



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

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Lieutenant Governor

AUDREY MORSE GASTEIER
Executive Director

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

Meeting Minutes

Monday, February 5, 2024
1:00 PM – 2:30 PM

Live Stream

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

Attendees, Members: Nancy Turnbull, Bela Gorman, and Martha Kwasnik (who was sitting by designation on behalf of Secretary Matthew Gorzkowicz)

Non-Members: Audrey Gasteier, Dom Dovito, Kari Miller, Stacy Halloran, Sonia Durairaj, Kathy Hogan, Nury Herrera, Edith Boucher Calvao, Wing Lee, Victoria Gudaitis, Lisa Pagliaro (KPMG), Brock Romano (KPMG)

The meeting was called to order at 1:08 PM.

Ms. Gasteier welcomed everyone to the Health Connector Board of Directors Administration and Finance Subcommittee meeting. She also welcomed Nancy Turnbull, who was elected to serve as the chair of the subcommittee.

I. Minutes: The minutes of the June 27, 2023 meeting were approved through roll call vote.

Before moving onto the next agenda item, staff of the Health Connector, the Executive Office of Administration and Finance, and KPMG introduced themselves. Mr. Romano from KPMG announced that this was his last audit with the Health Connector.

II. Fiscal Year 2024 and Fiscal Year 2025 Financial Update: The presentation “Health Connector Fiscal Year (FY) 2024 and Fiscal Year 2025 Financial Update” was presented by Kari Miller and Edith Boucher Calvao. Ms. Miller began the presentation by welcoming Ms. Turnbull and Ms. Gorman to the meeting. She stated that the purpose of the meeting was to provide and update on FY24 financial projections and FY25 maintenance recommendations. Ms. Miller provided an overview of the Commonwealth Care Trust Fund (CCTF), which primarily funds the Health Connector and is managed by the Executive Office of Administration and Finance. She explained that

the CCTF funds 100 percent of the programmatic costs as well as 50 percent of the administrative (operating) budget. Ms. Miller shared the Health Connector project needing slightly more money from the CCTF than the estimates shared at the prior subcommittee meeting due to the ConnectorCare expansion pilot program. She shared the estimated financial needs for FY25 and shared the administrative budget was currently favorable compared to what had been previously shared with the Health Connector Board of Directors. Ms. Miller noted that the FY25 proposed administrative budget reflected the end of one-time activities to support the Medicaid redetermination process as well as planning for any potential budget impacts due to procurements.

Ms. Calvao presented FY24 ConnectorCare key assumptions disclosing that there were still a lot of uncertainties about the number of people transitioning from MassHealth coverage to the Health Connector as a result of the redetermination process. She stated the Health Connector expected to see a higher rate of enrollment in qualified health plans after March 2024. She also noted the FY24 included premium smoothing approved by the Health Connector Board of Directors.

In response to a question from Ms. Turnbull regarding federal financial participation for the ConnectorCare pilot expansion program, Ms. Gudaitis shared that the hope was to receive federal financial participation for the ConnectorCare expansion population up to 400 percent, tentatively generating about \$20 million in revenue.

Ms. Calvao stated the estimated net of federal financial participation for FY24 was higher than the estimated presented to the subcommittee in June 2023. Additionally, there was an unfavorable variance in the FY24 projected enrollment due to lower membership than expected coming from the MassHealth redetermination process partially offset by the passage of the ConnectorCare Expansion pilot program. In response to a question from Ms. Turnbull regarding the lower enrollment, Ms. Calvao explained that most of the variance was due to the expected enrollment in the ConnectorCare program, including the expansion.

Ms. Lee then presented the FY24 administrative budget and explained that there was a favorable change in the position from a non-GAAP perspective. She stated that the total revenue was down due to a reduction in carrier fees and noted a decrease in one-time vendor expenses. Ms. Lee continued to a deeper review of FY24 administrative budget expenditures. In response to a question from Ms. Turnbull regarding the variance in Navigators, Outreach and Education expenditure line, Ms. Miller explained that the variance was not a result of decreasing any initiatives, but rather because there were some contingency funds that were not expected to be used. Ms. Miller also provided clarification about the variance in the backfilling positions line item. Ms. Turnbull congratulated Ms. Lee on her first presentation to the Board.

Ms. Calvao presented the FY25 ConnectorCare key assumptions noting the two major areas of uncertainty about new membership in relation to the MassHealth redetermination process and the ConnectorCare pilot expansion program. Regarding the cost-sharing reductions loaded rates key assumption, Ms. Gorman inquired about whether Ms. Calvao expected them to be lower than in the past few years. Ms. Calvao stated that there were assumed rate increases.

Ms. Calvao shared the recommended net of federal financial participation for FY25 which was higher than FY24. In response to a question from Ms. Gorman regarding membership projection, Ms. Calvao explained the usage of patterns of people transitioning from MassHealth coverage because of the redetermination process to determine future projections. Ms. Gorman asked a follow up question regarding the people participating in the ConnectorCare pilot expansion program. Ms. Calvao stated that figures from the start of the year were used to make assumptions. In response to a question from Ms. Turnbull regarding the conversion rate, Ms. Calvao confirmed that the projections were based on most recent figures and the percentage of people transitioning from the MassHealth redetermination

process. Ms. Turnbull inquired about the sensitivity of membership variance with regard to the Commonwealth Care Trust Fund (CCTF), to which Ms. Calvao iterated its high sensitivity. Ms. Gorman commented that it was the biggest assumption and driver for the variance and Ms. Calvao agreed that was no little to no data for the ConnectorCare pilot expansion program enrollees. The Board members expressed interest in learning about the membership growth in the ConnectorCare program by federal poverty levels (FPL)—those under 300 percent FPL, 300-500 percent, and unsubsidized. Ms. Gorman and Ms. Calvao both acknowledged that cost sharing was much lower than what the ConnectorCare population had been used to.

Ms. Calvao then proceeded to presenting the FY25 projected enrollment which was higher compared to FY24. Ms. Turnbull and Ms. Gorman agreed that it would be helpful to see the ConnectorCare data divided into the population under 300 percent FPL and 300-500 percent FPL.

Ms. Miller reviewed the FY25 administrative budget, noting that revenue had increased compared to FY24. She also noted an adjustment requested for the CCTF draw to support the administrative budget. She stated that the estimated reserves aligned with the advice received from the audits over the years. In terms of expenditure, she explained that the major expenses were due to the contact center, enrollment, and premium processing. She noted the unknowns of the contact center and technology procurements and the associated conservative budget for vendors. In response to a question from Ms. Turnbull regarding the procurement projections, Ms. Miller stated that the figures reflected past experiences and the experiences of other agencies.

In response to a question from Ms. Gorman regarding the correlation between membership and vendor expenses, Ms. Miller explained that vendors normally are paid on a per member per month basis; therefore, the greater the membership the higher the expenses. Additionally, she stated that if membership projections are not met, then nonfixed expenses will be lowered accordingly. Ms. Turnbull inquired about projections for outreach and education prior to the MassHealth redetermination process; Ms. Miller confirmed that projections were comparable but agreed to circle back with more information. Ms. Miller reviewed the remainder of the FY25 administrative budget recommendations and confirmed Ms. Turnbull's understanding of the variance in the personnel line item.

Ms. Miller shared that there were no material weaknesses or significant deficiencies found in the FY23 financial audit for the sixth year in a row. The Health Connector team was commended for their work.

At this time, Health Connector staff except for Ms. Gasteier and Ms. Herrera left the Zoom meeting before proceeding to the following agenda item.

III. Personnel Review: Ms. Gasteier began by sharing that she was proposing a 3.5 percent cost-of-living adjustment (COLA) for staff with a salary cap of \$150,000. She noted that last year's recommendation was under what the consumer price index inflation was. In response to a question from Ms. Turnbull regarding salary caps, Ms. Gasteier explained that capping had been done in the past; last year's COLA included a salary cap of \$100,000. She added that staff were appreciative of the COLA adjustment last year given the high inflation and that she had not received much feedback on the salary cap. In response to a question from Ms. Turnbull about an overall state COLA, Ms. Gasteier stated that she believed there was a 4 percent adjustment. Ms. Gorman and Ms. Turnbull agreed that it would be helpful to understand what other state agencies and quasi organizations are doing with regard to COLA. Ms. Gasteier clarified the next steps of the approval process and exited the Zoom meeting.

Ms. Turnbull understood the reason for capping the COLA increase but welcomed the recommendation of other Board members. Ms. Kwasnik commented that Health Connector staff were well deserving of the COLA increase and therefore had no issues with it. Ms. Gorman stated that the Health Connector's recommendation was very reasonable. Ms. Turnbull agreed and suggested discussing different approaches the following year to see what other agencies are doing.

At this time, Health Connector staff rejoined the meeting. Ms. Turnbull informed Ms. Gasteier that the COLA staff recommendation had been approved the Board members. Before proceeding to the next item on the agenda, Ms. Turnbull explained the process.

IV. Fiscal Year 2023 Audit Results: Mr. Romano began by sharing that the scope of the audit included financial statements which were issued in October 2023. It had an unmodified or clean opinion. The firm also issued a report on internal controls over financial reporting and found no material weaknesses and significant deficiencies. Mr. Romano noted that in the past, KPMG has performed audits over federal awards, but that that was not the case for FY23.

Ms. Pagliaro shared that KPMG had been expanding the use of audit technology, including the use of newer tools for managing Health Connector data. She then reviewed the audit results for required communications, noting that there were no significant findings or matter to report overall. She reaffirmed KPMG's independence from the Health Connector allowing them to issue their opinion. Ms. Pagliaro briefly reviewed standard inquiries.

In response to a question from Ms. Turnbull regarding Mr. Romano's and Ms. Pagliaro's engagement with the Health Connector, Mr. Romano shared that KPMG was appointed as the initial auditors since the Health Connector was established. He added that KPMG had gone through two procurements and were reappointed. Ms. Turnbull was interested in knowing if KPMG assessed other state-based marketplaces. Mr. Romano stated that outside of New England, most audits are performed by its state auditor. Ms. Miller explained that a procurement is done every three to four years, therefore one would be needed after the FY24 audit.

At this time, Health Connector staff exited the Zoom meeting.

Ms. Turnbull asked a few questions regarding the audit process and Mr. Romano confirmed that they had enough time for the audit and that staff cooperate and were forthcoming. In response to a question from Ms. Gorman about previous audits, Mr. Romano shared that during some of the earlier years there were challenges with reconciling information with third parties and significant deficiencies over internal controls. During the time that Mr. Romano had been engaged with the Health Connector, he witnessed vendors being replaced.

Ms. Turnbull inquired about the Health Connector Finance personnel. Mr. Romano stated that the Health Connector had enough staff with the right capabilities but wondered about transition plans. In response to a question from Ms. Turnbull about an internal audit plan, Mr. Romano stated that there was not one. He added that every organization would benefit from an internal audit function. He disclosed that in his experience, many states do not do internal audit functions correctly. Ms. Turnbull agreed with Mr. Romano.

Ms. Pagliaro warned the Health Connector of cybersecurity and its impacts. In response to a question from Ms. Turnbull regarding cybersecurity at a state level, Ms. Kwasnik stated that the Executive Office of Technology Services and Security oversees all technology and cybersecurity. Mr. Romano suggested the Health Connector look inward at the risks the organization faces and then create an action plan to address those risks. Ms. Turnbull thanked Mr. Romano for the suggestion. Ms. Turnbull thanked Mr. Romano for his service.

Without any additional questions or comments, the meeting adjourned at 2:22 PM.

Respectfully submitted,

Nuryelis Herrera