



FINANCE & OPERATIONS COMMITTEE

ROI on HB17-1235

April 6th, 2017

Background to HB17-1235

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

- Majority of eligible people will be in rural 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

- Timescales for decisions 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

Purpose of today's session

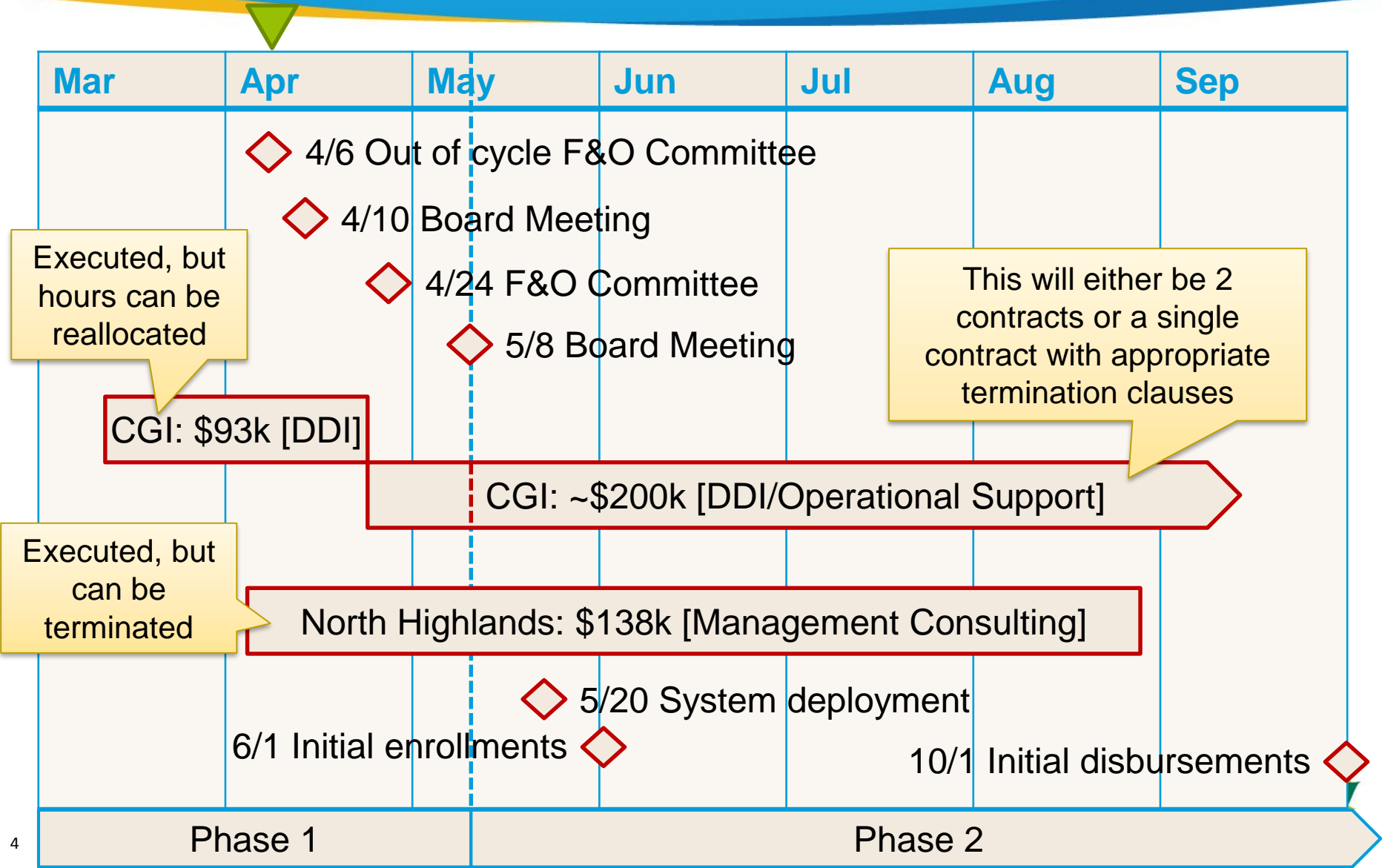
Purpose:

- Describe ROI and Capital / Operational cost breakdown of the HB17-1235 project
- Request recommendation to approve the funding of the project

Format of request:

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

Project and contracting schedule



Phase 1: up to 5/8 Board Meeting

Phase 1 does not need approval.

- We have executed contracts of \$232k to date that will take us through Phase 1 and beyond

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

- ~\$32k with North Highlands
- ~\$120k with CGI

We will also be committed to:

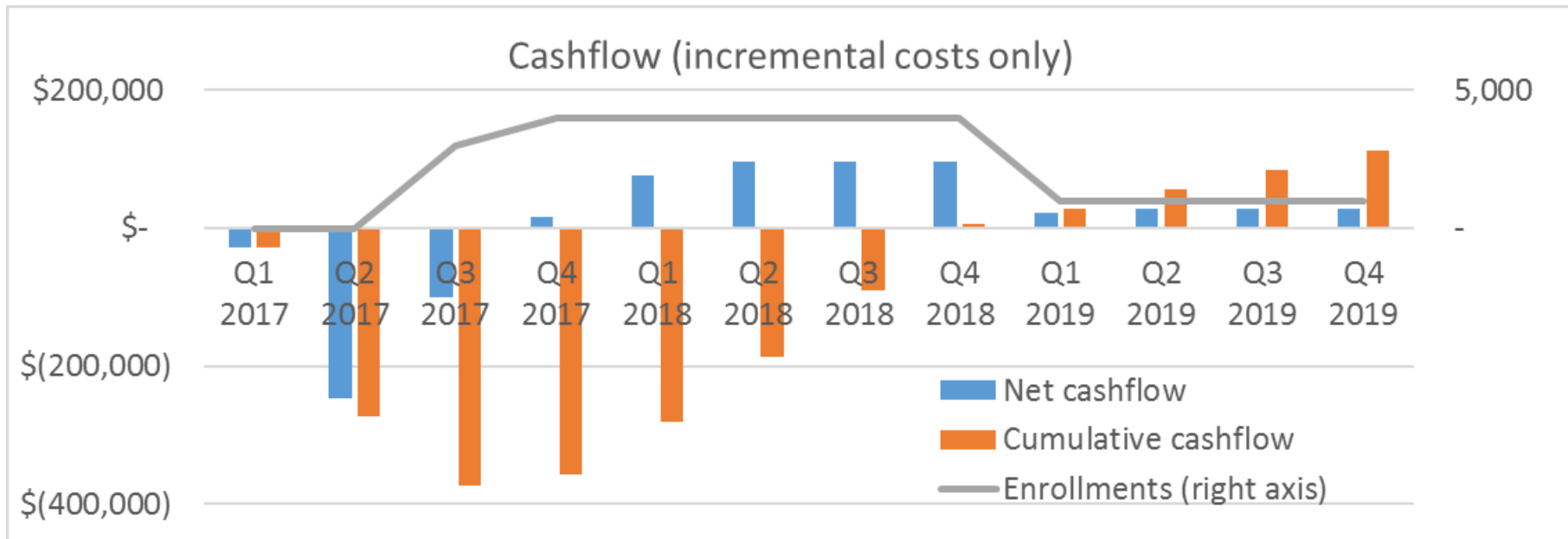
- ~\$25k with North Highlands: we can re-allocate that to other projects within a 6-week period
- ~\$50k with CGI: we can immediately re-allocate that to other projects (e.g. pre-calculation of APTC for non-renewable members)

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



We would like to request approval be given to move forward with HB17-1235 implementation

Strategic considerations

Consideration not factored into the cost estimate

- Proven use case to make exchange responsibility for eligibility data capture / disbursements
- Fit with our mission
- 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:

- Pre-calculation of APTC for non-renewing customers (LOE pending) (being considered)
- SEP reporting to carriers through EDI (>1500 hours)
- SBMI reporting. Requirement from the CMS to modify the policy reporting method. (~1750 hours)
- Various fixes to Broker Access BoB (LOE pending)
- PWS enhancements (LOE pending)

Requesting approval from F&O Committee for \$637k incremental spend to support this contract. 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 April
	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	
High-value projects	<others being analyzed>	n/a		Evaluating ROI of a project to pre-calculate APTC for non-renewable members