



*The Commonwealth of Massachusetts
Commonwealth Health Insurance Connector Authority
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Board Chair

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Lieutenant Governor

LOUIS GUTIERREZ
Executive Director

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

Minutes

Tuesday, June 22, 2021
11:00 AM to 12:00 PM

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

Attendees, Members: Secretary Marylou Sudders, Rina Vertes, Dimitry Petion, and Cassandra Roeder.

Non-Members: Louis Gutierrez, Kari Miller, Edith Boucher Calvao, Audrey Gasteier, Nupur Gupta, Dom DiVito, Kathy Hogan, Nikhita Thaper, Undersecretary Lauren Peters, Olivia Graham, and Spencer Gurley-Green.

The meeting was called to order at 11:05 AM.

Ms. Vertes began the meeting by requesting to delay the vote on minutes from the May 2021 subcommittee meeting and by reviewing the agenda items before the Board, including the finance update for Fiscal Years (FY) 2021 and 2022.

- I. FY21 and FY22 Health Connector Financial Update:** Ms. Kari Miller began the “FY21 and FY22 Health Connector Financial Update” presentation by noting that its purpose was to provide a F21 budget update and review the FY22 budget recommendation prior to the full Board vote on July 8th, 2021. She emphasized two key items with significant implications on the Health Connector’s programmatic and administrative budgets. The first is the passage of the American Rescue Plan (ARP) which expands eligibility for federal Advance Premium Tax Credits (APTCs) for members enrolled in Exchange plans which results in significant and immediate savings to the Commonwealth in terms of state premium subsidies. For FY22, these savings are estimated to be over \$100 million. She continued by highlighting that the Health Connector is also likely to see increased membership in FY22 because of ARP because of the eligibility expansion and additional benefits available for individuals who claimed unemployment in 2021. The impact of increased

membership projections will also be seen in both the Health Connector's programmatic and administrative budget projections for FY22.

Ms. Miller noted that the second item, pending Board approval, is a potential contact center replacement vendor which will have implications for the FY22 administrative budget. Though the budget is projected to be favorable in FY21, because of the potential substitution, the Health Connector's reserves are projected to take a significant hit if a replacement is approved by the Board. She stated that in the presentation staff would share both a baseline administrative budget as well as a version that reflects the substitution for the subcommittee's consideration.

Next, Ms. Edith Boucher Calvao reviewed the FY21 ConnectorCare budget update. She stated that net of Federal Financial Participation (FFP), FY21 is estimated at \$179.4 million, which is \$11.6 million favorable to the budget presented at the January ANF subcommittee meeting. Ms. Calvao noted that the variance is attributable to the ARP significantly reducing state premium wrap plan costs, or two months of savings. Membership is also slightly higher, resulting in a small offset to the ARP savings.

In the next portion of the presentation, Ms. Nupur Gupta discussed FY21 enrollment. She noted that current FY21 enrollment projections reflect a year membership of approximately 307,000 members overall, with 192,000 members in the ConnectorCare program. She stated that these projections are like what was presented to the subcommittee in May 2021 and reflect a 6 percent decrease relative to Board approved estimates from July 2020. A key driver for this decrease is delayed MassHealth redeterminations into the ConnectorCare program due to the Public Health Emergency. She continued by noting that modest decreases were also observed for the unsubsidized and APTC-only programs which were offset by modest increases for standalone dental membership and small group enrollment.

Next, Ms. Gupta summarized the current budget projection relative to May 2021 estimate and the Board approved estimate. She stated that the current budget projection is favorable to May by \$3.4 million due to reduced work orders for customer experience vendors based on actual trend and based on assumptions for one-time HIX noticing and Open Enrollment (OE) improvements as well as strategic plan investments. She explained that a portion of these one-time costs were shifted into FY22, and the remaining was removed from the FY21 budget considering competing priorities. Additional drivers of the \$7 million net gain include updated assumptions for contact center milestone payments, the timing of key policy and controls projects, and actual trend for banking and lock box fees. Ms. Gupta explained that because of these updates, FY21 ending cash reserves are projected to be \$43.3 million which equals approximately six months of expenses per auditor recommendations.

Ms. Calvao then summarized the FY22 ConnectorCare budget. She noted key areas of uncertainty for FY22 including the timing of members moving from MassHealth to ConnectorCare after the PHE ends, the number of people receiving unemployment benefits in 2021 who will enroll in a zero-dollar ConnectorCare plan, and 2022 carrier rates which drive state premium wrap costs. Other assumptions that informed the FY22 ConnectorCare budget include that CSR loaded rates will continue for Calendar Year (CY) 2022. Additionally, premium stabilization will continue for CY22 with the addition of a second tier for networks that offer members a breadth of choice of

hospital facilities including teaching hospitals and academic medical centers. The percentages of subsidies for this second tier will be half of those on the first tier. Finally, she noted that the budget assumption that there would be no changes in carrier participation.

In response to a question from Mr. Petion regarding public awareness of the ARP unemployment benefit, Mr. Gutierrez clarified that the Health Connector has a broad public communications campaign that is being coordinated partly through the Massachusetts Department of Unemployment Assistance who are outreaching those who are currently on unemployment. The Health Connector has other communications plans focused on outreaching unemployed residents more broadly. Mr. Gutierrez also noted that the Health Connector has already converted individuals in the HIX who currently have unemployment income to the zero-dollar premium ConnectorCare plan.

In response to a question from Ms. Vertes related to premium stabilization, Mr. Gutierrez clarified that, for the past few years, the Health Connector has done premium stabilization for narrow network plans, primarily benefitting Tufts Direct or Boston Medical Center Healthnet Plan depending on region. The new design being contemplated for 2022 is intended make broader network plans somewhat more affordable for state residents to ensure equitable access to providers. The proposed approach would not eliminate premium differentials, but it could improve affordability of broader network plans such as AllWays Health Partners in the interest of member access. Mr. Gutierrez also noted that this approach is subject to budget approval and carrier pricing for CY22.

In response to a follow-up question from Ms. Vertes regarding Board discussion of the premium stabilization approach, Mr. Gutierrez clarified that the proposed premium stabilization approach will be included in the Seal of Approval presentation to the Board in September. Ms. Vertes noted that the premium stabilization approach may impact carrier rate filing strategy.

Next, Ms. Calvao discussed the details of the FY22 ConnectorCare Budget, highlighting that net of FFP, FY22 is estimated at \$101.6 million which is \$108 million favorable to what was presented to the subcommittee in January 2021. She noted that the variance is mostly attributable to the ARP, with the major contributor being APTC expansion. Additionally, there are significant state premium and cost sharing reduction (CSR) wrap savings due to the unemployment benefit which will end at the end of 2021. Ms. Calvao shared that there is also a savings of \$11 million due to different membership assumptions mostly explained by the fact that the PHE was extended until the end of the year. This means it will take longer than initially expected for eligible for ConnectorCare to leave MassHealth coverage.

In response to a question from Mr. Petion regarding the future of the ARP funding, Mr. Gutierrez noted that the Health Connector cannot count on budget savings due to the ARP as ongoing savings until Congress approves the permanent extension. Currently, Health Connector staff are looking at budget savings as a FY22 variance and cannot think of a permanent redeployment of these funds until there is congressional movement on their permanency. If the federal funds are not continued, there would be a premium shock to members. Mr. Gutierrez also noted that it would be difficult to imagine the political circumstance under which the administration would not fight hard to keep the funds in place.

In response to a comment from Secretary Sudders related to the uncertainty of future federal ARP funding, Mr. Petion requested staff to keep the potential impact on members in mind.

Ms. Gupta then described FY22 projected enrollment which reflect a year end membership of approximately 355,000 overall with 216,000 individuals in the ConnectorCare program. This represents a 4 percent decrease relative to the May estimate but continues to reflect growth relative to FY21. She noted that the projected 5 percent increase relative to FY21 is driven largely by growth in the APTC-only program because of ARP and a restoration of ConnectorCare to FY20 year-end levels reflecting the projected end of the PHE in January 2022. She noted that modest decreases are projected for the unsubsidized program also due to the ARP while standalone dental and small group membership continue to reflect modest growth.

In response to a question from Secretary Sudders regarding assumptions for the end of the PHE, Ms. Calvao clarified that current assumptions project a rapid increase in ConnectorCare membership beginning in February 2022. Ms. Calvao also noted that generally ConnectorCare enrollment is flat in March and April due to a larger volume of RFIs during that time. Projected increasing enrollment in March and April 2022 is all because of MassHealth. Secretary Sudders clarified that MassHealth is preparing for the redetermination process to begin on January 1st and noted that the Health Connector may experience a more rapid increase in enrollment than what is being projected currently. Mr. Gutierrez noted that staff members would revisit assumptions with MassHealth prior to bringing the budget back to the Board in July.

In response to a question from Mr. Petion related to budget assumptions, Mr. Gutierrez clarified that the latest data indicates that roughly 80,000 or 90,000 Health Connector eligible individuals are currently in MassHealth but not all will be enrolled in Health Connector coverage. In response to a comment from Secretary Sudders, Mr. Gutierrez noted that staff would re-check batch runs and the quantity of members with MassHealth.

Next, Ms. Gupta shared the FY22 Administrative Pro Forma budget assuming status quo with the current contact center vendor. Mr. Gutierrez clarified that this was a fictional version of the budget to indicate baseline before providing a version of the budget with adjustments anticipating a new contact center vendor. Ms. Gupta continue by noting that, relative to May, the current estimate is unfavorable by \$5.1 million primarily due to continued Open Enrollment support for the contact center. In the May estimate, this was assumed to be a one-time cost in FY21 and was not carried forward to FY22 which informs the variance. Ms. Gupta added that the projected \$1.7 million net gain is informed by updated assumptions for banking and lock box fees per FY21 actual trend and enrollment, impacting both carrier fees and customer experience expenses. Based on these assumptions, projected year-end reserves equal approximately \$45 million.

Ms. Gupta then shared the potential cost of a substitute contact center vendor compared to current vendor assumptions. She noted that based on the best available information, a substitute vendor will initially reflect higher ongoing costs relative to the current vendor. However, the differential between the current and substitute vendors is expected to decrease materially year-over-year so both estimates would be comparable by FY25. This trend is primarily driven by the assumption that the substitute vendor's cost structure will be more favorable to the Health Connector as membership increases.

In response to a question from Mr. Petion about the current contact center vendor, Mr. Gutierrez noted that there will be some consideration but not deep reimbursement of upcoming costs if both parties arrive at a settlement. Secretary Sudders noted that the subcommittee should defer to management on these questions considering on-going negotiations with the current vendor.

Ms. Gupta then provided a view of the current FY22 administrative budget assuming replacement of the current contact center vendor. She noted that relative to the May estimate, the current estimate is unfavorable by \$21.3 million primarily due to implementation expenses and the initial increase to on-going costs projected with a substitute vendor. She added that the net position is also informed by updated assumptions for enrollment and banking and lock box fees along with the reduced Commonwealth Care Trust Fund (CCTF) draw relative to prior years. Given the projected net loss of \$14.5 million, FY22 year-end reserves are approximately \$28.9 million.

Next, Ms. Gupta described inflation adjusted Health Connector per member per month (PMPM) administrative costs. Mr. Gutierrez clarified that this information is used to benchmark performance over time and now integrates real dollar outlays. Ms. Gupta continued by noting that based on this adjustment for prior years, the administrative cost per member per month is approximately \$23 in FY21 and \$26 in FY22. Exclusive of one-time costs the PMPM remains at \$23 for FY21 and is \$24 in FY22. The FY22 PMPM reflects return to FY18 levels and is projected to further decrease based on assumptions about the substitute vendor's cost structure and projected increases in membership as the PHE ends.

Ms. Miller ended the presentation by providing information about the FY21 financial audit. She explained that the FY21 audit will be in the summer, commencing the third year of a three-year agreement and triggering the need for a new procurement next year. She noted that the cost of the FY21 audit is fixed at \$100,000 but does not include potential costs for a single audit. The Health Connector is awaiting further guidance related to its sub-recipient status based on work completed on behalf of the Commonwealth with respect to the Contact Tracing Collaborative.

Ms. Vertes thanked staff members for their presentation. With no additional questions or comments, the subcommittee voted to adjourn.

The meeting adjourned at 11:41 AM.

Respectfully submitted,

Nikhita Thaper