COVERED CALIFORNIA

REPORT BY THE CALIFORNIA HEALTH BENEFIT EXCHANGE TO THE GOVERNOR AND LEGISLATURE

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January 8, 2013

To the Governor of the State of California and the Members of the Legislature,

On behalf of the governing Board of the California Health Benefit Exchange, recently named Covered California, I am pleased to present our first annual report.

Covered California is proud to be at the forefront nationally in implementing the federal Patient Protection and Affordable Care Act of 2010, the most significant health care reform since the enactment of Medicare and Medicaid in 1965. The provisions of this new law that expand health coverage to millions of Californians will take effect on January 1, 2014. We understand the importance of this task, and the challenges ahead. We are also confident that we will get the job done.

Covered California's progress and ultimate success are only possible with the hard work and dedication of our staff working in partnership with the Health and Human Services Agency, the Department of Health Care Services, the Managed Risk Medical Insurance Board, the Department of Insurance and the Department of Managed Health Care.

Our partners extend beyond state agencies. They include consumers, health plans and health providers, large and small businesses, labor unions, community leaders and organizations, philanthropic organizations, and many others who have come together to help shape the vision and future of Covered California and the health care system in California.

We are grateful to the Governor and the Legislature for their strong support as Covered California prepares to create a new marketplace for health coverage that will help millions of Californians and small businesses secure the affordable, high-quality health insurance they need.

Peter V. Lee
Executive Director

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COVERED CALIFORNIA

EXECUTIVE SUMMARY

California was the first state in the nation to enact legislation creating a Health Benefit Exchange following the passage of the Patient Protection and Affordable Care Act.

In 2010, state law [Chapter 655, Statutes of 2010 (Perez) and Chapter 659, Statutes of 2010 (Alquist)] was enacted to implement the provisions of the Affordable Care Act and to "reduce the number of uninsured Californians by creating an organized, transparent marketplace for Californians to purchase affordable, quality health care coverage, to claim available tax credits and cost-sharing subsidies, and to meet the personal responsibility requirements imposed under the federal act." These authorizing statutes also call for strengthening the health care delivery system, guaranteeing the availability of coverage to qualified individuals and small employers, and requiring that health care service plans and insurers compete based on price, quality and service rather than risk selection.

Since its creation, Covered California has begun building the foundations that will be essential to the success of this new innovative health coverage marketplace. In 2011, the Board of Covered California adopted its vision, mission and values statement, setting the framework for doing business with a primary focus being on making it easy and affordable for Californians who are eligible to obtain health coverage.

Recognizing that California is unique among all states in terms of its diversity, size and complexity, Covered California has worked closely with the federal government to help facilitate smooth and effective implementation of the Affordable Care Act. Enrollment for new subsidized coverage will begin on October 1, 2013 — 90 days in advance of when coverage begins on January 1, 2014. At that time, Californians will have access to the online Covered California portal to shop for health insurance coverage. Some will learn they qualify for existing public insurance programs; others will qualify for federal subsidies to offset the cost of their premiums for plans purchased through Covered California. Small business owners will have the same purchasing power as large employers to shop for low-cost coverage for their employees, and many small employers will qualify for federal tax credits to help offset coverage costs. To be ready, Covered California's tasks include:

- Selecting and certifying health plans by designating them as "Qualified Health Plans" for participation in the individual market and the Small Business Health Options Program (SHOP);

- Building the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS), a consumer-friendly, Web-based portal designed to be the single streamlined resource for Californians to find out what health program they are eligible for, and to make buying health insurance as easy as possible. This state-of-the-art system will allow California consumers to compare health plans to make the purchase that best meets their individual or small business needs and receive federal subsidies if eligible;

- Launching marketing, outreach and education strategies to increase awareness and knowledge of Covered California's coverage options for individuals and small businesses, with special attention to California's diverse populations including, developing a grant-based program to facilitate community participation in outreach and education; and

- Building and supporting a wide spectrum of support to help consumers with questions, including service center staff, county workers, community-based assisters and agents, and many more to help explain insurance and coverage options under the Affordable Care Act so that consumers can get the help they need to make choices that best meet their health coverage needs.

When fully implemented in 2019 more than two million Californians are projected to be receiving subsidized health coverage for themselves and their families through Covered California. Another 2.1 million Californians are expected to purchase coverage without subsidies through Covered California or in the individual market. Ultimately, millions of Californians will obtain health coverage as a result of the Affordable Care Act — a historic increase in health care coverage.

In the months ahead, Covered California will be choosing health plan offerings and begin testing the online enrollment portal. Grants will be awarded to community organizations for public awareness efforts, and assisters will be trained to understand Covered California enrollment offerings. In the spring of 2013, Covered California will begin expanding the media campaign to spread the word to millions of Californians about a new way to get affordable health care — all leading up to pre-enrollment on October 1, 2013.

SECTION 1

BACKGROUND: HEALTH CARE CHALLENGES IN CALIFORNIA

The federal Patient Protection and Affordable Care Act provides the framework to address the health care challenges of unsustainable costs, inconsistent quality, lack of focus on wellness, health disparities and millions without coverage. The Affordable Care Act provides a comprehensive approach to address these problems.

Health care costs continue to grow at unsustainable rates. Even though the rate of spending increases has slowed during the recession, nationally, the United States spends far more on health care — both per capita and as a share of gross domestic product — than any other country in the world. The high costs of health care is making coverage unattainable for families, hindering competition of small and large businesses and aggravating deficits for both state and federal budgets.

As the cost of care has risen — due to waste, inappropriate care, an aging population, higher incidence of chronic conditions and new expensive medical technologies, among other factors — families and small businesses have been increasingly priced out of the insurance market.

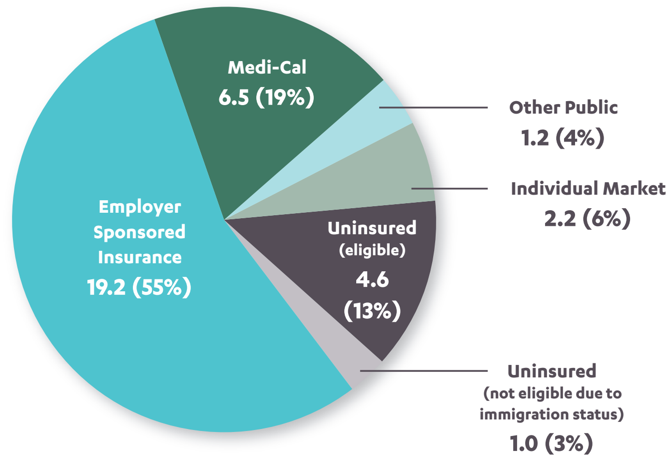
MANY CALIFORNIANS LACK HEALTH CARE COVERAGE

According to a model of California insurance markets known as the California Simulation of Insurance Markets (CalSIM)[1], 5.6 million Californians were without health insurance in 2012, or 16 percent of the population under age 65. Of the 5.6 million, 4.6 million people are eligible for coverage under the Affordable Care Act and one million are ineligible due to immigration status.

1 The California Simulation of Insurance Markets (CalSIM) is a model developed by the UCLA Center for Health Policy Research and the UC Berkeley Labor Center to estimate impacts of the ACA in California.

FIGURE 1: TYPES OF INSURANCE COVERAGE FOR CALIFORNIANS UNDER AGE 65

(Projected for 2014, without impacts of the Affordable Care Act)



Figures in millions. Source: California Simulation of Insurance Markets (CalSIM) Version 1.8, 2012

According to the California HealthCare Foundation's 2011 Health Care Almanac:

- Employees in businesses of all sizes are more likely to be uninsured in California than in the United States as a whole;
- Nearly one-third of the uninsured in California and the nation have family incomes of $50,000 or more; and
- Fifty-three percent of California's uninsured children are in families where the head of household worked full-time during calendar year 2010.

Over the past decade, small employers have seen the number of available health plans shrink at the same time premiums have risen significantly, making coverage less accessible and affordable, and increasing the number of employed Californians who are uninsured. In 2014, an estimated 2.6 working Californians will lack employer-sponsored health coverage. A December 2011 California HealthCare Foundation (CHCF) survey found that only 53 percent of small businesses with three to nine employees provided health coverage for their workers, and 74 percent of businesses with 10 to 49 employees provided coverage. For those small businesses that do not offer coverage, the vast

majority cite cost as the main reason they do not offer coverage to their workers, in fact, according to a 2011 survey conducted by Pacific Community Ventures[2], as many as 71 percent of small businesses don't offer coverage due to cost.

The provisions of the Affordable Care Act are designed to close the gaps that leave too many Americans, including millions of Californians, without the access to regular health care they need.

Similarly, the main reason that individuals go without coverage is they simply cannot afford the high cost of coverage. In a recent Kaiser Family Foundation survey conducted in May 2012 among U.S. adults, 26 percent reported they or a family member had problems paying for medical bills in the past year.[3] In addition 58 percent reported foregoing or delaying medical care in the past year. The result is that for uninsured individuals and families, a major illness can have catastrophic consequences on personal finances. Savings accounts can be depleted easily and bankruptcy often becomes the only option. Providers — hospitals, clinics and physicians — face higher and higher rates of uncompensated care. These uncompensated costs are then shifted to other payers, ultimately resulting in higher health premiums.

RISING HEALTH CARE COSTS

Over the last decade, the cost for individual and family coverage has more than doubled, far exceeding increases in the Consumer Price Index and the Medical Consumer Price Index.

Between 1999 and 2011, average annual premiums for single and family coverage increased approximately 250 percent. Although employers absorbed some of the increase, employee contributions to premiums increased by 168 percent. By comparison, workers' wages increased less than one-third of that amount, by 50 percent.

The impact has been felt most dramatically in the individual and small group insurance markets, which have seen a significant shift towards products with greater member out of pocket cost sharing. From 2006 to 2011, there was more than a four-fold increase in the proportion of insured workers in small employer firms with deductibles of $2,000 or more, from six percent up to 28 percent.[4]

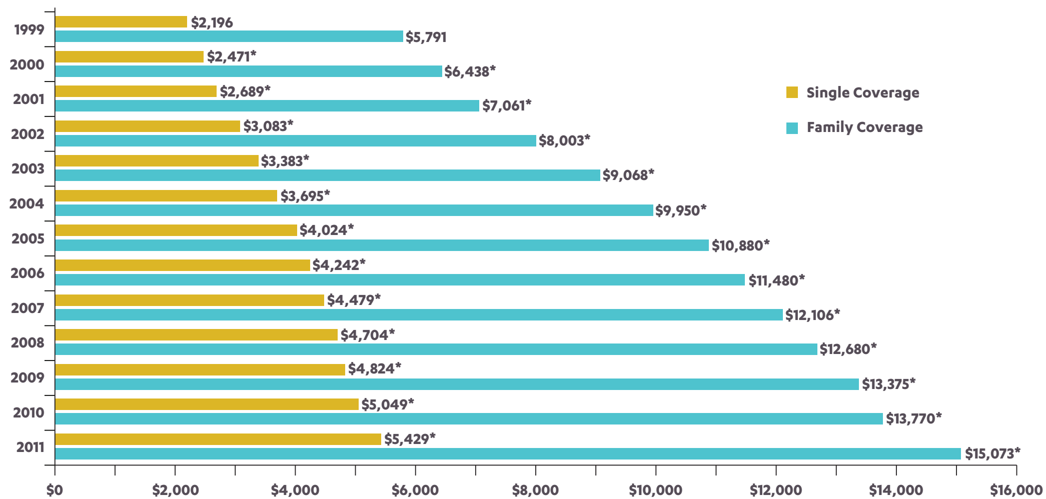
2 Thornley, B., WIlla, M., Burke, A. (2011) Healthcare and Small Business: Understanding Healthcare Decision Making in California.

3 Source: Kaiser Family Foundation Health Tracking Poll (conducted May 8 14, 2012).

4 2011 Employer Health Benefits Survey, Kaiser Family Foundation/Health Research & Educational Trust, September 2011. Accessed at http://ehbs.kff.org/

The following table illustrates the rise in premium levels for individuals and families from 1999 to 2011 in the U.S.

FIGURE 2: AVERAGE ANNUAL PREMIUMS FOR SINGLE AND FAMILY COVERAGE, 1999-2011



** Estimate is statistically different from estimate for the previous year shown ($p<.05$).*
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2011.

The rising costs of premiums put insurance coverage out of reach for many small employers and consumers, especially those with low and moderate incomes. The Affordable Care Act is designed to close the gaps that leave too many Americans, including millions of Californians, without the access to regular health care they need.

SECTION 2

COVERED CALIFORNIA:
A NEW PATHWAY TO AFFORDABLE HEALTH CARE COVERAGE

The Affordable Care Act aims to make it easier for all Americans to get health coverage by changing the law to improve access to coverage, expand coverage options and make insurance more affordable through subsidies and tax credits. A key part of the law is the creation of health benefit exchanges, which are designed to be the vehicle for consumers to access federal tax credits and to make it easier to shop for and enroll in affordable, quality coverage.

Federal law gives states the option to create their own health benefit exchange or allow the federal government to do it for them. Consistent with California's leadership in advancing health reform, state leaders acted six months after passage of the federal Affordable Care Act to enact a law [Chapter 655, Statutes of 2010 (Perez) and Chapter 659, Statutes of 2010 (Alquist)] creating California's Health Benefit Exchange, recently renamed Covered California.

In the law, the California State Legislature declared its intent to:

- Reduce the number of uninsured Californians by creating an organized, transparent marketplace for Californians to purchase affordable, quality health care coverage, to claim available federal tax credits and cost-sharing subsidies, and to meet the personal responsibility requirements imposed under the federal act;
- Strengthen the health care delivery system;
- Guarantee the availability and renewability of health care coverage through the private health insurance market to qualified individuals and qualified small employers;
- Require that health care service plans and health insurers issuing coverage in the individual and small employer markets compete based on price, quality, and service, not on risk selection; and
- Meet the requirements of the federal act and all applicable federal guidance and regulations.

Low-income individuals and families will be able to access federal subsidies to offset the cost of premiums, which will make health insurance affordable to millions for the first time.

When California begins offering coverage through Covered California, consumers will have new online tools that allow them to compare for quality, affordable coverage. Lower income individuals and families will be able either to enroll in public programs like Medi-Cal or access subsidies to offset the cost of premiums, which will make health insurance affordable to millions for the first time. Small business owners will find coverage options for employees that did not exist before, and in some cases, those businesses will qualify for tax credits that will help make it easier to provide insurance to their employees.

Shopping for coverage in Covered California will also be easier for consumers because there will be market-wide standards for coverage that will help individuals and small businesses make apples-to-apples comparisons between plans. In addition, insurance companies will be required by law to accept all applicants regardless of their health status rather than competing for only the healthiest consumers. This means that many health consumers who have been locked out of the insurance market due to preexisting conditions will qualify for affordable coverage through Covered California.

LEADERSHIP OF COVERED CALIFORNIA

State law implementing the Affordable Care Act in California created Covered California as an independent state entity governed by a five-member board whose members are appointed by the Governor and Legislature (see Figure 3: Covered California Board Members, on the following page). The Chair is elected annually by the Board pursuant to the law that established the California Health Benefit Exchange.

FIGURE 3: COVERED CALIFORNIA BOARD MEMBERS

MEMBER	APPOINTING AUTHORITY	TERM
DIANA S. DOOLEY **Secretary, Health and Human Services Agency and Chair of Covered California.** Secretary Dooley began her professional career in public service as an analyst with the State Personnel Board. In 1975, she was appointed to the staff of Governor Edmund G. Brown Jr. where she served as Legislative Secretary and Special Advisor until the end of his term in 1982. Prior to returning to public service in 2011, Ms. Dooley was President and Chief Executive Officer of the California Children's Hospital Association. She was appointed by Governor Brown to serve as Secretary of the Health and Human Services Agency in 2011.	Ex Officio Voting Member as Secretary of the Health and Human Services Agency	Ex Officio
KIMBERLY BELSHÉ **Board Member** Ms. Belshé is the Executive Director of First 5 LA (Los Angeles), a child advocacy and grant making organization created by California voters to invest tobacco tax revenue to improve the lives of L.A. County's young children. Most recently, she was Senior Policy Advisor to the Public Policy Institute of California (PPIC), after having served as Secretary of the California Health and Human Services Agency under Governor Arnold Schwarzenegger. Ms. Belshé was appointed to the Covered California Board by Governor Schwarzenegger in 2010.	Governor	January 2015
PAUL E. FEARER **Board Member** Mr. Fearer recently retired as a Senior Executive Vice President and Director of Human Resources of UnionBanCal Corporation and its primary subsidiary, Union Bank N.A. He served as the Chair of the Pacific Business Group on Health and has provided strategic leadership on both small group and large employer purchasing for many years.	Assembly Speaker	January 2017
SUSAN P. KENNEDY **Board Member** Ms. Kennedy served as Chief of Staff to Governor Arnold Schwarzenegger and led Schwarzenegger's historic health care reform initiative that contained many of the elements of the Affordable Care Act. Previously, she served as Deputy Chief of Staff and Cabinet Secretary to Governor Gray Davis. Ms. Kennedy was appointed to the Covered California Board by Governor Schwarzenegger in 2010.	Governor	January 2015
ROBERT K. ROSS, M.D. **Board Member** Dr. Ross is President and Chief Executive Officer for The California Endowment, a health foundation established in 1996 to address the health needs of Californians. Previously, Dr. Ross served as Director of the Health and Human Services Agency for the County of San Diego and as Commissioner of Public Health for the City of Philadelphia.	Senate Committee on Rules	January 2016

The Covered California Board met for the first time on April 20, 2011, and has held more than 20 meetings at locations in Sacramento and throughout the state.

COVERED CALIFORNIA VISION, MISSION AND VALUES

Covered California's guiding statements of purpose were developed through an inclusive process that engaged Covered California board members, stakeholders and staff. They were adopted by the Board on October 21, 2011.

The vision of Covered California is to improve the health of all Californians by assuring their access to affordable, high quality care.

The mission is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

The Core Values of Covered California are:

CONSUMER-FOCUSED: At the center of Covered California's efforts are the people it serves, including patients and their families, and small business owners and their employees. Covered California will offer a consumer-friendly experience that is accessible to all Californians, recognizing the diverse cultural, language, economic, educational and health status needs of those we serve.

AFFORDABILITY: Covered California will provide affordable health insurance while assuring quality and access.

CATALYST: Covered California will be a catalyst for change in California's health care system, using its market role to stimulate new strategies for providing high-quality, affordable health care, promoting prevention and wellness and reducing health disparities.

INTEGRITY: Covered California will earn the public's trust through its commitment to accountability, responsiveness, transparency, speed, agility, reliability and cooperation.

PARTNERSHIP: Covered California welcomes partnerships, and its efforts will be guided by working with consumers, providers, health plans, employers and other purchasers, government partners and other stakeholders.

RESULTS: The impact of Covered California will be measured by its contributions to expanding coverage and access, improving health care quality, promoting better health and health equity and lowering costs for all Californians.

With these values in mind, the leadership of Covered California has been working aggressively to put the infrastructure in place to accomplish its mission.

SECTION 3

IMPROVING THE QUALITY OF HEALTH CARE COVERAGE IN CALIFORNIA

Under the Affordable Care Act, health coverage options available to Californians in 2014 will improve due to market reforms that enhance the value of coverage as well as new subsidies and tax credits to offset the cost of insurance.

MARKET REFORMS

While many provisions of the Affordable Care Act have already begun taking effect, many other market reforms will go forward in 2014 that will fundamentally change individual and employer health insurance marketplaces.

HIGHLIGHTS OF INSURANCE MARKET REFORMS UNDER THE AFFORDABLE CARE ACT

Effective Sept. 23, 2010:

- Insurers are prohibited from setting lifetime dollar limits on essential health benefits, such as hospital stays, beginning with new policies issued.
- Insurers are no longer allowed to re-examine a customers' initial application to cancel, or "rescind," their coverage due to unintentional mistakes or minor omissions.
- Dependent children up to age 26 must be offered coverage under a parent's insurance plan.
- Insurers may not exclude children under the age of 19 from coverage due to a pre-existing medical condition.

Effective Jan. 1, 2011:

- Insurance companies are required to spend a specific percentage of premium dollars on medical care and quality improvement activities, and a smaller, limited amount on overhead expenses such as marketing, profits, salaries, administrative costs, and agent commissions. If insurance companies do not meet these new "medical loss ratio" (MLR) standards, they must provide rebates to their customers beginning in 2012.

Effective Jan. 1, 2014:

- Low-income individuals and families between 100 and 400 percent of the federal poverty level will receive federal subsidies to help them buy insurance and cover their out-of-pocket costs. Coverage must be purchased through Covered California to qualify for subsidies.
- Insurance companies must offer the same premium to all applicants of the same age and geographical location regardless of health status, medical conditions, gender or other factors that might predict the use of health services. This provision of the Affordable Care Act, known as "guaranteed issue" is designed to prevent insurance companies from writing policies for only the healthiest individuals.

Effective Jan. 1, 2014 (continued):

- Insurance issuers must offer a comprehensive set of health benefits known as Essential Health Benefits in any health insurance policy (see next section for further discussion).
- Insurance issuers will no longer be permitted to select enrollees based on risk. Several mechanisms in the Affordable Care Act will support this transition by stabilizing premiums starting in 2014, including:
  - **Risk Adjustment** — The Affordable Care Act seeks to end the incentive for issuers to avoid the sick and market only to the healthy by transferring excess payments from plans with lower risk enrollees to plans with higher risk enrollees. Health plans and insurance issuers who experience lower-than-average actuarial risk among enrollees will face assessments, while those who have higher-than-average risk among enrollees will qualify for state payments;
  - **Reinsurance** — The Affordable Care Act establishes a transitional reinsurance program to even out the health insurance market and moderate premium increases during the years that Exchanges are being established. For any plan beginning in the three-year period starting Jan. 1, 2014, insurers must pay into a reinsurance fund. Plans that experience very high claims will qualify for reimbursement from this fund; and,
  - **Corridors** — Under a program of risk corridors set up for calendar years 2014, 2015 and 2016, qualified health plans offered in the individual or small group market shall participate in a payment adjustment system based on the ratio of the allowable costs of the plan to the plan's aggregate premiums. Qualified Health Plan issuers with costs that are three percent less than the issuers' costs projections will remit charges for a percentage of those savings to the U.S. Department of Health and Human Services, while qualified health plan issuers with costs greater than three percent of cost projections will receive payments from the department to offset a percentage of those losses.
- Large employers with at least 50 full-time employees who do not provide affordable health insurance will be required to pay a fee if their employees receive premium tax credits to buy their own insurance in the Exchange.
- Small businesses will be eligible for tax credits aimed at offsetting the cost of credits up to 50 percent of the cost of insurance if they pay for at least half the cost of employee coverage, pay average annual wages below $25,000 and employ fewer than 10 full-time workers. The credit decreases as company size and average wage rise until it is phased out for employers with 25 or more full-time workers and average annual wages of $50,000 or more.
- The Affordable Care Act requires all individuals to be enrolled in a health insurance plan that meets minimum standards or pay an assessment, except in cases of very low income individuals who cannot afford insurance or other limited exceptions.

The wide-ranging reforms to the health insurance system will increase competition based on comparative value, reduce "gaming" based on underwriting strategies, and ensure maximum participation — all of which will improve the overall quality of coverage.

Covered California has begun laying the groundwork to implement provisions of federal law and open the new health insurance marketplace in 2014.

ESSENTIAL HEALTH BENEFITS IN CALIFORNIA

The following minimum benefits are enumerated in the Affordable Care Act.

ESSENTIAL HEALTH BENEFITS

- Ambulatory patient services
- Prescription drugs
- Emergency services
- Rehabilitative and habilitative services and devices
- Hospitalization
- Laboratory services
- Maternity and newborn care
- Preventive and wellness services and chronic disease management
- Mental health and substance use disorder services, including behavioral health treatment Pediatric services, including oral and vision care

Based on federal guidance, states have some flexibility in defining the essential health benefits that will become the "benchmark" plan for coverage in the state. In California, the Legislature adopted AB 1453 by Assemblyman Bill Monning and SB 951 by Senator Ed Hernandez, which designates the Kaiser Foundation Health Plan Small Group HMO 30 plan, as it was offered during the first quarter of 2012, as the state's benchmark plan for essential health benefits. On Sept. 30, 2012, Gov. Jerry Brown signed the bills into law.

To make it easier for consumers to compare products on an "apples-to-apples" basis, carriers who offer Qualified Health Plans through Covered California in the individual marketplace and SHOP will be required to sell those same plans outside Covered California. Further, all carriers in the individual and small group markets, including those not in Covered California, will still be required to include in their offerings one product that matches Covered California's standardized benefit designs. Requiring health plans to match the coverage and price of plans sold inside and out of the Covered California marketplace reduces the likelihood of plans segmenting individuals and small employee groups by risk characteristics and "dumping" riskier, higher-cost populations into Covered California plans. This requirement, along with the federal Affordable Care Act's risk reduction mechanisms, is designed to protect Covered California plans from adverse risk selection. These and other reforms are intended to shift the focus of the insurance industry to value rather than risk avoidance.

COVERAGE OFFERED IN UNIFORM CATEGORIES

Policies offered through Covered California and in the individual and small employers insurance marketplaces at large will be organized into categories of coverage, making it easier for individuals and small business owners to compare coverage options and tradeoffs.

Every insurance policy offered inside and outside the Covered California marketplace will be given a "metal rating" — platinum, gold, silver or bronze — based on "actuarial value" calculations. This rating indicates the share of costs paid by the plan for health benefits and the share paid by the consumer. For example, a consumer with a bronze-level plan would pay on average 40 percent of the cost of healthcare expenses through features like deductibles and coinsurance, while a consumer with a higher-premium platinum plan would pay only 10 percent.

Consumers will be given the information they need to better understand the tradeoffs inherent in purchasing health insurance coverage. Some may decide they prefer to pay more each month for a plan the covers more of their healthcare costs and helps keep their out-of-pocket costs low. Others may decide their top priority is the lowest monthly premium possible, and they may be willing to accept the risk of paying significantly more when they access care. It will be essential for Covered California to educate consumers about these tradeoffs so they fully understand the choices they are making and the potential overall costs of health care associated with the coverage they select.

While federal law requires a carrier to offer plans rated silver and gold in each Exchange, California state law goes further, requiring plans in Covered California to offer each of the four metal levels as well as a fifth product known as a catastrophic plan. A catastrophic plan is a high-deductible health plan offered through Covered California for mostly individuals under age 30 that features lower premiums for higher deductibles.

FIGURE 4: METAL TIERS BY SHARE OF COST

	SHARE OF COST PAID BY PLAN	SHARE OF COST PAID BY INDIVIDUAL/CONSUMER
BRONZE	60%	40%
SILVER	70%	30%
GOLD	80%	20%
PLATINUM	90%	10%

QUALIFIED HEALTH PLANS

Consistent with its authorizing legislation, the board has determined that Covered California will be an active purchaser in the health insurance marketplace, meaning it will use its purchasing power and clout to negotiate health plan products that have the best value for its enrollees.

California law implementing the Affordable Care Act authorizes Covered California to establish and use a competitive process to select participating health plans. The law enacted in 2010 also requires Covered California to set minimum requirements for participating carriers as well as the standards and criteria for selecting qualified health plans to "provide health care coverage choices that offer the optimal combination of choice, value, quality and service."

Covered California has established a certification process for these plans, known as Qualified Health Plans. Qualified Health Plans must be offered by "health insurance issuers" who are "licensed and in good standing with the state." In California, issuers (carriers) may be either licensed as health care service plans under the Knox-Keene Health Care Service Plan Act of 1975 administered by the Department of Managed Health Care, or obtain a certificate of authority as an insurer from the California Department of Insurance.

In early 2012, Covered California embarked on a broad outreach effort to inform the development of its health plan strategy. In February and March 2012, Covered California convened in-person stakeholder group sessions in Los Angeles, Redding, Sacramento, San Diego and San Francisco to gather input on plan selection and design issues. Covered California staff has met regularly with consumer groups, providers and potential health plan partners ranging from the largest carriers in the state to small regional and Medi-Cal managed care plans. In addition, the Covered California Board heard from three panels of stakeholder experts on issues related to health plan selection and promoting delivery reform. Written input was submitted by 47 stakeholder organizations in response to more than 30 questions posed by Covered California relating to qualified health plans, benefit design and promoting healthcare delivery system reform. That input was summarized and presented at the Covered California board meeting on June 19, 2012 titled *The California Path to Achieving Effective Health Plan Design and Selection and Catalyzing Delivery System Reform Stakeholder Input on Key Strategies.*[5]

Covered California selected PricewaterhouseCoopers (PwC) to assist in developing standards and processes for the certification and competitive selection of its plans. This also includes an ongoing program of certification, recertification and decertification,

5 http://www.healthexchange.ca.gov/BoardMeetings/Documents/III-B_HBEX-QHPStakeholderReport_5-18-12.pdf

performance measurement, quality monitoring and compliance for participating health plans. PwC was also asked to recommend strategies for Covered California programs or activities that might improve the broader healthcare delivery system in the state. Covered California engaged in data collection and research to identify and compare products in the California market including benefits, premiums and enrollment through review of plan descriptions, evidence of coverage documents and cost sharing summaries.

The Board considered and adopted principles consistent with Covered California's core values to guide the selection and oversight of the plans and benefit designs it would offer based on stakeholder input, and then refined the principles based on that input. These principles include:

- Promoting affordability for the consumer and small employer — both in terms of premium and at point of care;
- Assuring access to quality care for consumers presenting with a range of health statuses and conditions;
- Facilitating informed choice of health plans and providers by consumers and small employers;
- Promoting wellness and prevention;
- Reducing health disparities and fostering health equity;
- Working to reform the health care delivery system while being mindful of Covered California's impact on and role in the broader health care delivery system; and
- Operating with speed and agility and using resources efficiently in the most focused possible way.

Guided by these principles, the Board in August 2012 adopted a comprehensive 260-page set of recommendations[6] on health plan selection, certification and contracting covering a wide range of issues such as certification requirements, plan and network design issues, accreditation and reporting, administrative simplification, alignment with state programs, dental and vision benefits, and partnerships with plans to promote enrollment. Among the policy recommendations adopted, Covered California intends to:

- Assure that plans in Covered California have sufficient providers to meet the needs of enrollees, and in initial years use and monitor existing regulatory mechanisms to assess this capacity (described as "network adequacy").

- Assure broad choice of offerings (e.g. four or five different issuers) in all geographic regions of the state, in every metal level choice (platinum, gold, silver, bronze) to facilitate coverage choices and stimulate competition while making clear to certain consumers at lower income levels the value of choosing a Silver-level plan;

- Allow innovation in the SHOP with benefit designs that encourage and reward healthy behaviors through out-of-pocket costs, financial rewards or improved clinical support for avoidance or management of chronic disease;

- Assure participation of safety net providers who have historically served low-income and Medi-Cal populations;

- Encourage inclusion of Federally Qualified Health Centers (FQHCs) in Qualified Health Plan networks and require payment at fair compensation by the Qualified Health Plan defined as rates no less than the generally applicable rates of the issuer;

- Broaden the definition of Essential Community Providers to include physicians, clinics and hospitals which have demonstrated service to the Medi-Cal, low-income, and medically underserved populations;

- Establish a standard for health plan accreditation with a minimum level of quality reporting and transparency than current proposed federal requirements, while also specifying a transitional path for newly organized plans and regional carriers to meet requirements. The accreditation standard would apply for the first two to three years, with the expectation that Covered California will consider more rigorous accreditation standards in later years as it becomes established in the market;

6 http://www.healthexchange.ca.gov/BoardMeetings/Documents/August_23_2012/IX_FinalBRB-QHPPoliciesandStrategies_8-23-12.pdf

- Require health plans to provide a health risk assessment tool to enrollees;
- Establish requirements for plan-offered wellness programs in the SHOP;
- Coordinate and align coverage with state health care programs and commercial plans given the expected regular migration in and out of public and private coverage; and
- Collect information and work with its contracted plans to promote changes in how care is paid for and delivered to a catalyst for promoting better care, improved health and lower costs for Californians both inside and outside of Covered California.

In November 2012, Covered California released its qualified health plan solicitation and proposed regulations which reflected these policy decisions. Over thirty health insurers have expressed interest in participating in the new marketplace. Covered California will conduct its selection and certification process for plans that will be offered through the individual and SHOP Covered California markets in early 2013.

SECTION 4

IMPROVING THE AFFORDABILITY OF HEALTH CARE COVERAGE IN CALIFORNIA

FEDERAL SUPPORT FOR LOW AND MODERATE INCOME CALIFORNIANS

For eligible low- and moderate-income individuals and families, Covered California will play a critical role by helping them find out if they are eligible for public programs or obtain federal advance tax credits that will defray premiums in order to make coverage more affordable. The tax credits are based on income and applied on a sliding scale basis to individuals and families earning between 138 and 400 percent of the federal poverty level (approximately $35,000 to $94,000 a year for a family of four). The credits are available only for health insurance purchased through Covered California.

Although actual premiums will be based on age, geography and family size the chart below illustrates what an average family of four with varying income levels could expect to pay based on the tax credits that will be offered by Covered California.

FIGURE 5: SAMPLE TAX CREDIT FOR PURCHASE IN COVERED CALIFORNIA

PERCENT OF FPL*	ANNUAL INCOME	UNSUBSIDIZED ANNUAL PREMIUM	TAX CREDIT	ANNUAL PREMIUM AFTER CREDIT	MONTHLY PREMIUM AFTER CREDIT
150	$35,137	$14,245	$12,840	$1,405	$117
200	$46,850	$14,245	$11,294	$2,952	$246
300	$70,275	$14,245	$7,569	$6,676	$556
400	$93,700	$14,245	$5,344	$8,901	$742

Example based on family of four headed by a 45-year-old policyholder using 2014 projected incomes, assuming a "silver" plan covering 70 percent of expected medical utilization costs. These figures do not reflect actual premiums and are estimates.

** Federal Povery Level*

In addition to premium subsidies, cost-sharing reductions will reduce point-of-service costs for individuals with incomes between 100 and 250 percent of the federal poverty level in the silver plan. These federal subsidies effectively cap out-of-pocket expenditures, such as deductibles, copays, and coinsurance, at a lower level for individuals in this income range in order to help ensure that both premiums and the cost of accessing care remains affordable for lower income Californians.

The case studies below show how premium reductions and cost-sharing subsidies will make health insurance coverage more affordable for lower income Californians.

CASE STUDY #1

A 29-year-old with asthma who earns $20,000 a year as a self-employed painter (179% of the federal poverty level)*

BEFORE THE AFFORDABLE CARE ACT	AFTER THE AFFORDABLE CARE ACT
• unable to buy health insurance due to his medical condition • asthma treated irregularly and ineffectively • makes regular high-cost trips to the emergency room • loses wages due to his intermittent inability to work	• buys health insurance for the first time • obtains regular care from a physician for his asthma • pays $89/month in premiums because the $280 monthly premium for insurance is offset by a federal subsidy of $191* • pays a maximum of $2,017/year in co-pays or deductibles due to provisions of the ACA that cap on out-of-pocket costs for individuals at his income level • works without interruption and enjoys a better quality of life because his asthma is under control

CASE STUDY #2

A family of four with parents age 33 and 35, one of whom earns $35,000/year as a window washer (152% of the federal poverty level)*

BEFORE THE AFFORDABLE CARE ACT	AFTER THE AFFORDABLE CARE ACT
• attempted to buy insurance coverage on the individual market and found the monthly premium of $760 unaffordable • learned that many of the policies offered did not include benefits they needed such as maternity care • one family member continued to gain 20 pounds/year, leading to adult-onset diabetes • began seeking acute care in the emergency room, with costs shifted to the government and others who have insurance	• purchased health coverage for the entire family for the first time • pays a monthly premium of $119 due to a $640 subsidy offsetting the $760 monthly premium • paid a maximum of $4,033 in copays and deductibles due to provisions of the ACA that cap out-of-pocket costs for families at their income level (152% of the federal poverty level) • established relationships with physicians and began getting regular medical care, learning of the dangers of diabetes and undertaking lifestyle changes to prevent the disease • began weight loss program to improve health with support from physicians and insurers • improved overall health and avoided trips to the emergency room, reducing costs to the health care system

** Source for premium/subsidy information: UC Berkeley Labor Center Health Policy Calcluator, based on the Affordable Care Act and premium estimates from the Congressional Budget office, adjusted for inflation and age rating, 2012.*

HELP FOR SMALL BUSINESS OWNERS

Small businesses will get help from Covered California through an innovative new program known as the Small Business Health Options Program (SHOP), which will make it easier to provide a broader array of health coverage options for employees.

With the market-wide reforms in the small employer insurance market, all insurers — both inside and outside of Covered California — will be part of one combined "risk pool."

By participating in the SHOP, small employers will be able to provide their employees with the choice of health plans that generally has only been available to large employers.

Certain small businesses — those with 25 or fewer full-time equivalent employees paid an average annual wage of less than $50,000 — will be eligible to receive a 50 percent federal tax credit for coverage purchased through the SHOP, with an estimated 375,000 small employers in the state qualifying for the tax credit.

Similar to quality standards for individual coverage, the SHOP will offer coverage certified as meeting quality standards.

Covered California intends a phased approach for implementing the SHOP. To facilitate the launch phase, Covered California plans to initially contract for establishment and operational services for SHOP. After 2015, this approach would be evaluated to consider the potential of transitioning the administration of the SHOP functions to in-house operations.

The proposed contract for SHOP administrative services would exclude several SHOP business functions that are considered "core" operational and policy functions. "Core" functions that will be internal to Covered California include:

- **Governance, policy development and quality assurance:** Covered California will retain ultimate governance and policy-making authority and ensure that contractors are meeting contractual quality standards;
- **Health plan management:** Covered California will retain control over health plan selection, certification and ongoing management of plan relationships for the SHOP;
- **Marketing:** Covered California will lead the SHOP marketing efforts and will maintain direction of marketing campaigns and outreach; and
- **Legal:** Covered California will manage legal issues internally.

Covered California issued a solicitation for the administration of the SHOP operations. This solicitation[7] was published in late September 2012 with the intent to contract with the vendor by the end of 2012.

7 http://www.healthexchange.ca.gov/Solicitations/Pages/HBEX11.aspx

SECTION 5

ENROLLMENT THAT MAKES THE COMPLEX EASY

Individual consumers and small businesses interested in finding out what the coverage options are will have access to a Web-based portal that will provide a modern, new way to learn about their health insurance options and enroll in coverage. The California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) aims to make the process of finding what is affordable and shopping for insurance easy.

With CalHEERS, consumers will have access to online tools that will help them compare coverage, learn about subsidies and determine both the costs of their premium but also their potential out-of-pocket responsibility when they get care. Small business owners will be able to shop with the same purchasing power as large employers to find coverage for their employees. The CalHEERS portal will offer eligibility determinations for both Medi-Cal and federally subsidized Covered California coverage. It will also allow enrollment through multiple access points including mail, phone and in-person applications. This "no wrong door" policy is intended to ensure the maximum number of Californians obtain coverage appropriate to their needs.

In December 2011, Covered California issued a draft solicitation for the design and development of CalHEERS. In response to the request for stakeholder feedback, more than 1,300 specific responses and suggestions were provided to Covered California from the broad stakeholder community, including consumer advocates, providers, health plans, agents and IT vendors. This feedback was used to guide the development of the final solicitation[8], which was released in January 2012. The procurement evaluation team ranked proposals in five areas: 1) corporate qualifications; 2) project management staffing; 3) functional approach; 4) technical approach; and 5) cost.

Following an extensive review process, Accenture was hired for the design, development and deployment of CalHEERS. The contract includes approximately $183 million for the initial development and implementation of the system, supported primarily by federal Affordable Care Act implementation funding. After the CalHEERS system becomes operational, the contract provides $176 million for continued development and operating costs over a period of approximately three and a half years.

8 http://www.healthexchange.ca.gov/Solicitations/Pages/HBEX4.aspx

Because CalHEERS is serving as the single streamlined eligibility and enrollment system for both Medi-Cal and Covered California plans, the entire design and implementation effort has been built through a close partnership between Covered California and the California Department of Health Care Services which jointly oversee CalHEERS, and the Office of Systems Integration (OSI), which have executed a memorandum of understanding to jointly oversee CalHEERS with OSI providing project management. In addition to the partnerships between Covered California and the Department of Health Care Services, the development and build of CalHEERS has reflected close partnership efforts with federal agency partners who are providing financial support (Center for Consumer Information and Insurance Oversight and Center for Medicare and Medicaid Services), other parts of the State Administration (particularly the Department of Social Services, Department of Finance and California Technology Agency), and counties which implement Medi-Cal program's eligibility and case management function for the State.

CalHEERS is expected to be operational by October 1, 2013 when Californians will be able to enroll for coverage which begins in January 2014. Building a new eligibility and enrollment system for the new opportunities offered by the Affordable Care Act would be challenging under any circumstances, but are particularly so because of the tight timeframe we are operating in. Covered California and the Department of Health Care Services have recognized this fact and sought to build mechanisms will assure success, including:

- Developing a clear governance process that assures needed decisions get made quickly;

- Selecting the most essential components to launch in October and planning for future enhancements that reflect feedback obtained after the initial open enrollment period is completed;

- Testing each version of the software rigorously before it is released;

- Building in iterative opportunities for stakeholder feedback through the requirements validation and design sessions, as well as through webinars, educational panels and focus groups;

- Including substantial external, independent review processes;

- Establishing privacy and security standards to meet federal, state and industry requirements;

- Designing the usability of the system with the consumer view in mind from the start, to minimize the need for time-consuming changes after the system is launched; and

- Setting clear benchmarks and review processes, including by federal oversight agencies.

Covered California and the California Department of Health Care Services plan to have a prototype of the CalHEERS system — the online portal to the new marketplace and public coverage programs — that will go through a period of testing before it goes live. This will provide the CalHEERS team sufficient time to subject the system to various customer enrollment scenarios to ensure it will perform as expected and address any problems identified during the test phase.

SECTION 6

CONNECTING WITH CALIFORNIA'S DIVERSE COMMUNITIES

AN OPPORTUNITY TO EXPAND COVERAGE TO MILLIONS OF CALIFORNIANS

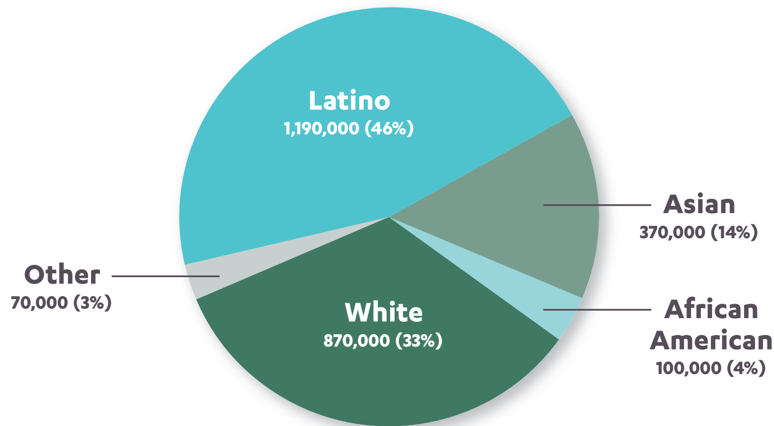
The success of Covered California will depend on connecting with California's diverse communities in a wide variety of ways to increase awareness of new options for health coverage, and provide the support individuals need to enroll. Covered California is committed to an aggressive education, outreach and marketing effort beginning in 2013. As part of these efforts, Covered California has been developing its plans in consultation with the California Department of Health Care Services. In addition, Covered California will make sure that trained personnel are available in person, online and through toll free call centers to help individuals and small business owners get the support they need to select from options and enroll in coverage.

MARKETING, OUTREACH AND EDUCATION

The expansion of health coverage under the Affordable Care Act has the potential to improve the lives of millions of Californians. The number of Californians who stand to benefit from the expanded coverage options from the Affordable Care Act is large and reflects the rich diversity of our State. As of 2014, when the Affordable Care Act's new coverage provisions take effect, more than 5.3 million Californians will be Covered California's main target audience. Of that audience, 2.6 million qualify for subsidies through Covered California, and 2.7 million would benefit from guaranteed health coverage and will be able to enroll inside or outside of Covered California. The Marketing, Outreach and Education efforts must reach all those who may be eligible, including California's diverse cultures and multiple languages (see Figure 6: Ethnic Mix of Exchange Subsidy Eligible Californians, on the following page).

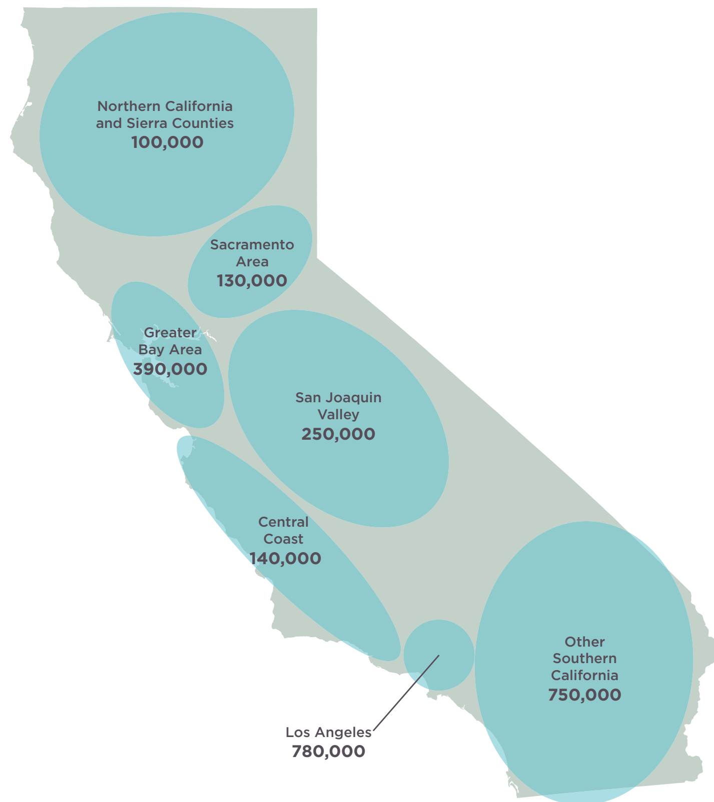
The success of Covered California will depend on connecting with California's diverse communities in a wide variety of ways to make them aware of new options for health coverage, help them sort out their options and give them the support they need to enroll.

FIGURE 6: ETHNIC MIX OF EXCHANGE SUBSIDY ELIGIBLE CALIFORNIANS



California is a diverse state geographically. CalSIM modeling indicates that those who are eligible for health insurance coverage through Covered California with subsidies live in every part of the state (See Figure 7: California's Exchange Subsidy Eligible Individuals by Region, below.).

FIGURE 7: CALIFORNIA'S EXCHANGE SUBSIDY ELIGIBLE INDIVIDUALS BY REGION



Source: CalSIM Version 1.8

Covered California is directed under state law to carry out efforts "to market and publicize the availability of health care coverage and federal subsidies through the Exchange."

The law also requires the Board to "undertake outreach and enrollment activities that seek to assist enrollees and potential enrollees with enrolling and re-enrolling in Covered California in the least burdensome manner, including populations that may experience barriers to enrollment, such as the disabled and those with limited English language proficiency."

After an extensive competitive selection process, Covered California chose Ogilvy Public Relations and Ogilvy & Mather to develop specific outreach and communication strategies to reach the large and diverse population of California. Those strategies have been guided by comments and suggestions received at stakeholder sessions in Fresno, Los Angeles, Oakland, Rocklin (Placer County), Sacramento, San Bernardino, San Diego, San Francisco and San Mateo. Covered California received input from 31 organizations in response to more than 50 questions. That input was summarized in a report[9] and presented to the Covered California Board in March 2012. Covered California also conducted focus group research to gain a deeper understanding of the concerns and needs of potential enrollees.

Covered California adopted the following principles for outreach and education:

- Promote maximum enrollment of individuals in coverage — including subsidized coverage in Covered California's Individual Marketplace and Small Business Health Option Program (SHOP), as well as for individuals who can purchase coverage without subsidies;

- Build on and leverage existing resources, networks and channels to maximize enrollment into health care coverage, including close collaboration with state and local agencies, community organizations, businesses and other stakeholders with common missions and visions;

- Consider where eligible populations live, work and play and select tactics and channels that are based on research and evidence of how different populations can best be reached and encouraged to enroll and, once enrolled retain coverage;

9 http://www.healthexchange.ca.gov/BoardMeetings/Documents/Exchange%20-%20Achieving%20Health%20Care%20Coverage%20Success%20in%202014%20and%20Beyond.pdf

- Use marketing and outreach strategies that reflect and target the mix and diversity of those eligible for coverage; and
- Promote retention of existing insurance coverage in public programs and the individual market, as well as in employer-based coverage.

Given that Covered California represents an entirely new health insurance marketplace, a comprehensive, multiphase marketing, outreach and education effort will be needed.

Covered California, in consultation with the Department of Health Care Services, has developed a comprehensive marketing, outreach and education plan that incorporates a wide variety of tools including research, targeted mass, social and paid media, public relations and partnerships with a wide array of community, faith, labor, industry, health care, business and other organizations.

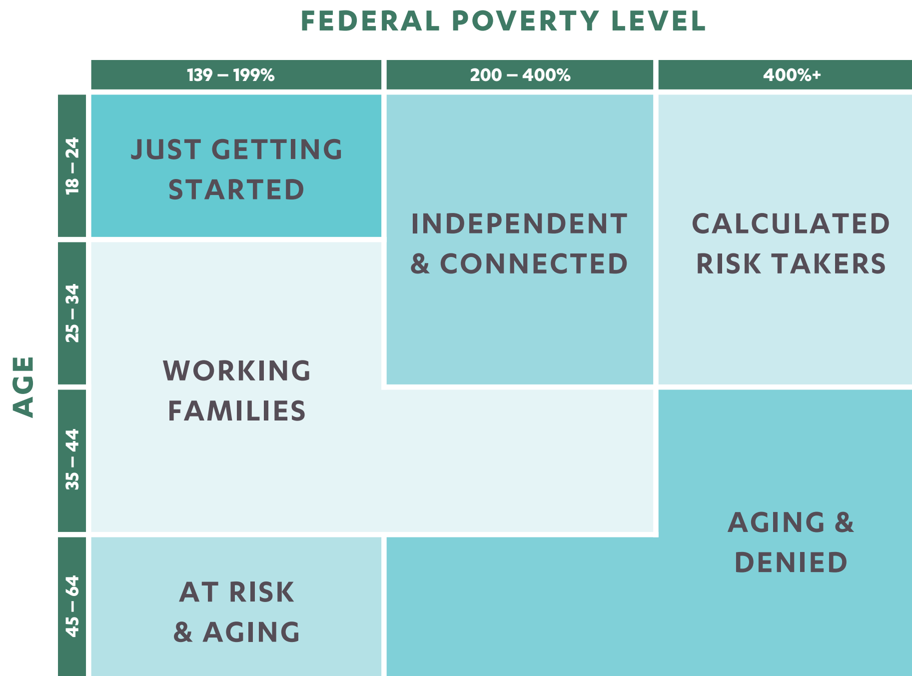
Specifically, the marketing strategy seeks to define and position Covered California as a one-stop marketplace offering financial help for low and moderate income Californians a wide choice of affordable coverage options. It will help build Covered California as a trusted provider of insurance products and a place to comparison shop for quality insurance options. In addition, it will work to foster and build on the desire to have good health through good health insurance coverage.

TARGET AUDIENCES

As mentioned earlier in this section, the primary audience of Covered California's marketing and outreach efforts include more than 5.3 million California residents as of 2014. Of that total, 2.6 million qualify for federal subsidies only available through Covered California, and 2.7 million who may not qualify for federal subsidies but will benefit from guaranteed coverage whether or not enrolling through Covered California's new marketplace.

Covered California is prioritizing its outreach based on the following target segments which very frequently overlap and intersect. Members of the following segments may have different needs and motivations, and therefore require different messages and delivery methods to prompt them to seek health insurance coverage.

FIGURE 8: AUDIENCE PROFILES



Within each of the segments identified in Figure 8, additional research was conducted to further understand the demographic mix of Californians within the target group. They include:

- **Latinos:** Studies show that the majority of California's uninsured and nearly half of coverage-eligible uninsured are Latino. Reaching Latinos will be critical to the success of Covered California;

- **Additional Ethnic/Racial Populations:** Low-income African-Americans, Asian and Pacific Islanders, and Native Americans are disproportionately represented among the uninsured and will require targeted, culturally sensitive outreach efforts and messaging;

- **Women:** Based on current data, women will be a critical target for this effort. The target group is age 18-49. Single mothers and working women representing multiple ethnic groups provide additional micro-targeting in the female group, but Latinos make up a large portion of this target;

- **Young Adults:** Data shows that the young adult target is disproportionately male. While many programs will be designed to reach young men and young women, young men (age 18-34) will be a core target group. This subgroup is multiethnic.

This group may be under the age of 26 or just off parental health coverage (which, under the Affordable Care Act, now extends to 26 year old individuals). Many working people may be hourly, part-time or temporary employees without benefits. Our data shows that 23 percent of all college students are uninsured;

- **Older Adults:** Another broad target group is adults ages 35-64. While this group includes a balance of men and women, the data shows that older adults are disproportionately single. Again, this target group is made up of multiple ethnic groups. This group may include working poor or individuals who have experienced layoffs/loss of insurance in the past several years;

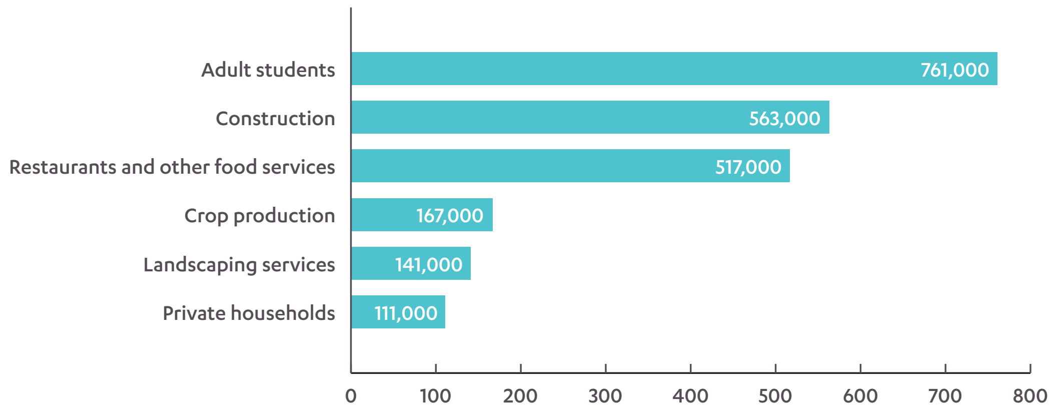
- **Influencers:** The marketing plan will also target influencers of uninsured Californians such as health care providers, faith-based organizations, state agencies, community leaders and others;

- **"Hard to Move":** Another critical audience target are those individuals who, for whatever reason, are not inclined to purchase insurance, even if they can afford it, or enroll in public coverage. Some have referred to the first group as the "invincibles" — those people, primarily young men who do not see the value of insurance and do not believe they can afford coverage. Research will help determine what messages may move these individuals to seek coverage; and

- **California Small Businesses (2-50 Employees) and other Employers:** Small business owners and entrepreneurs are another important target as majorities of the uninsured are employed by small businesses. Currently, just 46 percent of firms with fewer than 50 employees offer health insurance. Educating small business owners about the Small Employer Health Options Program (SHOP) is crucial. Small business enrollment and use of Covered California is critical for success, but just as important will be reaching out to small businesses as a way to find the uninsured.

Marketing strategies also will include targeting industries with significant numbers of uninsured workers. Current marketplace data (2010 ACS) shows that there are significant numbers of the uninsured in particular areas of employment (e.g. construction, restaurant/food service, crop production, college students).

FIGURE 9: CALIFORNIA'S UNINSURED: WORKERS AND ADULT STUDENTS



The plan includes both broad outreach targeting the Covered California eligible individuals and small business, as well as targeted industry, trade, union and other communications to reach these large uninsured categories. One key challenge to Covered California's marketing will be to consistently support the continued and expanded coverage of insurance through employers. At the same time, Covered California needs to reach out through these venues to make sure uninsured workers and their families receive the benefits of the Affordable Care Act.

The first phase of the marketing, outreach and education effort was recently completed, which included the development of the Covered California brand. This involved qualitative research, which was conducted in Los Angeles, San Diego and Sacramento among uninsured California adults (men and women) with a variety of incomes from the 138–399 percent and 400+ percent federal poverty level ranges in English, Spanish and other languages. Four groups were also used to both shape the messaging for marketing and outreach and to refine targeting.

Beginning in January 2013, Covered California will step up its work with community-based organizations and partners by offering grants to help inform consumers about the coming benefits. The board approved requesting, as part of its establishment grant, funds for a $43 million grant program (over 2013 and 2014) to establish and facilitate the outreach and education grant program. The program will engage organizations and entities with trusted relationships with California's uninsured markets to increase awareness and understanding of health coverage options, promote a culture of coverage, motivate Californians to take the next step to enroll and remove barriers to enrollment. Of the $43 million total, $3 million will be focused on education and outreach to small businesses. Covered California also is seeking to develop partnerships with retail stores, social media outlets, providers and others to be sure that all Californians understand the opportunities available to them and their new responsibilities as we approach 2014.

These efforts will be reinforced through paid media that will begin in the summer of 2013, just prior to the open enrollment period that begins October 1, 2013 and extends through March 1, 2014.

The marketing, outreach and education effort will rely on measures to evaluate success and course correct as needed, increasing some campaign efforts while reducing others that are less effective. Messaging will emphasize the need to both obtain and retain coverage.

The specific enrollment targets for the marketing, outreach and education effort are as follows:

- By 2015, **1.4 MILLION** Californians enrolled in subsidized coverage in Covered California or eligible to purchase in the individual market without subsidies;
- By 2016, **1.9 MILLION** Californians enrolled in subsidized coverage in Covered California or eligible to purchase in the individual market without subsidies; and
- By 2017, **2.3 MILLION** Californian's enrolled in subsidized coverage in Covered California or eligible to purchase in the individual market without subsidies.

Effective marketing and outreach will be critical to the success of reform. For Covered California, encouraging enrollment is about selling a service, which may be a financial challenge for many households even with the federal subsidy. Helping consumers understand the choice that is right for them will often require a discussion with an expert on the phone or even an in-person session in their community. Covered California is setting up capacity to meet both of those needs.

HELP A PHONE CALL AWAY

Friendly and responsive experts working at customer service centers will be critical to achieving the goal of maximizing enrollment of eligible individuals and small employers and reducing the number of uninsured Californians. These customer service representatives will answer specific questions from consumers or assisters, refer consumers to resources, such as local in person assisters, or offer Web-based "chat" advice to consumers on-line.

Many individuals who turn to Covered California will need assistance sorting through complex insurance options so they can make choices that are right for them.

Our goal is to make the enrollment process as easy as possible, but we know that many consumers — especially during the initial Covered California enrollment phase — will need more than the "self-service" of the CalHEERS Web portal due to the complexity of their individual circumstances or specific needs. Covered California has developed five principles for the operation of Service Centers, including:

- Provide first-class customer service;
- Offer comprehensive, integrated and streamlined services;
- Be responsive to consumers and stakeholders;
- Assure cost-effectiveness; and
- Optimize best-in-class staffing to support efficient eligibility and enrollment functions.

Covered California has been working closely with the Administration, counties and other stakeholders to develop a strategy to serve the needs of those newly eligible for health care coverage while relying where possible on existing capacity and skills to support eligibility and enrollment in Medi-Cal. Based on this work, Covered California Board approved a centralized model[10] for providing customer service at its August 23, 2012 meeting. That model includes a design dividing the work so that consumers potentially eligible for Medi-Cal can be helped by the existing pool of county workers. The centralized model provides for a primary state service center, with the potential of having another site that would be operated under contract with a county.

Covered California is designing a customer service center to support consumers by using the best-in-class technology with staff who speak 12 languages. Friendly and responsive experts working at customer service centers will be critical to achieving the goal of maximizing enrollment of eligible individuals and small employers and reducing the number of medically uninsured Californians.

10 http://www.healthexchange.ca.gov/BoardMeetings/Documents/August_23_2012/X_CHBE-BRB_ServiceCenterOptions_8-23-12.pdf

IN PERSON HELP WHEN NEEDED —
COMPENSATED ASSISTER ENTITIES, ASSISTERS AND AGENTS

Beyond getting help on the phone, many individuals who turn to Covered California will need assistance sorting through complex insurance options so they can make choices that are right for them. To fulfill this role, Covered California will rely on Certified Enrollment Assisters and licensed insurance agents who receive specialized training.

Working together with the Department of Health Care Services and the Managed Risk Medical Insurance Board, Covered California adopted the following principles for in-person assistance in California:

- Assisters must reflect the cultural and linguistic diversity of the target audiences and result in successful relationship and partnerships; and
- Assisters must be equipped with the information and expertise needed to successfully educate and enroll individuals in appropriate coverage.

Based on a review of reports, research, stakeholder input and lessons learned by California and other states, the Board adopted a strategy for implementing navigation services along with training, compensation, eligibility and standards and assister recruitment.

Among the key elements of the strategy:

- The Assisters program will include Certified Enrollment Assisters trained, certified and registered with Covered California, responsible for enrolling consumers in Covered California products and programs. Only those Certified Enrollment Assisters who are trained and employed for appropriate entities will be compensated by Covered California. Other Certified Enrollment Assisters, including health insurance agents, hospitals and providers, will be required to complete all training and become certified but will not be compensated by Covered California;
- Compensation will be $58 per successful enrollment in Covered California based product (individual or family);
- Compensation will be $25 per successful annual re-determination of enrollment in Covered California based product (individual or family);
- Certified Enrollment Assisters will be required to complete education, eligibility, and enrollment activities and will be sufficiently trained to assist individuals in completing eligibility requirements for all Covered California coverage;

- Assisters will have the option to target specific markets or populations (e.g. low income, cultural and linguistic groups, or other segments);

- Eligible Certified Enrollment Assisters must be affiliated with an enrollment entity. Individual assisters are not eligible for enrolling individuals in Covered California products;

- Certified Enrollment Assisters, will be certified through Covered California after completing required trainings;

- All certified enrollment entities and their assisters will sign a code of conduct relating to confidentiality and assister guidelines; and

- All assisters will be trained and required to complete the eligibility process required for potential enrollment in Medi-Cal and support the individual's enrollment in plans or options relevant to their eligibility.

Health insurance agents have historically played a key role in helping employers and consumers enroll in health coverage by guiding them through options and helping them find appropriate plans based on their needs. Covered California recognizes that agents should play an important role in promoting Covered California products in the individual market.

The Affordable Care Act prohibits Covered California from directly compensating agents for enrollment assistance if they are also paid by health plans. Covered California therefore adopted a compensation policy for agents certified by Covered California that would allow for participating health plans to pay agents directly under their own commission arrangements. In this approach, agents are incentivized to help enroll consumers into Covered California products. However, while agents may be paid by plans, Covered California will establish and enforce strict policies which will assure that assisters — whether they be agents or other types of assisters — do not steer consumers to particular health plans.

SECTION 7

WORKING WITH STAKEHOLDERS

One of Covered California's core values is to act in partnership with stakeholders and Californians from all walks of life.

Consumers, health plans and providers, large and small businesses, labor unions, community leaders and organizations, philanthropic organizations, and many other organizations have come together to share their vision, values, energy and resources. The policy expertise, hands-on experience with California's communities and informed recommendations about how Covered California should proceed has strengthened the decision-making process.

To date, the leadership of Covered California has met with hundreds of stakeholders throughout California and has received and reviewed tens of thousands of pages of written input on a wide range of issues on strategic, tactical and operational decisions before them.

The Covered California's approach to gathering stakeholder input includes:

- Inviting feedback at board meetings, where stakeholders are offered opportunities to make presentations to the Board on policy issues under consideration and comment on any agenda item;

- Receiving reports and comment letters;

- Sharing program updates with stakeholders via e-mail (stakeholders can subscribe to the distribution list through a link on Covered California homepage);

- Holding focus groups and informal stakeholder group meetings to solicit comment from health care consumers enrolled in health plans, individuals and entities with experience in facilitating enrollment in health plans, representatives of small businesses and self-employed individuals and advocates for enrolling hard-to-reach populations;

- Meeting with individual stakeholder groups and making presentations at stakeholder conferences and webinars;

- Convening work groups with consumer advocates, providers, health plans, counties, labor, brokers and small businesses to advise Covered California, Department of Health Care Services and the Managed Risk Medical Insurance Board on eligibility and enrollment issues;
- Holding ad hoc statewide meetings and webinars to gather input on marketing, outreach and education, grant application, enrollment and qualified health plan issues; and
- Soliciting website responses to specific, detailed questions on policy issues before the Board.

The leadership of Covered California has met with hundreds of stakeholders throughout California and has received and reviewed tens of thousands of pages of written input on a wide range of issues.

During 2012, Covered California engaged in planning for the first consultation with Indian Tribes as required by the Affordable Care Act. The goal of the consultation is to address Covered California policies and actions that have tribal implications so that the state and Tribes can share information that leads to mutual understanding and informed decision-making. That process had led to the Board adopting a formal tribal consultation policy and forming a standing advisory group.

To promote stakeholder transparency and input, Covered California has established a public website at www.hbex.ca.gov and is continually adding new and updated content.

In September 2012, Covered California elected to convene three stakeholder advisory groups to collect input on specific topics beginning in January 2013. They include:

- The Plan Management Advisory Group for Qualified Health Plan selection, monitoring, re- and de-certification, quality rating and ongoing benefit design issues;
- The Marketing, Outreach and Education and Enrollment Assistance Advisory Group for marketing strategies by target population and media channel (e.g., digital, television, print), effective community outreach strategies, and strategies for providing in person assistance with enrollment in insurance affordability programs; and

- The Small Employer Health Options Program (SHOP) Advisory Group for strategies to raise interest in the SHOP and ensure that it provides value for small employers.

The composition of each advisory group will be tailored to the scope of the group, and up to two Board members may participate in each advisory group. Advisory groups would be limited to 12-15 members in order to ensure meaningful participation by all members. Representatives of state partner departments will be invited to participate as ex-officio members. Advisory group meetings will be open to the public, with opportunities for public comment at designated times during the meetings. The advisory group committee calendar will be set early in the calendar year to facilitate public participation. Agendas and meeting materials will be posted in advance of the meetings.

SECTION 8

COVERED CALIFORNIA OPERATIONS AND FUNDING: A COMMITMENT TO TRANSPARENCY, ACCOUNTABILITY AND COLLABORATION

Twenty months ago, Covered California had no office space, no furniture or computer equipment, and no staff. Over time, it has grown to include a dedicated team tasked with tackling the administrative, legal and technical responsibilities required to launch Covered California. Covered California staff reflects the diversity of the state and the diversity of expertise and perspectives that are needed for Covered California to succeed, including individuals with deep experience in government, private insurance plans, health policy, finance and operations.

TRANSPARENCY AND COLLABORATION

Covered California is governed by the state's Bagley-Keene Open Meeting Act, which requires all meetings of state boards and commissions be publicly noticed with an agenda at least 10 days before the meeting and that the public have opportunity to provide comment at the meeting. On average, board meetings draw 150 attendees with public comment provided by one-fourth of all participants. In addition, all board meetings are webcast with opportunities for phone participants to ask questions or comment. Board meeting minutes, agendas, meeting materials and stakeholder comments are posted on the Covered California website, www.hbex.ca.gov. In addition, board meetings are held throughout the state to engage local communities in the discussions.

The Board, staff and contractors of Covered California are subject to appropriate provisions of the California Political Reform Act and Conflict of Interest Code provisions adopted by the California Fair Political Practices Commission. The Covered California Board has adopted a separate conflict of interest code consistent with its authorizing legislation and specific to the duties and activities of Covered California. The Board also developed organizational bylaws for Covered California consistent with state and federal laws applicable to Covered California operations, outlining board membership, powers and duties, committees, meeting procedures and other operational aspects of Covered California.

Covered California staff actively collaborates with the Department of Health Care Services as required by its authorizing legislation as well as other state health program administrators and key regulators including the California Department of Insurance and

the Department of Managed Health Care. Key areas of collaboration include development of joint vendor solicitations where appropriate, joint responses to proposed federal regulations, shared stakeholder consultation strategies and forums, and collaborative analysis of federal statute and implementing regulations compared to state law. In addition, executives from Covered California, the Department of Health Care Services, the Managed Risk Medical Insurance Board, the California Department of Insurance, the Department of Managed Health Care and any other parts of the Brown administration meet regularly to discuss common efforts, assign staff and discuss key policy issues.

FUNDING

Covered California's authorizing statute bars the use of California General Fund money to either establish or operate California's exchange. Covered California receives all of its start-up funding from the federal government as part of the support to states implementing the Affordable Care Act. Those start-up funds will support Covered California through 2014, the first full year of individuals being enrolled. From 2015 Covered California must be wholly self-sufficient with funding derived from participation fees on health plans in the Covered California marketplace. Since affordability is "job one" for Covered California, keeping its own costs down is a constant imperative.

Since September 2010, Covered California has received $236.5 million in federal planning grants from the Department of Health and Human Services for implementation of the Affordable Care Act, including:

- A $1 million planning grant to establish the Board and recruit key staff; analyze insurance markets, gather public and stakeholder input, collect data on projected insurance markets and develop multiyear plans;

- A $39 million Level 1 Establishment grant work plan supporting robust, comprehensive strategic, business and operational planning, including information-technology analysis and system design from August 15, 2011 to August 15, 2012; and

- A $196.5 million Level 1.2 Establishment grant request awarded August 23, 2012 to support background research and evaluation, stakeholder consultation, program integration, qualified health plan management, establishment of SHOP, eligibility and enrollment, consumer outreach, marketing and assistance; information technology (accounting for the bulk of the funding request — $153 million), a customer service center, operations and financial management. This grant supports work from August 15, 2012 to June 15, 2013.

FIGURE 10: TOTAL EXCHANGE EXPENDITURES - PROGRAM AREA				
		8/2011 - 10/2012		
Functional Area	**Total Funding***	**Total Expenses**	**Encumbrances****	**Balance**
Program Operations	27,542,318	4,139,807	3,388,899	20,013,612
Health Plan Management	7,341,160	1,407,332	384,619	5,549,209
SHOP	1,328,091	155,656	24,182	1,148,253
Service Center	2,040,821	732,165	-	1,308,656
CalHEERS	151,637,782	27,604,821	85,080,097	38,952,865
Eligibility & Enrollment	17,949,908	68,765	530,000	17,351,144
Marketing, Outreach & Education	28,060,929	970,915	601,998	26,488,017
TOTAL	**$ 235,901,009**	**$ 35,079,461**	**$ 90,009,795**	**$ 110,811,753**

* Funds approved in Federal Level 1.1 and 1.2 grants
** Encumbrances reflect executed purchase orders and contracts as of October 2012

In November 2012, Covered California submitted a Level 2.0 funding request to the federal government for $706 million to provide funding for 2013 and 2014.

Covered California also submitted to the federal government its “Blueprint” for operating a state-based insurance exchange in December 2012. The federal government must approve this plan before designating Covered California as a state-based exchange.

Part of the Blueprint plan is a requirement that a state exchange must demonstrate that it will be self-sustaining with sufficient funding to support ongoing operations beginning January 1, 2015. Consistent with this requirement, Covered California’s authorizing statute requires Covered California to assess a charge on qualified health plans participating in Covered California that is reasonable and necessary to support the development, operations, and prudent cash management. The statute also mandates Covered California maintain health plan enrollment and expenditures to ensure that expenditures do not exceed revenues and to maintain fiscal solvency.

Covered California has developed and maintains routine internal financial and accounting systems, protocols, and policies to monitor and track grants, revenues and expenditures with accounting and administrative support from the California Department of Social Services. The Department assists Covered California in adhering to federal Department of Health and Human Services financial monitoring activities and establishing a financial and management structure with experienced staff and ability to respond to federal audits. Covered California has initiated internal policies and procedures to comply with state and federal requirements related to Covered California operations.

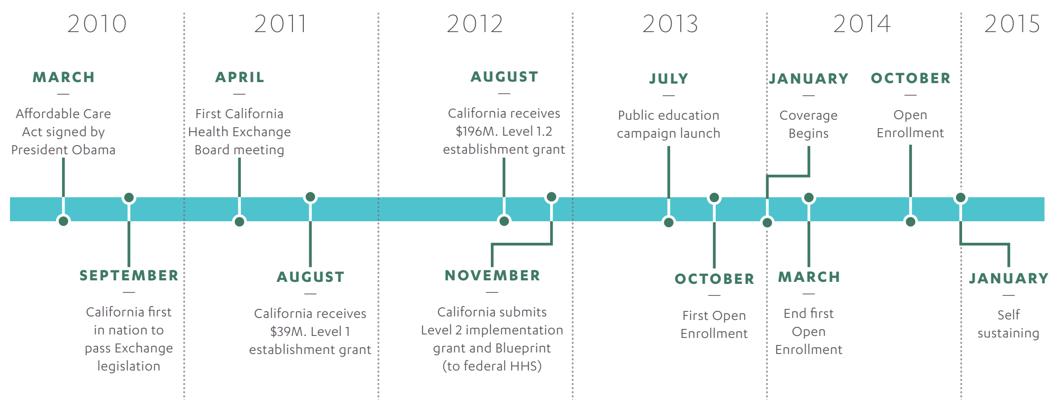
SECTION 9

COUNTDOWN TO ENROLLMENT

The federal Affordable Care Act promises enormous reform that will change the lives of millions of Californians. At the same time, it sets in motion ambitious timelines that require swift action to achieve success.

In less than 12 months — on October 1, 2013 — open enrollment will begin, giving Californians their first opportunity to select among a range of new health care options, including the Exchange-based products.

FIGURE 11: TIMELINE OF MAJOR COVERED CALIFORNIA MILESTONES



Covered California is completing work on its marketing, outreach and education plan in order to be prepared to implement the plan beginning in 2013. At that time, Covered California will have finalized key marketing tasks such as selecting a brand name for the Exchange, key marketing messages communicating the benefit and value of purchasing health coverage through the Exchange, and selecting optimum communication channels and media. The goal of outreach and marketing activities in 2013 is to maximize awareness of Covered California and its value in advance of the October 1, 2013 initial enrollment date in order to enroll as many Californians and small businesses as possible. Attracting a robust pool of healthy individuals to Covered California will help ensure the success and affordability of health coverage for all Californians, both in and out of Covered California.

Covered California will also spend a period of time leading up to October 2013 making sure that those who help Californians enroll have the training they need to be successful. Whether consumers seek help online, in person or through a toll free number to enroll

in Covered California-based coverage, they will need to connect with someone who thoroughly understands the coverage options available and can answer detailed questions about how subsidies and tax credits will work for a consumer's specific circumstances. Moreover, the training must also ensure that those who are trained are ready to advise Californians from diverse cultures who may have limited understanding of health insurance and/or limited English proficiency.

With continued focus, engagement of government partners, stakeholders and the broader public, Covered California is poised to be a key part of enabling California to take a giant step in January 2014 to reduce the number of people living without health insurance coverage. Covered California will work vigorously in the coming months and years to help make quality health care more affordable so Californians can access the care they need and have the tools to live healthier lives.

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