BOARD MEETING

State Assistance Bill HB17-1235

April 10th, 2017

Background to HB17-1235

Bill provides extra funding for people between 400-500% of FPL where LCBP exceeds 15% of MAGI

- Restricted to 3 rating areas

We consider this a strong fit with our mission and strategically valuable

- Bill text specifies that the Exchange will be responsible for administering the program

Progress of legislation is uncertain

- The timing of decision points also not clear

We do not consider it prudent to pause until legislation is decided

- Very tight implementation schedule
- Would result in increased costs and customer abrasion

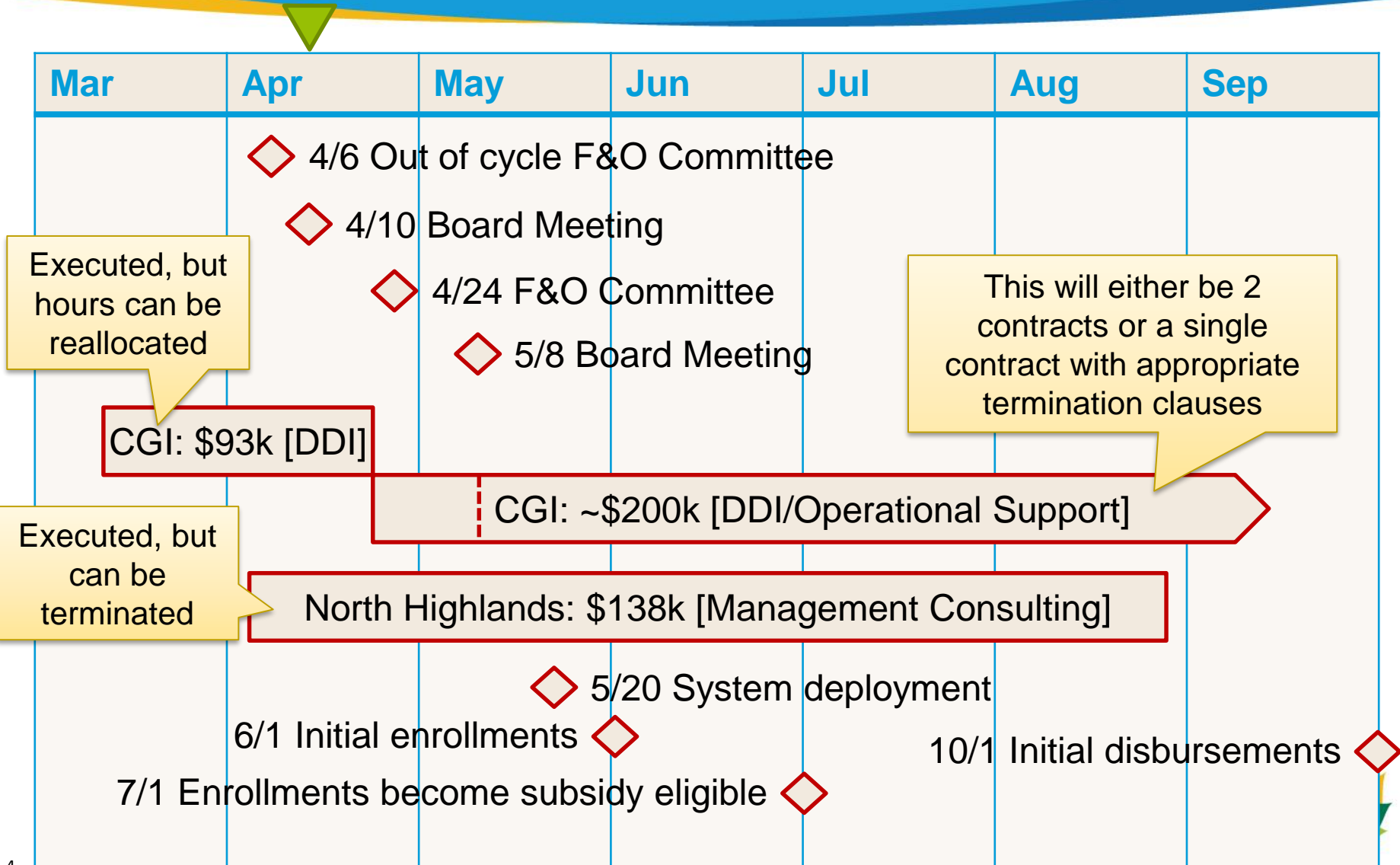# We will be requesting approval for the implementation of the project today

Format of request:

- Requesting approval for full budget for the project
  - o uncertain timescale for the progress of legislation
  - o desire to avoid bureaucracy
- If the legislation fails at any point, we will enact the termination clauses / fail to renew contracts

Will cover today:

- Schedule for the project
- How we are contracting this
- Return on Investment
- Capital / Operational cost breakdown & Opportunity costs

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Project and contracting schedule

Mar	Apr	May	Jun	Jul	Aug	Sep

◇ 4/6 Out of cycle F&O Committee

◇ 4/10 Board Meeting

◇ 4/24 F&O Committee

◇ 5/8 Board Meeting

Executed, but hours can be reallocated

This will either be 2 contracts or a single contract with appropriate termination clauses

CGI: $93k [DDI]

CGI: ~$200k [DDI/Operational Support]

Executed, but can be terminated

North Highlands: $138k [Management Consulting]

◇ 5/20 System deployment

6/1 Initial enrollments ◇

10/1 Initial disbursements ◇

7/1 Enrollments become subsidy eligible ◇

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What happens if the legislation fails

At this point, we have executed contracts of $232k to date that will take us through Phase 1 and beyond. We are not committed to the full value of these contracts

If the legislation fails (assumed at the end of April), we will have spent:

- North Highlands
  - ~$32k spent +
  - ~$25k commitment that we can re-allocate that to other projects within a 6-week period
- CGI
  - ~$120k spent +
 - ~$50k commitment that we can immediately re-allocate to other projects

= ~$227k

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ROI analysis on HB17-1235

- Over 3 years: NPV of $51k / IRR of 5.3%
- Payback period is approximately 18 months i.e. full period of the program
- Incremental cost: $637k
  - Capital cost: $194k
  - Operational cost: $444k
  - Allocation of spend from current contracts: $325k

Assumptions (conservative):

- Discount rate of 10%
- All contingency will be spent
- Average premium of $264.18
- Some enrollment stickiness after subsidies expire

Cashflow (incremental costs only)

Legend:
- Net cashflow
- Cumulative cashflow
- Enrollments (right axis)
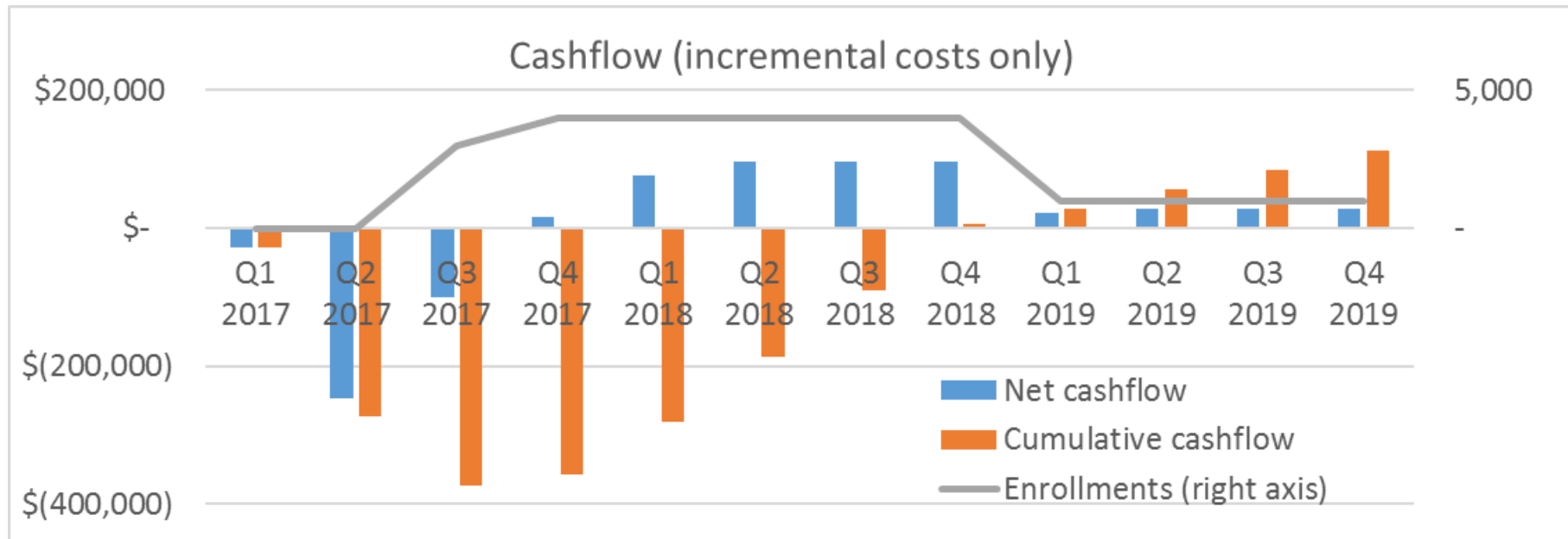
We would like to request board approval to move forward with HB17-1235 implementation

Strategic considerations

Consideration not factored into the cost estimate

- Fit with our mission
- Proven use case to make exchange responsibility for eligibility data capture / disbursements
- Operational lead in conjunction with counties

Opportunity cost

Note that we are continuing to proceed with the critical OE5 projects.

If we were not doing HB17-1235, we could allocate ~1600 hours to **one** of the following projects that we are also considering/planning:

- Pre-calculation of APTC for non-renewing customers (LOE pending)
- SEP reporting to carriers through EDI (>1500 hours)
- SBMI reporting. Requirement from the CMS to modify the policy reporting method. (~1750 hours)

Requesting approval from the Board for $637k incremental spend to support the whole period for this program. If HB17-1235 fails at any point, resources will be reallocated to other projects.

The projects communicated on 3/13 as critical for OE5 are in progress and not affected by HB1235

Category	Project	Relative cost	Primary vendor	Status
Required new functionality	State financial assistance 400-500FPL	Major	CGI	Design/development in progress
	Test database migration	Small	CGI	Planned for June release
	Additional carrier reporting support	n/a	C4HCO internally	Planned to start in May
	Plan design changes	Medium	hCentive	Planned for Sept release
	Quality ratings	Small	hCentive	Planned for Sept release
Stability and performance	Performance improvements	Large	hCentive	Planned for July release
	Maintenance effective date	Large	hCentive	Planned for June release
	Life Change Events updates	Large	hCentive	Multiple releases
	Payload enhancements	Large	OIT	Currently in design sessions. Funding approved. Planned for Sept CBMS/SES release
	Verifications enhancements	Medium	OIT	
	RTE failure messaging	Small	OIT	
High-value projects	CSR level updates	Small	OIT	
	<others being analyzed>	n/a		Evaluating ROI of a project to pre-calculate APTC for non-renewable members