inclusive of GASB 51 Adjustment | \$103,268,231 | \$97,687,596 | -\$5,580,635 | -5% |
| Net Position with GASB 51 Adjustment | -\$15,645,310 | -\$15,230,748 | \$414,562 | -3% |
| Reserves with GASB 51 Adjustment | \$45,341,034 | \$49,388,392 | \$4,047,358 | 9% |

The key driver of the unfavorable variance is higher than expected implementation costs for walk-in centers.

- Call Center, Enrollment, and Premium Processing reflects the impact of enrollment due to the extension of the PHE and is offset by the decrease to projected carrier fee revenue
- The increase to Customer Experience implementation is due to walk-in centers

Additional drivers:

- Investment income revenue reflects lower projected interest rates, offset by the timing of wellness subsidy revenue
- ARP implementation reflects timing, inclusive of actual expenditures
- Navigators reflect investment in additional capacity
- Consulting and Professional Support reflects reprioritization of policy projects
- Reduction in strategic plan projects reflects reallocation to fund the Easy Enroll outreach program



FY23 Budget Recommendation

FY23 ConnectorCare Key Assumptions

- PHE ends on April 15, 2022
- Assumed that the more generous APTC subsidies of the ARP do not continue into 2023
- FPL increase assumed to be 5.5% for a family of 1, which impacts enrollee contributions.
 - Assumed that the methodology used in the calculations of the State Affordability Schedule is unchanged
- CSR loaded rates continue for CY23
- Premium stabilization continues for CY23 with the same approach as CY22
- No changes in carrier participation
- Other areas of uncertainty remain

FY23 Health Connector Program Budget Recommendation

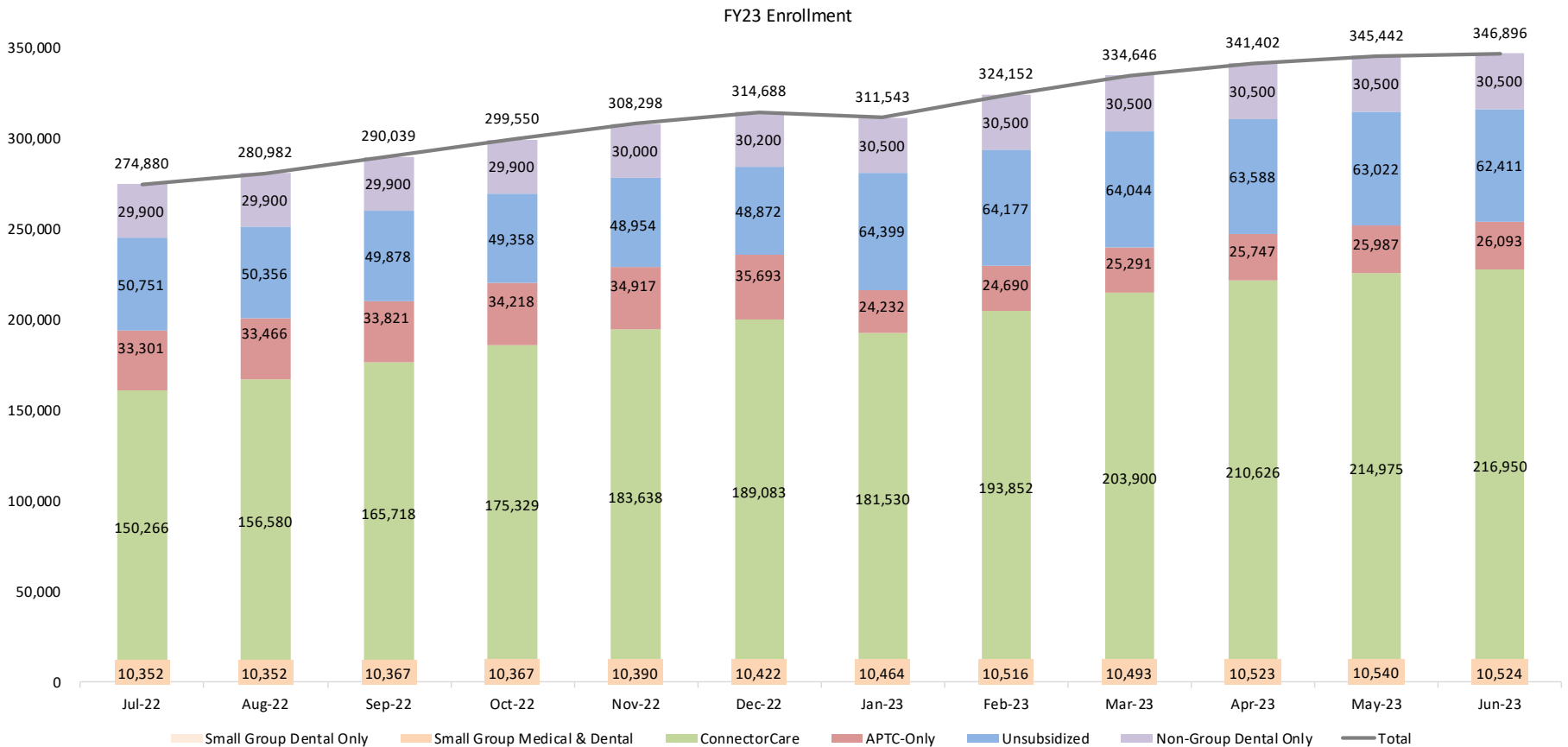
FY23 Health Connector programs are estimated at \$158.3M net of FFP, an increase of \$78.4M compared to current projections for FY22. The increase is mostly due to an uncertain future for federal Build Back Better legislation. A decrease in CSR reconciliation, as well as an increase in CSR advance payments (resulting from expected claim increase), and membership growth due to the end of the PHE period are also contributing to the difference.

| | FY22 as of January 2022 | FY23 Maintenance as of January 2022 | FY23 vs FY22 as of January 2022 |
|--|-------------------------|-------------------------------------|---------------------------------|
| ConnectorCare Year-End Members | 148,325 | 216,950 | 68,625 |
| ConnectorCare Members (Avg) | 166,816 | 186,871 | 20,055 |
| ConnectorCare Member Months | 2,001,789 | 2,242,447 | 240,658 |
| ConnectorCare (AWSS + NON AWSS + AI/AN) | \$80,051 | \$214,212 | \$134,162 |
| State Premium Wrap | \$13,655 | \$89,308 | \$75,653 |
| State CSR | \$112,528 | \$142,904 | \$30,376 |
| Cost Sharing Reduction Reconciliation (CY 21) | -\$46,132 | -\$18,000 | \$28,132 |
| State Mandated Benefits | \$418 | \$460 | \$41 |
| MLR Rebate | -\$463 | \$0 | \$463 |
| Wellness program subsidies | \$450 | \$500 | \$50 |
| CCTF Draw | \$35,000 | \$37,500 | \$2,500 |
| Total Program Cost (Gross) | \$115,456 | \$252,672 | \$137,216 |

| | | | |
|--|------------------|------------------|-----------------|
| ConnectorCare (AWSS + NON AWSS + AI/AN) | \$44,298 | \$119,874 | \$75,576 |
| State Premium Wrap | \$8,040 | \$50,767 | \$42,727 |
| State CSR | \$63,301 | \$79,658 | \$16,358 |
| Cost Sharing Reduction Reconciliation (CY 21) | -\$27,043 | -\$10,552 | \$16,491 |
| State Mandated Benefits | \$418 | \$460 | \$41 |
| MLR Rebate | -\$251 | \$0 | \$251 |
| Wellness program subsidies | \$450 | \$500 | \$50 |
| CCTF Draw | \$35,000 | \$37,500 | \$2,500 |
| Total Program Cost (Net of FFP) | \$79,914 | \$158,333 | \$78,419 |

FY23 Projected Enrollment

Projected enrollment for FY23 is 9.1% higher than FY22 primarily due to expected growth in ConnectorCare following the end of the PHE, anticipated for April 15, 2022.

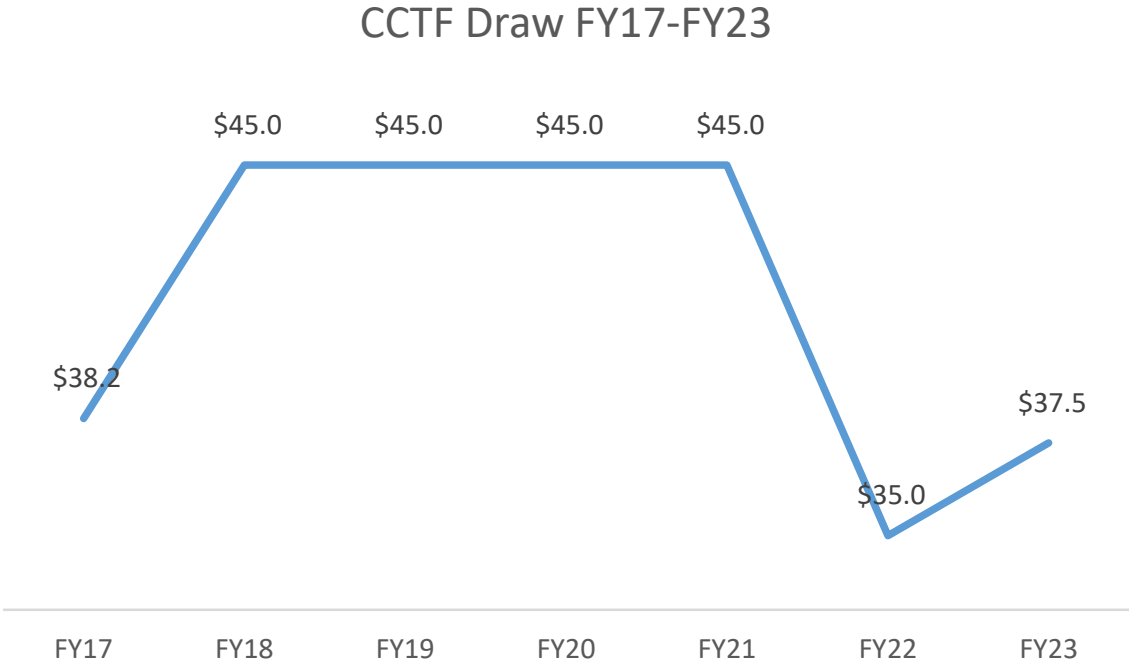


FY23 Administrative Budget Considerations

- FY23 non-GAAP net position reflects final CXP implementation expenses for walk-in centers with Accenture and the GAAP net position includes depreciation
- The Health Connector has increased the requested CCTF administrative draw in FY23 by \$2.5M, from \$35M to \$37.5M
- Significant uncertainty remains:
 - Impact and duration of COVID-19 pandemic
 - Build Back Better plan and other potential federal legislation that would impact Health Connector membership and operations

Health Connector Historical CCTF Draw for Program Administration

Following the \$2.5M increase, the FY23 CCTF draw remains below the level of support from prior years, exclusive of FY22.



FY23 Administrative Budget Recommendation

The FY23 proposed budget reflects an approximately break-even net position and the completion of CXP implementation activities.

| FY23 Health Connector Administrative Budget | FY2022 Current | FY2023 Current | Variance (FY23 vs. FY22) | |
|--|----------------------|---------------------|--------------------------|-------------|
| Total Member Months | 3,457,580 | 3,772,518 | 314,938 | 9.1% |
| Revenue: | | | | |
| Carriers | \$41,080,575 | \$46,526,375 | \$5,445,800 | 13% |
| CCTF | \$35,000,000 | \$37,500,000 | \$2,500,000 | 7% |
| Student Health Insurance Program | \$90,000 | \$90,000 | \$0 | 0% |
| GASB 68 (Pension Liability) Revenue | \$3,057,632 | \$3,149,361 | \$91,729 | 3% |
| American Rescue Plan (ARP) Implementation | \$2,800,960 | \$0 | -\$2,800,960 | -100% |
| Investment & Miscellaneous Revenue | \$427,682 | \$369,824 | -\$57,857 | -14% |
| Total Revenue | \$82,456,848 | \$87,635,561 | \$5,178,712 | 6% |
| Expense: | | | | |
| Call Center, Enrollment and Premium Processing | \$50,619,736 | \$51,607,851 | \$988,115 | 2% |
| Customer Experience Implementation | \$9,796,386 | \$308,255 | -\$9,488,131 | -97% |
| HIX Operations and Maintenance | \$8,500,000 | \$8,500,000 | \$0 | 0% |
| Appeals Program | \$381,347 | \$414,044 | \$32,697 | 9% |
| Navigators, Outreach and Education | \$5,894,142 | \$7,283,224 | \$1,389,082 | 24% |
| Personnel and Fringe | \$10,049,778 | \$10,896,589 | \$846,811 | 8% |
| GASB 75 (OPEB Obligation) | \$621,211 | \$588,070 | -\$33,141 | -5% |
| GASB 68 (Pension Liability) | \$3,057,632 | \$3,149,361 | \$91,729 | 3% |
| IT (non-HIX)/Facility/Administrative | \$3,863,243 | \$3,602,702 | -\$260,541 | -7% |
| Consulting and Professional Support | \$1,975,958 | \$1,506,364 | -\$469,594 | -24% |
| HIX Noticing and OE Improvements | \$300,000 | \$0 | -\$300,000 | -100% |
| Strategic Plan Investments | \$125,000 | \$0 | -\$125,000 | -100% |
| American Rescue Plan (ARP) Implementation | \$2,800,960 | \$0 | -\$2,800,960 | -100% |
| Total Expense | \$97,985,392 | \$87,856,460 | -\$10,128,932 | -10% |
| Net Position | -\$15,528,544 | -\$220,900 | \$15,307,644 | -99% |
| Reserves | \$32,015,585 | \$31,794,685 | -\$220,900 | -1% |
| <i>GASB 51 Adjustment</i> | <i>-\$297,796</i> | <i>\$4,391,806</i> | <i>\$4,689,601</i> | <i>NA</i> |
| Total Expense Inclusive of GASB 51 Adjustment | \$97,687,596 | \$92,248,266 | -\$5,439,330 | NA |
| Net Position with GASB 51 Adjustment | -\$15,230,748 | -\$4,612,705 | \$10,618,043 | NA |
| Reserves with GASB 51 Adjustment | \$49,388,392 | \$44,775,686 | -\$4,612,705 | NA |

- Carrier fee revenues driven by increases to both enrollment and average premiums
- Call Center, Enrollment, and Premium Processing reflects the impact of increased enrollment and CIC ongoing costs, offset by a more favorable cost structure for Accenture contact center operations
- Navigators/Outreach reflects additional outreach projects to address the end of the PHE
- Personnel and Fringe reflects the annualized impact of new hires and backfills in FY22. No new positions are included in FY23
- Non-HIX IT reflects completion of one-time system upgrades in FY22
- Consulting reflects timing of Racial Equity project and other one-time costs in FY22
- Sunsetting of HIX Noticing & OE Improvements, Strategic Plan Investments, and ARP Implementation activities in FY22
- \$2.5M requested increase from CCTF

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FY21 Financial Audit Results

FY21 Financial Audit

- The Health Connector is subject to an annual financial audit to certify that our Financial Statements meet Generally Accepted Accounting Principles (GAAP) requirements and are free of material misrepresentations
 - Auditor also evaluates internal controls and makes recommendations on ways to improve financial processes and procedures
 - Please note that KMPG is present to answer any questions pertaining to the FY21 Audit Results
- **No material weaknesses or significant deficiencies with respect to financial reporting or internal controls were identified**