



**FINANCE SUBCOMMITTEE  
CONNECTICUT HEALTH INSURANCE EXCHANGE  
(ALSO KNOWN AS ACCESS HEALTH CT)**

**Special Meeting  
Legislative Office Building, Room 1B  
Hartford, Connecticut  
Tuesday, June 11, 2013**

**Meeting Minutes**

**Members Present:** Secretary Benjamin Barnes, Vicki Veltri, Commissioner Roderick L. Bremby

**Members Present by Phone:** Ann Melissa Dowling, Dr. Robert Scalettar

**Members Absent:** None

**Other Participants: Access Health CT Staff** - Steven Sigal, Virginia Lamb, Tricia Brunton, Ann Marie Chatman, Jeff DiGirolamo, Kelly Shane, Linda Phillips, Joshua Booth

**Other Participants by Phone: Access Health CT Staff** - Kevin Counihan

**Call to Order and Introductions**

The meeting was called to order by Secretary Barnes at 3:47 PM. Members present for the meeting were Secretary Barnes and Vicki Veltri and Dr. Robert Scalettar and Ann Melissa Dowling by phone. Commission Bremby had not arrived yet.

**Review and Approval of Minutes**

Mr. Sigal noted that there were three sets of Meeting Minutes provided to the Subcommittee Members for their review prior to the meeting. He asked for motions to approve the minutes individually. Mr. Sigal asked if there were any discussion or comments regarding the Minutes of March 6, 2013. Secretary Barnes and Vick Veltri both noted that they were fine with them and Mr. Sigal asked for a motion to approve. **Vicki Veltri moved to accept and Dr. Scalettar seconded.**

Mr. Sigal asked if there were any discussion or comments regarding the Minutes of May 7, 2013. There being none, Mr. Sigal asked for a motion to approve. **Vicki Veltri moved to approve the May 7, 2013, Minutes and Dr. Scalettar seconded.**

Mr. Sigal asked if there were any discussion or comments regarding the Minutes of the May 14, 2013, meeting. There were no comments. Mr. Sigal asked for a motion to approve. **Dr. Scalettar moved to approve and Vicki Veltri seconded. A vote was taken and the motions passed unanimously**

### **Presentation of the 2014 AHCT Budget**

Mr. Sigal introduced Jeff DiGirolamo, Associate Director of Expense Management for Access Health CT, who will present the 2014 Access Health CT Budget for fiscal year 2014. Mr. DiGirolamo stated that at the end of the presentation, he would ask for a vote from the Finance Subcommittee to move the proposed budget forward to the full Board of Directors at the June 26, 2013, meeting.

He directed the members' attention to the Agenda on Page 2 of the 2014 AHCT Budget Presentation handout and explained the process used to approach the budget for the 2014 fiscal year. Factors focused on were the overall financial process including controls and oversight in building the budget and the cost allocation process shared with the Department of Social Services. It was important to build the budget in a way that costs allocated back to the Department of Social Services were easily identifiable. A financial calendar demonstrates all of the reporting required relative to the Federal government, the State, and for management and the Board. He noted that he would provide an overview and then go into more detail to answer any questions raised by the Subcommittee members. Mr. DiGirolamo indicated that the 2014 fiscal year budget would also be discussed in detail and that he would also provide a view of FTEs, estimated staffing at the end of the fiscal year, how that compares to current state, and where staffing is projected to be at the end of the next fiscal year. He also stated that he would discuss how the proposed budget aligns with the Sustainability Model presented to the Subcommittee at last month's meeting.

Mr. DiGirolamo directed the Committee's attention to Page 3 of the presentation for an illustration of the flow of funding. The current fiscal year, which is the 2012-2013 Fiscal Year, is funded entirely by Federal grants, the Level I grant, the Level I Supplement, and a portion of the Level II Federal grant. Fiscal Year 2014 is still 100% funded by the Federal grants. He noted that in developing the budget a focus was maintained on what needed to be done in order to be ACA compliant and more importantly what tasks were needed to be done to be successful in the launch of the Exchange for October 1, 2013. Moving into fiscal year 2015, some Federal money would still be available to cover part of that year, but this would be the first year when the marketplace assessments of 135 basis points would begin.

Mr. DiGirolamo then turned to Page 5 to review the Budget Process. As noted previously, two of the main components of the process were first to insure that the ACA requirements are met and, then what needs to be done to meet those requirements for October 1, 2013. Again, the other component is determining what needs to be done in order to be successful with the launch of the Connecticut Health Insurance Marketplace. He proceeded to explain that these components are a little bit different. He point out that insuring compliance with the ACA was clear, but as the budget was built a great deal of consideration was given to those factors that were needed to insure a successful launch. As the Marketing budget is reviewed there will be a component of expense that is detailed to build the process for a successful launch. The last thing focused on was building a flexible budget that allows for the reduction in expenses as presented in the sustainability model in FY 2015 and FY 2016. One of the key areas considered was sourcing, e.g., using temporaries versus full-time employees, in order to complete what needed to get done in this fiscal year.

Mr. DiGirolamo then covered Page 6 – Financial Oversight and Controls. As a quasi-public agency and a beneficiary of Federal funds, there are certain requirements that have to be followed. In preparation for the transition from Federal funds, some processes were employed that would be used in the private sector. There are a combination of both public and private sector monitoring techniques that are employed in the process. Some of those are monthly budget meetings with each organizational unit and department heads when there is discussion about the department’s spending trend, and whether to expect favorable or unfavorable expense variances. The final emphasis from a financial control process point of view is the implementation of a robust vendor management process. Careful attention to the development of contracts with the vendors in terms of requirements, billing, and payment process improves the management process

The discussion continued with the Page 7 slide illustration of Cost Allocation. AHCT is partnered in this venture with the Department of Social Services for the Integrated Eligibility Model. There are a series of shared services where costs will be allocated between the two entities. The proposal under consideration is for cost pools to be developed. All expenses would be aggregated into these various pools as depicted on the slide. The first box is a volume based cost pool which would be for ongoing operations. There has been discussion with the Department of Social Services of how to apply this methodology. Also, there is a development based methodology where such costs are split between the Department of Social Services and Access Health CT at 28.53% and 71.47%, respectively. These percentages will be maintained for any development that occurs in FY 2014. There are two additional pools so costs that either party will incur will be allocated 100% back to the other party. For example, in some situations one party may manage a vendor relationship but there are particular components of that

relationship that are supporting the other party 100%. Finally, there is a cost pool for costs incurred that are either 100% AHCT or 100% Department of Social Services.

Mr. DiGirolamo continued on to Page 8, Budget Approach: High Level Process Map, of the slide presentation, which is an illustration of what the cost allocation process will resemble. AHCT is in the process of working with the Department of Social Services to make sure that everything is addressed from a DSS perspective and also Access Health CT's perspective.

Ms. Veltri asked about the Call Center and the In-Person Assistors. She noted if the projections appear even between Medicaid enrollees and the Exchange enrollees, why would the allocation be split so heavily towards Access Health CT for that? Secretary Barnes pointed out that those costs are volume based.

Mr. Sigal added that which is referred to as Design Development and Implementation, would continue to be split 72%-28%.

Secretary Barnes asked if DSS was comfortable with these concepts Mr. Sigal responded that this is something under discussion with DSS and proceeded to discuss an example of shared services for the Committee. **Commission Bremby arrived at 4:03PM.**

Mr. DiGirolamo continued with his presentation moving to Page 9, the Financial Calendar. He explained that this was a view of AHCT's Financial Calendar based on three different criteria that must be met. In the Federal Reporting section all of the different reports needed from a Federal Reporting perspective over a full year whether it is a calendar year or a fiscal year, are mapped out. The same concept was used for the State reporting process. And finally, everything needed for Financial Oversight and Control. This includes the monthly Expense Dashboard and various other touch points required for budget vs. actual reporting.

Mr. DiGirolamo continued to Page 10, Budget Overview. He explained that the proposed budget for Fiscal Year 2014 is \$74.9M and is very similar to the Sustainability Model presented to the Subcommittee last month. The Operating budget is at about \$34.9M and the build budget is around \$29M on a net basis. This latter budget portion is the build-out of the infrastructure from an IT perspective, a marketing perspective, including the In Person Assister program, and APCD. Source of funding is the Level II Establishment Grant and also a Supplement Request that has been filed for the Level II of about \$26.7M. Mr. DiGirolamo directed the Subcommittee's attention to Page 11, the Proposed 2014 Fiscal Year Budget. He explained that this presents the components of the budget for FY 2014. A comparison is drawn to the budget for FY 2013 and a projection of actual for FY 2013. There are three sections to the expense, including the ongoing Operational Expense, the Build component, and a portion for Non-Cash expenses. The latter is part of the Operating component, but it is the depreciation on fixed assets purchased in FY 2013. Cash was spent in FY 2013 and now a portion of that expense

is recognized in FY 2014. It is not a cash outlay, but from a GAAP perspective, this is a common way to report it. The total operating expense for the Operational component is about \$32.9M. Adding the \$2M from below in the Non-Cash component brings the total to \$34.9M. To the right of this is a view of some of the larger components that make up that \$34.9M. The Marketing spend and Capital spend total about \$9M. That total is broken out as follows: Advertising, approximately \$1.5; Outreach and Education is about \$4.2M; managing the CRM Marketing database and the Web Design and Social Media strategies from a Capital Investment perspective are in a range of around \$3M. Other expenses are broken down from an operational perspective and amount to a little over \$4M. The largest expense on the chart is the Other Professional Service Fees of about \$2.3M and there are two components to this expense. In the Operational phase, October to post-October, there is going to be a need for a team, which has been identified as a 'Tiger Team' that will comprise consultants who can address a variety of issues. There is also a component for User Acceptance testing that will be needed prior to October 1 that would be contracted out to consultants. The Build is around \$40M on a net basis. The DDI component is \$40M and the Marketing spend, which is continually needed to support the build-out of the marketing campaign, is around \$6M. The balance is the amount anticipated to be recovered from the Department of Social Services using the 28%/72% split and is around \$11.6M. The APCD component is a separate line item of around \$5M to build the APCD platform and infrastructure. Compared to the FY 2013 total budget of around \$60M, the projection for FY 2013 is \$52.7M. This is a best guess and is subject to changes in the development payment schedule. The May dashboard was just finished and expenses through May are slightly over \$40M on a year-to-date basis. This trend suggests a full year expense estimate closer to \$52.7M. Secretary Barnes asked if the Marketing and Capital breakout on right tied out to the non-DDI Marketing or to the Marketing on the top portion of the spreadsheet.

Mr. DiGirolamo responded that it tied out to the Marketing on the top portion of the spreadsheet.

Secretary Barnes then asked if it equaled the 2013 and 2014 budget in some combination.

Mr. DiGirolamo explained that the Marketing expense on the top section of the spreadsheet is \$6M and the Capital Investments are \$3M so that equals \$9M.

Secretary Barnes responded that he understood and then inquired about the non-DDI Marketing included in the Build section which he thought was a one-time expense. He then asked if spending in 2014 is going to be \$6M, plus \$6M in the recurring portion of the budget, compared to \$12M that was spent in FY 2013. Also he inquired if some spend in 2013, is in fact for purchases of Marketing activities that will occur after the change of the year. Or, does the FY 2014 budget include all of the activities that will occur in August and September, which

should be a heavy period of marketing spend. He explained that he was trying to determine which fiscal period that the summer push in Marketing expenses, such as the community organizational type efforts that are going to happen this summer, were paid out of.

Mr. DiGirolamo replied that the majority of that expense will be paid out of the 2014 fiscal period. That activity would probably start in the June/July time frame so they would have been budgeted in that period.

Mr. Sigal added that you will begin seeing some media ads starting in the middle of June and then July 1<sup>st</sup> is our new fiscal year. So there will be about 2 weeks in FY 2013 and all the rest will be in FY 2014.

Secretary Barnes explained that he didn't know if big buys had to be made. If you have already paid for ad buys in July and August now, otherwise it appears as though our level of spending from one year to the next is consistent. He noted that he assumed that FY 2014 would contain more marketing spend, but there doesn't appear to be as much media spend as he expected to see.

Mr. Sigal stated that most of the media buy is in process right now and will be happening going into FY 2014. A lot of the expense in FY 2013 was the marketing planning process that included research and focus groups. Ms. Dowling asked how much will the current spending levels be reduced in FY2015 and FY16.

Mr. DiGirolamo replied that in 2015, the build portion in 2014 will be done, so about \$40M of expense will not reoccur in 2015. There may be some residual build costs that may seep into FY2015, but it is not expected to be anywhere near what is planned in FY 2014.. This will be addressed later in the presentation, in the Sustainability Model. Ms. Veltri asked about only allocating \$1M of the FY 2014 budget for marketing, etc., to DSS for Medicaid when there is so much overlap in these areas

Mr. DiGirolamo replied that on a regular calendar year basis this would total closer to \$2-\$2.5M.

Mr. DiGirolamo continued with Slide 12, 2014 vs 2013 FTEs. He explained that the view of FTEs was on a calendar year basis because it is clearer to discuss than on a fiscal year basis. At the end of CY 2013, it is anticipated that there are going to be about 51 people on board. Currently staff is about 40 people. There will be some growth between now and the end of year and then again to the end of 2014. At that time the estimate is to be about 59 FTEs. Looking at the growth, APCD is a substantial portion of that growth. There is no staff today for APCD but it is anticipated that at least one person will be hired by the end of the year and then will grow throughout 2014. Some of the growth is in areas relating to insuring a successful launch of the

Exchange. FTE growth is in Marketing and a little in Legal, and some minor growth in IT. Ms. Veltri asked to clarify that these are full time Exchange employees, not actual temporary people.

Mr. DiGirolamo acknowledged that they are full time.

Mr. DiGirolamo continued to Slide 13, 2014 Fiscal Year Budget Operating/Sustainability Comparison. He explained the two separate charts. The chart on the left is the proposed Operating Budget and the buildup to \$34.9M. The Chart on the right displays a comparison to the presentation to the Subcommittee last month regarding the Sustainability Model. While the original estimate came in around \$34M for FY 2014, the proposed FY 2014 budget is about \$34.9M. The components of the \$34M consisted of \$26.1M from sustainability model assessments, \$24.2M from the Level II grant, and another \$9-10M from the Level II Supplement.

Dr. Scalettar asked when AHCT would hear about the supplemental award.

Mr. Sigal replied that it was difficult to predict but that the expectation was by the end of June or beginning of July.

Mr. DiGirolamo noted that the next step was for the Subcommittee to approve forwarding the proposed budget to the full Board of Directors on June 26, 2013.

Secretary Barnes stated the he assumed the Financial Dashboard would be provided on a monthly basis. He asked Mr. DiGirolamo if the spending plan had been developed by month, noting that this is critical for monitoring expenses since 2014 is going to be dynamic in terms of when the expenses occur related to the rollout of the whole operation.

Mr. DiGirolamo reported that the dashboard would continue to be prepared monthly and that the budget was constructed by month. . He indicated he anticipated preparing quarterly forecasts, as well as developing appropriate actions if variances emerge.

**Secretary Barnes asked for a motion to advance this budget to the full Board at their next meeting on June 26, 2013. Ms. Veltri moved and Dr. Scalettar seconded. A vote was taken and the motion passed unanimously.**

**Secretary Barnes adjourned the Finance Subcommittee meeting at 4:27PM.**

**Resources:**

- **2014 AHCT Fiscal Year Budget**
- **3/6/13 Meeting Minutes**

- **5/7/13 Meeting Minutes**
- **5/14/13 Meeting Minutes**