



# Health Connector Administrative Finance Update (VOTE)

KARI MILLER  
Chief Financial Officer

NUPUR GUPTA  
Manager of Finance

Board of Directors Meeting, July 8, 2021

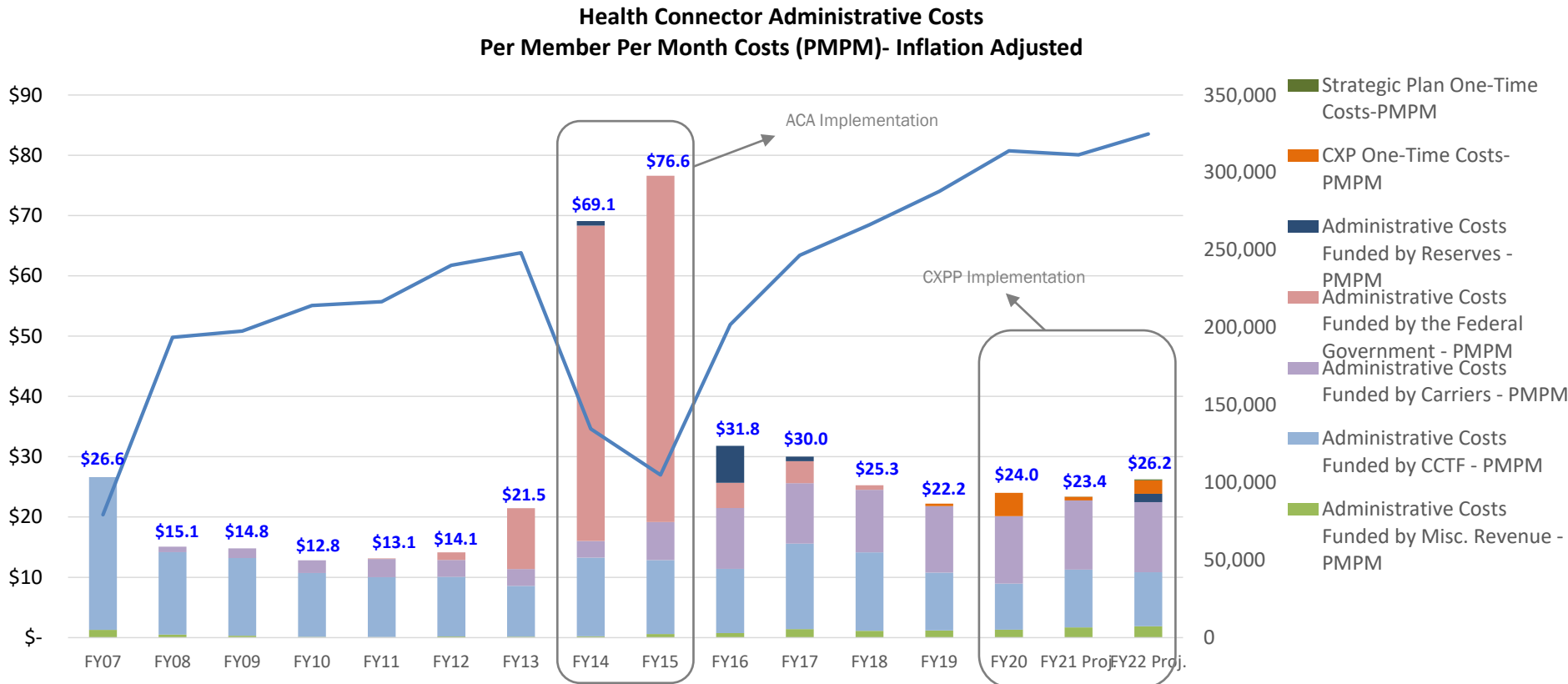
# Overview

**The purpose of this presentation is to review the Health Connector's Fiscal Year (FY) 2021 administrative budget year-end projection and to present the FY2022 administrative budget recommendation for a vote.**

- FY21 administrative budget is favorable to the Board-approved budget by \$4.9M, primarily due to the timing of strategic plan investments and projects and an overall net decrease in expenses
- FY22 administrative budget recommendation incorporates costs associated with a new contact center implementation and a reduction in Commonwealth Care Trust Fund (CCTF) support for administrative costs
  - FY22 reflects a net loss of \$14.7M, ending FY22 with \$29.3M in reserves

# Health Connector Per Member Per Month Administrative Costs- Inflation Adjusted

Exclusive of one-time implementation costs and strategic plan investments, the PMPMS are \$22.7 and \$23.8 for FY21 and FY22, respectively.

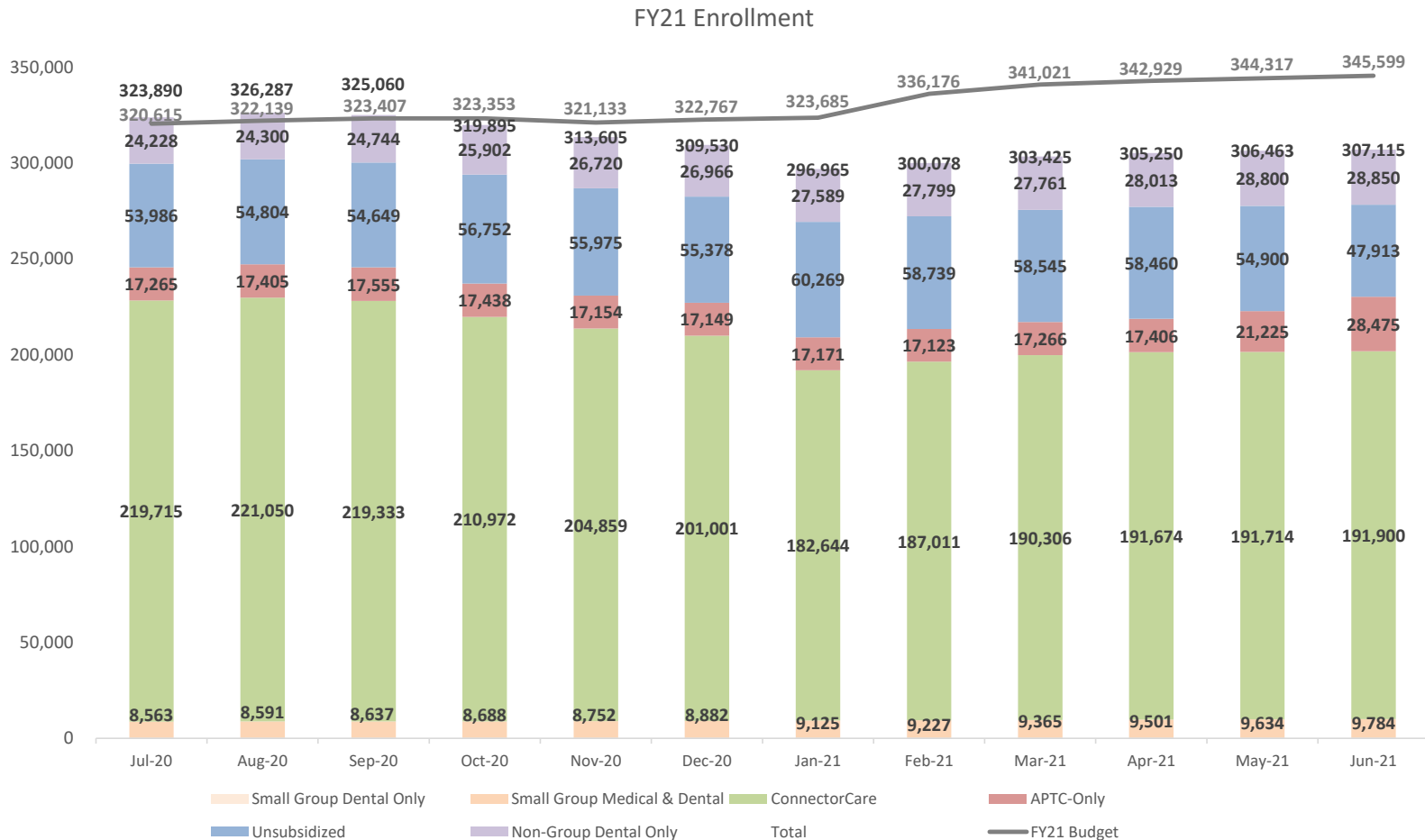




# **FY2021 Year-End Projection Update**

# FY2021 Current Enrollment

FY2021 current enrollment is 6% lower than budget, due largely to the impact of the Public Health Emergency on ConnectorCare membership.



# FY2021 Administrative Budget Summary

FY21 Health Connector Administrative Budget	FY2021 BOD Approved Budget (July 2020)	FY2021 June A&F Meeting	FY2021 Current	Variance (Board vs. Current)	
Total Member Months	3,967,143	3,737,786	3,737,563	(229,580)	-6%
<b>Revenue:</b>					
Carriers	\$43,204,804	\$41,559,554	\$42,078,977	-\$1,125,827	-3%
CCTF	\$45,000,000	\$45,000,000	\$45,000,000	\$0	0%
Student Health Insurance Program	\$90,000	\$45,000	\$45,000	-\$45,000	-50%
GASB 68 (Pension Liability) Revenue	\$2,275,399	\$2,968,574	\$2,968,574	\$693,175	30%
American Rescue Plan (ARP) Implementation	\$0	\$2,477,509	\$2,477,509	\$2,477,509	NA
Investment & Miscellaneous Revenue	\$1,233,685	\$345,599	\$342,184	-\$891,501	-72%
<b>Total Revenue</b>	<b>\$91,803,888</b>	<b>\$92,396,236</b>	<b>\$92,912,245</b>	<b>\$1,108,357</b>	<b>1%</b>
<b>Expense:</b>					
Call Center, Enrollment and Premium Processing	\$49,066,400	\$46,999,993	\$46,923,042	-\$2,143,358	-4%
Customer Experience Implementation	\$4,533,323	\$4,470,771	\$4,470,771	-\$62,552	-1%
HIX Operations and Maintenance	\$8,417,000	\$8,565,000	\$8,565,000	\$148,000	2%
Appeals Program	\$407,820	\$352,616	\$322,968	-\$84,852	-21%
Navigators, Outreach and Education	\$5,256,183	\$5,533,540	\$5,533,540	\$277,357	5%
Personnel and Fringe	\$9,993,918	\$8,884,555	\$8,931,880	-\$1,062,038	-11%
GASB 75 (OPEB Obligation)	\$721,000	\$578,588	\$578,588	-\$142,412	-20%
GASB 68 (Pension Liability)	\$2,275,399	\$2,968,574	\$2,968,574	\$693,175	30%
IT (non-HIX)/Facility/Administrative	\$2,655,974	\$3,241,580	\$3,211,660	\$555,686	21%
Consulting and Professional Support	\$1,652,428	\$1,255,038	\$1,249,269	-\$403,159	-24%
HIX Noticing and OE Improvements	\$2,500,000	\$0	\$0	-\$2,500,000	-100%
Strategic Plan Investments	\$1,625,000	\$50,000	\$50,000	-\$1,575,000	-97%
American Rescue Plan (ARP) Implementation	\$0	\$2,477,509	\$2,477,509	\$2,477,509	NA
<b>Total Expense</b>	<b>\$89,104,445</b>	<b>\$85,377,765</b>	<b>\$85,282,803</b>	<b>-\$3,821,642</b>	<b>-4%</b>
<b>Net Position</b>	<b>\$2,699,443</b>	<b>\$7,018,471</b>	<b>\$7,629,442</b>	<b>\$4,929,999</b>	<b>183%</b>
<b>Reserves</b>	<b>\$33,558,759</b>	<b>\$43,336,147</b>	<b>\$43,947,118</b>	<b>\$10,388,359</b>	<b>31%</b>
<i>GASB 51 Adjustment</i>	<i>\$2,812,921</i>	<i>\$1,936,123</i>	<i>\$1,786,091</i>	<i>-\$1,026,830</i>	<i>-37%</i>
Total Expense Inclusive of GASB 51 Adjustment	\$91,917,366	\$87,313,888	\$87,068,894	-\$4,848,472	-5%
<b>Net Position with GASB 51 Adjustment</b>	<b>-\$113,478</b>	<b>\$5,082,348</b>	<b>\$5,843,350</b>	<b>\$5,956,828</b>	<b>-5249%</b>
<b>Reserves with GASB 51 Adjustment</b>	<b>\$50,042,281</b>	<b>\$60,225,342</b>	<b>\$60,986,344</b>	<b>\$10,944,063</b>	<b>22%</b>

The FY2021 projection, favorable to budget by \$4.9M, is driven largely by timing.

- FY21 reflects ARP implementation expenses, which are expected to be funded by the CCTF and federal grant funds and therefore, neutral to the net position
- Carrier Fee revenues reflect enrollment decreases
- Investment & Miscellaneous revenues reflect reduced interest rates
- Call Center, Enrollment, and Premium Processing reflects reduced work order expenses and the impact of reduced enrollment on PMPM expenses
- Personnel reflects updated staffing assumptions and delays in hiring open positions
- HIX Noticing and OE Improvements, and Strategic Plan Investments reflect a reduction in activities due to competing priorities



# **FY2022 Administrative Budget Recommendation**

# FY2022 Administrative Budget Considerations

**FY2022 recommendation reflects the implementation of new contact center services and the impacts of the American Rescue Plan (ARP) and the ending of the Public Health Emergency (PHE).**

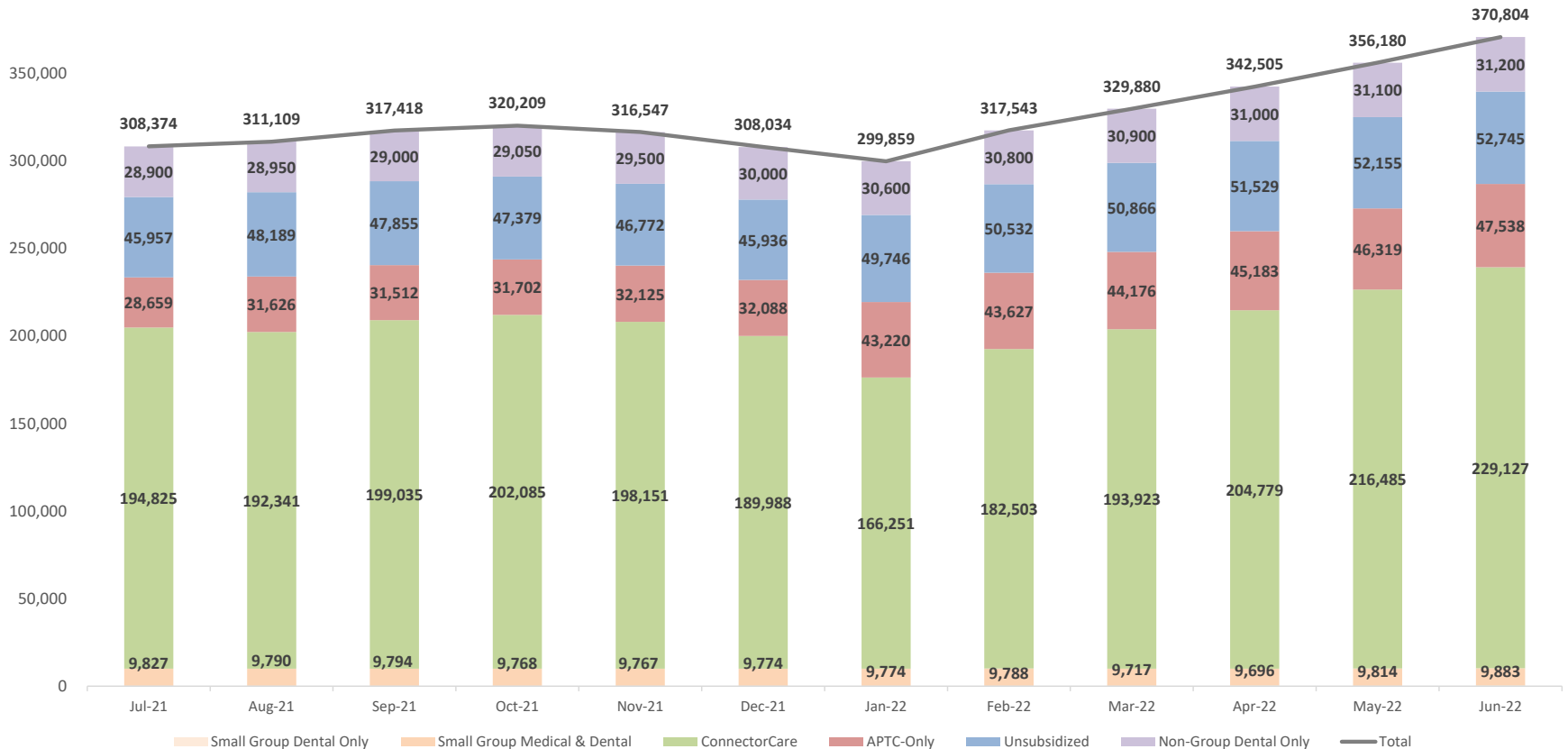
- The subsequent exhibits reflect contact center implementation activities and revised assumptions for ongoing costs. Contact center activities inform the significant net loss projected in FY22, but future years are expected to reflect more moderate impacts to the net position
- ARP is expected to impact Health Connector membership favorably, due to changes to eligibility for federal subsidies, resulting in the projected 4% increase relative to FY21
- FY22 projected membership also assumes the Public Health Emergency ends in January 2022. The resulting churn from MassHealth, which is currently on hold because of the emergency, is a key driver (along with ARP) in the projected 4% increase relative to FY21



# FY2022 Projected Enrollment

ConnectorCare drives the 4% projected enrollment growth relative to FY21, assuming the Public Health Emergency period ends in January 2022.

FY22 Enrollment



# FY2022 Administrative Budget Summary

FY22 Health Connector Administrative Budget	FY2021 Current	FY2022 June A&F Meeting	FY2022 Current	Variance (FY21 vs. FY22)	
Total Member Months	3,737,563	3,926,502	3,898,462	160,900	4%
<b>Revenue:</b>					
Carriers	\$42,078,977	\$45,642,633	\$45,342,946	\$3,263,969	8%
CCTF	\$45,000,000	\$35,000,000	\$35,000,000	-\$10,000,000	-22%
Student Health Insurance Program	\$45,000	\$90,000	\$90,000	\$45,000	100%
GASB 68 (Pension Liability) Revenue	\$2,968,574	\$3,057,632	\$3,057,632	\$89,057	3%
American Rescue Plan (ARP) Implementation	\$2,477,509	\$3,728,098	\$3,728,098	\$1,250,588	50%
Investment & Miscellaneous Revenue	\$342,184	\$91,676	\$91,676	-\$250,508	-73%
<b>Total Revenue</b>	<b>\$92,912,245</b>	<b>\$87,610,038</b>	<b>\$87,310,351</b>	<b>-\$5,601,893</b>	<b>-6%</b>
<b>Expense:</b>					
Call Center, Enrollment and Premium Processing	\$46,923,042	\$56,415,748	\$55,174,695	\$8,251,653	18%
Customer Experience Implementation	\$4,470,771	\$7,610,319	\$8,786,183	\$4,315,412	97%
HIX Operations and Maintenance	\$8,565,000	\$8,500,000	\$8,500,000	-\$65,000	-1%
Appeals Program	\$322,968	\$413,044	\$413,044	\$90,076	28%
Navigators, Outreach and Education	\$5,533,540	\$5,580,142	\$5,580,142	\$46,602	1%
Personnel and Fringe	\$8,931,880	\$9,802,459	\$9,802,459	\$870,579	10%
GASB 75 (OPEB Obligation)	\$578,588	\$570,941	\$570,941	-\$7,647	-1%
GASB 68 (Pension Liability)	\$2,968,574	\$3,057,632	\$3,057,632	\$89,057	3%
IT (non-HIX)/Facility/Administrative	\$3,211,660	\$3,722,737	\$3,722,737	\$511,077	16%
Consulting and Professional Support	\$1,249,269	\$2,091,888	\$2,091,888	\$842,619	67%
HIX Noticing and OE Improvements	\$0	\$300,000	\$300,000	\$300,000	NA
Strategic Plan Investments	\$50,000	\$275,000	\$275,000	\$225,000	450%
American Rescue Plan (ARP) Implementation	\$2,477,509	\$3,728,098	\$3,728,098	\$1,250,588	50%
<b>Total Expense</b>	<b>\$85,282,803</b>	<b>\$102,068,008</b>	<b>\$102,002,818</b>	<b>\$16,720,016</b>	<b>20%</b>
<b>Net Position</b>	<b>\$7,629,442</b>	<b>-\$14,457,970</b>	<b>-\$14,692,467</b>	<b>-\$22,321,909</b>	<b>-293%</b>
<b>Reserves</b>	<b>\$43,947,118</b>	<b>\$28,878,178</b>	<b>\$29,254,651</b>	<b>-\$14,692,467</b>	<b>-33%</b>
<i>GASB 51 Adjustment</i>	<i>\$1,786,091</i>	<i>\$1,952,328</i>	<i>\$952,843</i>	<i>-\$999,484</i>	<i>-51%</i>
Total Expense Inclusive of GASB 51 Adjustment	\$87,068,894	\$104,020,336	\$102,955,662	-\$1,064,674	-1%
<b>Net Position with GASB 51 Adjustment</b>	<b>\$5,843,350</b>	<b>-\$16,410,297</b>	<b>-\$15,645,310</b>	<b>\$764,987</b>	<b>-5%</b>
<b>Reserves with GASB 51 Adjustment</b>	<b>\$60,986,344</b>	<b>\$43,815,044</b>	<b>\$45,341,034</b>	<b>\$1,525,989</b>	<b>3%</b>

The FY2022 projection is driven largely by implementation of new contact center services, and a \$10M decrease in CCTF support for administrative costs.

- Carrier Fee revenues driven by increases to both enrollment and average premiums
- FY22 reflects ARP implementation expenses, which are expected to be funded by the CCTF and federal grant funds
- FY22 reflects an investment of \$10.4M for contact center implementation and milestones and revised assumptions for contact center O&M
- Personnel reflects the annualized impact of FY21 filled positions and is equivalent to the original FY21 budget
- Non-HIX IT/Administrative expenses reflect increased banking and lockbox fees
- Consulting & Professional Support reflects the timing of key policy and controls projects



**VOTE**

# VOTE

**Health Connector staff recommend that the Health Connector Board of Directors approve the proposed FY2022 administrative budget recommendation.**