



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

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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

Thursday, January 21, 2021
1:00 PM to 2:00 PM

Link: <https://www.youtube.com/user/TheMAHealthConnector>

Attendees, Members: Rina Vertes, Dimitry Petion, FayeRuth Fisher, Lauren Peters (who was sitting by designation on behalf of Secretary Marylou Sudders), Cassandra Roeder (who was sitting by designation on behalf of Secretary Michael Heffernan)

Non-Members: Louis Gutierrez, Kari Miller, Edith Boucher Calvao, Dom DiVito, Nupur Gupta, Kathy Hogan, Olivia Graham, Spencer Gurley-Green, Brock Romano, Karen Farrell,

The meeting was called to order at 1:03 PM.

- I. **Minutes:** The minutes of the June 2, 2020 meeting were approved by roll call vote, Ms. Fisher abstained from voting on account of her absence from the prior meeting.
- II. **Fiscal Year 2021 and Fiscal Year 2022 Health Connector Financial Update:** The PowerPoint presentation “Fiscal Year 2021 and Fiscal Year 2022 Health Connector Financial Update” was presented by Kari Miller, Edith Boucher Calvao and Nupur Gupta. Ms. Miller began by providing the members that the update was submitted to the Executive Office of Administration and Finance (A&F) for their consideration as they developed the fiscal year budget. She informed the Board of the significant update to the Fiscal Year 2021 (FY21) budget, noting that the expectation that expenses are \$45 million less than what was previously communicated to the subcommittee in June of 2020 is a result of a number of factors. She provided a high-level overview of the factors, including a lower membership as a result of the federal public health emergency, the timing and plan design of some cost-sharing reduction (CSR) reconciliations. She then provided an overview of the FY22 programmatic budget and its assumptions. Ms. Miller then reviewed updates for the administrative budget, noting that for FY21 there is an unfavorable variance of \$700,000, noting Board approval of customer service contracts and the off-setting of cost due to lower membership

and delays with opening Health Connector walk-in centers (WIC) as a result of COVID-19. In response to a question regarding the entity that will be paying the supplemental customer service contracts, it was noted that at this time CCA is expecting to make those payments until other conversations are entered into. In response to a question from Mr. Petion regarding the ability for CCA to recover the expenses from customer service vendor Faneuil, Mr. Gutierrez stated that these conversations would not begin until after Open Enrollment (OE). Ms. Miller continues with review of the FY22 administrative budget noting that the \$5.4 million favorable variance reflects relinquishing the third floor but does not include certain risks such as procurement of a new contact center vendor and associated implementation costs.

Ms. Boucher Calvao then provided a review of key FY21 ConnectorCare assumptions, including that it is being assumed that the federal public health emergency period will be extended another three months from January 20th through April 20th. This would result in membership from MassHealth returning to CCA in June 2021, and that significant uncertainty remains. She reviewed the updated FY21 program budget, noting that revised figures resulted from a few factors. She stated that since March 2020, members that CCA expected to enroll in coverage continue to enroll directly in MassHealth in a higher volume than expected. In addition, she stated that 2019 CSR reconciliations assumed as part of the change have actually been higher than originally expected.

Ms. Gupta began with an update on projected enrollments for 2021, noting a decrease of over six percent from the Board approved budget. In response to a question from Ms. Fisher and how loss of employer sponsored insurance (ESI) may factor into enrollment trends, Mr. Gutierrez stated that new enrollments from all channels are down this year. He added that retention rates remain steady and so it really is the inflow of members that has decreased, stating that if loss of ESI is happening, they are not landing with CCA.

Ms. Gupta continued with a detailed review of FY21 budget considerations noting that this was the first year with new vendors Faneuil and Softheon. She stated that Faneuil not meeting certain expectations required unanticipated contracts with a third-party vendor, Accenture, which have been reflected as a CCA liability, though the exact amount that CCA will be responsible for is not yet determined. She reminded the subcommittee of the significant uncertainty that remains for FY21 and noted that the budget does not take into consideration any need to re-procure potential customer service contracts. She concluded with a detailed breakdown of the key drivers of the FY21 variance.

Ms. Boucher Calvao provided a review of the FY22 programmatic budget recommendations beginning with a review of the five key assumptions for the coming fiscal year. She noted that the assumptions do not include the Biden-Harris proposal which could result in an increase in federal advance premium tax credits, which could lead to significant saving and reduce the expected enrollee contributions. Ms. Gupta reviewed the FY22 enrollment projections and noted that membership growth and state wrap increases would likely be partially offset by a reduction in funds drawn from the Commonwealth Care Trust Fund for CCA administrative costs. She informed the subcommittee that the budget does not consider any additional investments in the contact center or premium billing operations and reviewed the uncertainties that could change the budget picture, including the duration and impacts of the pandemic. In response to a question from Ms. Vertes regarding the impact of a possible extension of the public health emergency

beyond April, Mr. Gutierrez stated that an extension would be favorable to the programmatic budget, but it is less clear how the administrative budget would be impacted given the per member per month costs. Ms. Gupta reviewed the breakdown of the FY22 administrative budget recommendation and again noted that no additional contact center costs were being factored into the recommendation. In response to a question from Mr. Petion regarding customer service center, Mr. Gutierrez stated that it is likely CCA will know more in March regarding the vendor's performance and if it requires an emergency procurement.

With no additional questions on the financial update agenda item it was noted that the balance of the meeting would occur on the public channel but CCA staff would not be present for the discussion. All CCA staff except Mr. Gutierrez and Ms. Ryan left the meeting.

III. Personnel Review - Mr. Gutierrez confirmed with subcommittee members that they received the required personnel documents. Mr. Gutierrez offered to answer questions regarding the proposals before the Board prior to leaving and the subcommittee for their discussion. In response to a question from Mr. Petion regarding the ability to assess and recognize where performance has excelled, Mr. Gutierrez recognized that this year has been particularly challenging and that many people have been doing multiple jobs. He continued to note that performance increases tend to be applied broadly and at a higher percentage increase than the cost of living adjustments before the subcommittee. He stated that going beyond the COLA brings the growth of the personnel line-item higher than inflation, which is difficult for a quasi-organization, and noted that COLA is a mechanism to keep pace with inflation and show appreciation to staff. In response to a question from Ms. Roeder regarding which fiscal year the figure applies to, it was noted that the figure is for a full year and some of the COLA was incorporated into the budgetary assumption. In response to a question from Ms. Vertes regarding the customer experience go-live team, Mr. Gutierrez confirmed there would be no bonuses for the team.

With no additional questions, all CCA staff and non-members left the meeting and the subcommittee voted to enter the Executive Session.

The subcommittee began reviewing the proposals before them, including one recommending an adjustment of 1.4% for all staff except the Executive Director. Mr. Petion began the conversation noting that Mr. Gutierrez should not be excluded from the adjustment noting the amount of progress he has made with the agency since joining. Mr. Petion noted that when he became a Board member there was a lot of work to be done and whatever the subcommittee decides, Louis should not be excluded. Ms. Vertes agreed, though she noted she is struggling with the 1.4 percent figure and was curious to know what other agencies are doing. Undersecretary Peters noted that each agency is given an amount to work with, some use a bell curve where it is tiered in a way where top performers get slightly more in terms of COLA. She noted it depends on each agency, their budgets and how they choose to use their resources. In response to a question from Ms. Vertes regarding the 1.4 percent, Undersecretary Peters stated that it is not off-base. Mr. Petion posed the question of what CCA can do to show those who have gone above and beyond their baseline responsibilities that they are appreciated. Undersecretary Peters acknowledged all of the hard work and noted that across state government people have been working long days and weekends and there may not be ways to show this in a monetary way. Ms. Roeder agreed that efforts are reflected throughout the Commonwealth workforce and it is great to recognize but tough. Ms. Vertes

commented that it appears as though hands are tied on the amount in order to remain in line across government, and also noted that if they increase the recommendation, the subcommittee does not know if it will strain the budget. The subcommittee agreed to amend the recommendation to include Mr. Gutierrez and the entire staff and perhaps find a way to recognize staff in another way.

Ms. Vertes noted she would like to see if there is a bigger fund to work with so higher performers could be rewarded for their work. Mr. Petion agreed that streamlining a process moving forward may provide additional instruments to recognize top performers. Undersecretary Peters shared, that while this should not change the recommendation for CCA, the Executive Office of Health and Human Services may not do any increases for state agency managers this year, only union employees, as the Commonwealth is facing unprecedented fiscal challenges.

The subcommittee agreed to the 1.4 percent increase for all employees, including Mr. Gutierrez, to research how to recognize the team through some other type of program and to work with Mr. Gutierrez in advance of next year's meeting to discuss a stratification of how the dollars can be distributed differently.

IV. Fiscal Year 2020 Audi Results: The Financial Audit for Fiscal Year 2020 was presented by Brock Romano and Karen Farrell, KPMG Audit Managers. The review of results began with a reminder to subcommittee members that the following represents an unmodified audit opinion and it is their understanding that subcommittee members have received financial statements. Government standards and audit controls were reviewed, and the subcommittee was informed that no items were reported with respect to financial reporting or audit controls that would present concerns. Mr. Romano noted that the audit was pretty clean. He continued to note that the audit focused on areas that involved judgement by CCA including allowance on doubtful accounts and collectable receivables.

Undersecretary Peters left at 2PM and Ms. Fisher left at 2:02.

They noted that there were no matters to report on required communications, noting that there was great cooperation, especially during an unusual audit season. He elaborated that while others struggle to meet deadlines, Ms. Miller and team had a good game plan and were able to meet the milestones. Ms. Farrell commented that as part of the difficult environment they met all of the team met all of the needs. She stated that no audit differences remained uncorrected and there were no control deficiencies. She informed the subcommittee of the audits performance improvement recommendations, including requiring a SOC 1 Type II which would provide independent reviews of Softheon controls as they relate to the business.

In response to a question from Ms. Vertes regarding any concerns in producing a SOC 1, Ms. Farrell noted that it might take one cycle to get the report, but she believes that CCA is already conversations about requiring this. In response to Mr. Petion's question regarding Faneuil's requirement to provide a SOC 1, Mr. Romano stated that Softheon is contractually required to provide a SOC 1 and he is unsure of Faneuil's requirements. He continued that Softheon is more financial reporting where Faneuil is more on the operational side. Mr. Romano concluded with review of accounting standards of interest to CCA including delayed implementation requirements

for accounting standards related to leases and subscription-based information technology arrangements.

Ms. Vertes commented on how easily this important work can be taken for granted, and noted how appreciative she is of all of Ms. Miller and her teams great work and results.

With no further questions or discussion, the subcommittee voted to adjourn at 2:07 PM.

Respectfully submitted,

Erin E. Ryan