EXECUTIVE DIRECTOR'S REPORT

Peter V. Lee, Executive Director | June 15, 2017 Board Meeting

EFFECTUATED ENROLLMENT PATTERNS

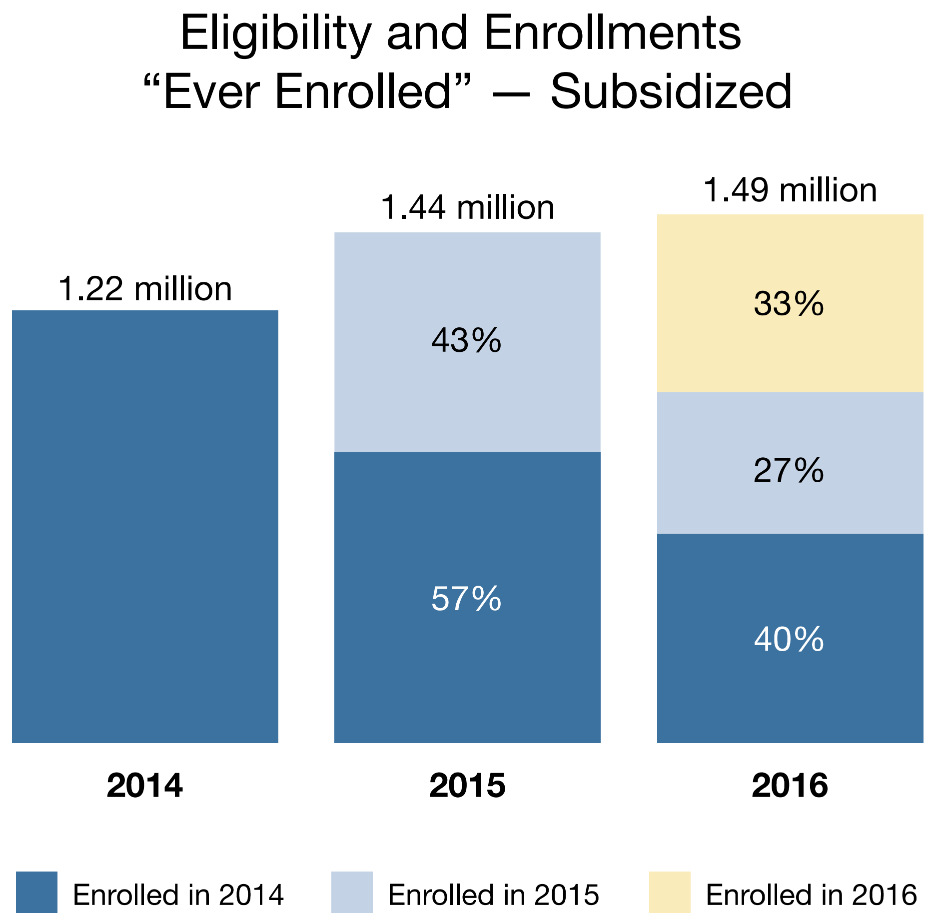
ANNUAL ENROLLMENT PATTERNS: NEW CMS DATA…SAME STORY

- New CMS data release[1] reminds us what we already know:
  - Churn is a very significant phenomenon of individual coverage that must be managed by Marketplaces. For Covered California:
    - Average tenure of approximately 24 months
    - About 40 percent turnover each year.
  - This means lots of coming and going, driven largely by changes in eligibility for job-based coverage, income, and life circumstances:
    - **New Enrollees:** majority of new enrollees enter during the Open Enrollment period – but Special Enrollment is critical too.
    - **Departures:** every month roughly 3-4% of the covered population leaves coverage – with 85% of Covered California enrollees reporting they move on to another source of coverage.
- Marketing & outreach are not “start-up” activities – rather, they are part of the steady-state of a well-functioning Marketplace.

COVERED CALIFORNIA

[1] https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf

EACH YEAR, APPROXIMATELY FORTY PERCENT OF THE COVERED CALIFORNIA INDIVIDUAL MARKET TURNS OVER



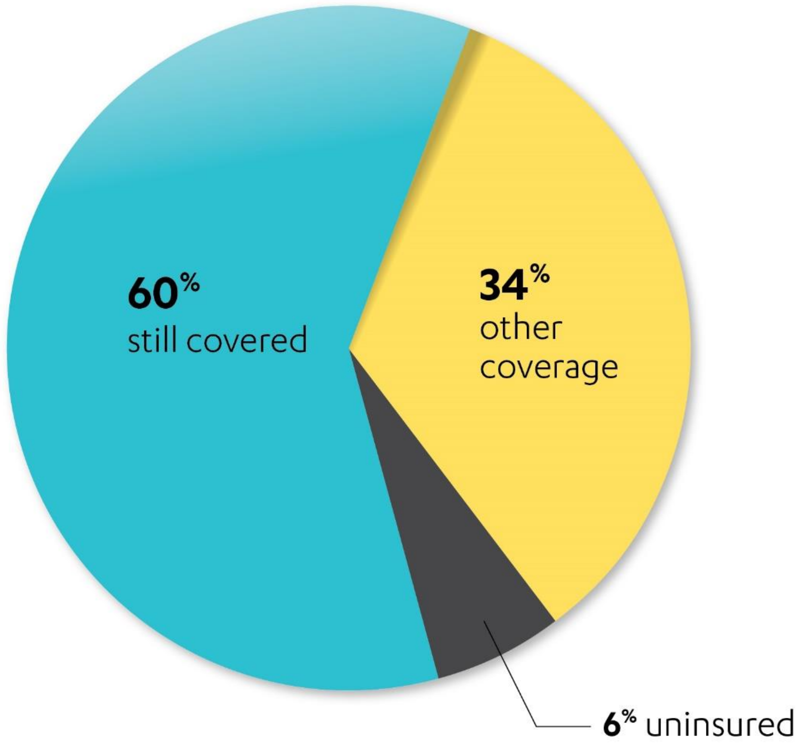
- In 2015, 44% of effectuated consumers were new sign-ups.
- By 2016, the cohort who had been enrolled since 2014 comprised 40% of total effectuated members.
- By 2016, 60% of the effectuated members joined AFTER Covered California’s initial big enrollment year.

Covered California is Here When You Need Us: 85% of Consumers Leave to Another Source of Coverage*

While Covered California's consumers experience a high level of coverage transitions, nearly 85 percent of those who leave Covered California report transitioning to other coverage.

California's Health Care Coverage Transitions

(2016 Survey of Members Covered in 2015 Plan Year)



- Prior to 2014, Covered California forecasted that about one-third of enrollees would leave coverage on an annual basis.
- During 2015, Covered California covered 1.6 million unique members for at least one month.
- By early 2016, approximately 40% of those 1.6 million (over 600,000) had 'disenrolled'.
- Of those who left Covered California, most went to employer-based coverage (50%).

* Based on Covered California's 2016 survey of members (n=8,773) who left ("disenrolled"), the vast majority left for employer-based or other coverage.

New CMS Exit Survey data show much lower % of enrollees in FFE leave to another source of coverage:

49% in FFE v. 85% in CA

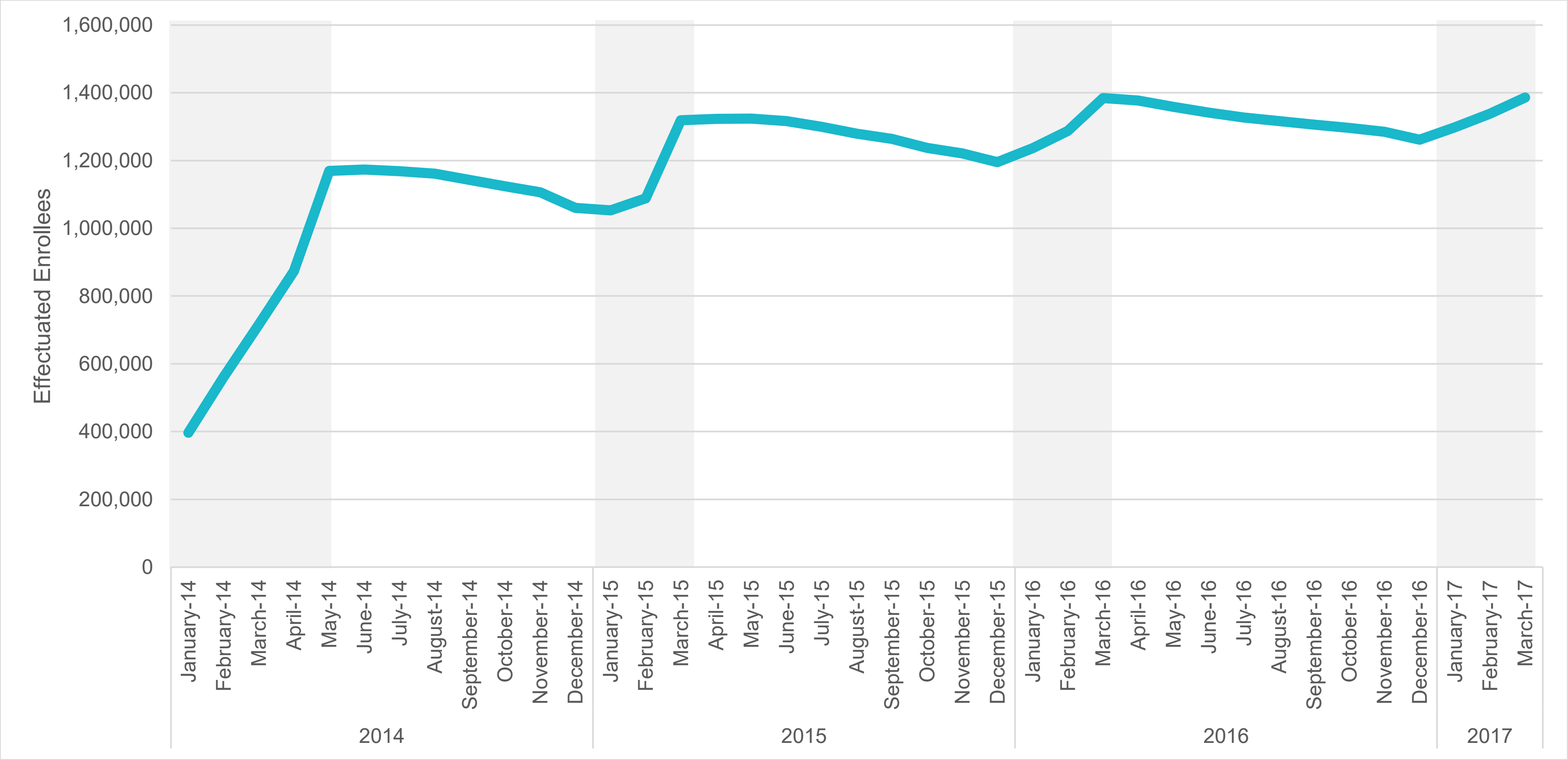
This survey data finding reinforces membership data findings below about retention differences with the FFE that merit further research.

https://downloads.cms.gov/files/cost-disruptions-trends-report-06-12-17.pdf

SEASONAL TREND

Seasonal Enrollment Patterns in the Covered California Marketplace

(*Effectuated Membership By Month Since January 2014*



- March is the peak month for coverage each year, reflecting the new Open Enrollment sign ups.
- Departures exceed new enrollees for every month from April to January of the next year.

From April to December, Covered California Marketplace Departures Modestly Exceed New Enrollee Entry

Departures:

- Underlying job and income fluctuations in the population (e.g. new job leads to job-based coverage)
- Transitions to Medicaid
- Qualified Health Plan member engagement
- Member satisfaction with coverage and care
- Ability to afford premiums each month

New enrollees:

- Underlying job and income fluctuations in the population (e.g. job loss) that qualify for SEP
- Special Enrollment marketing & outreach
- Qualifying life event verification policies
- Transitions from Medicaid

- California and most states peak their effectuated 2016 enrollment in March (ALL except CO, VT, and MA).
- Covered California *effectuated* experience from April to Dec 2016:

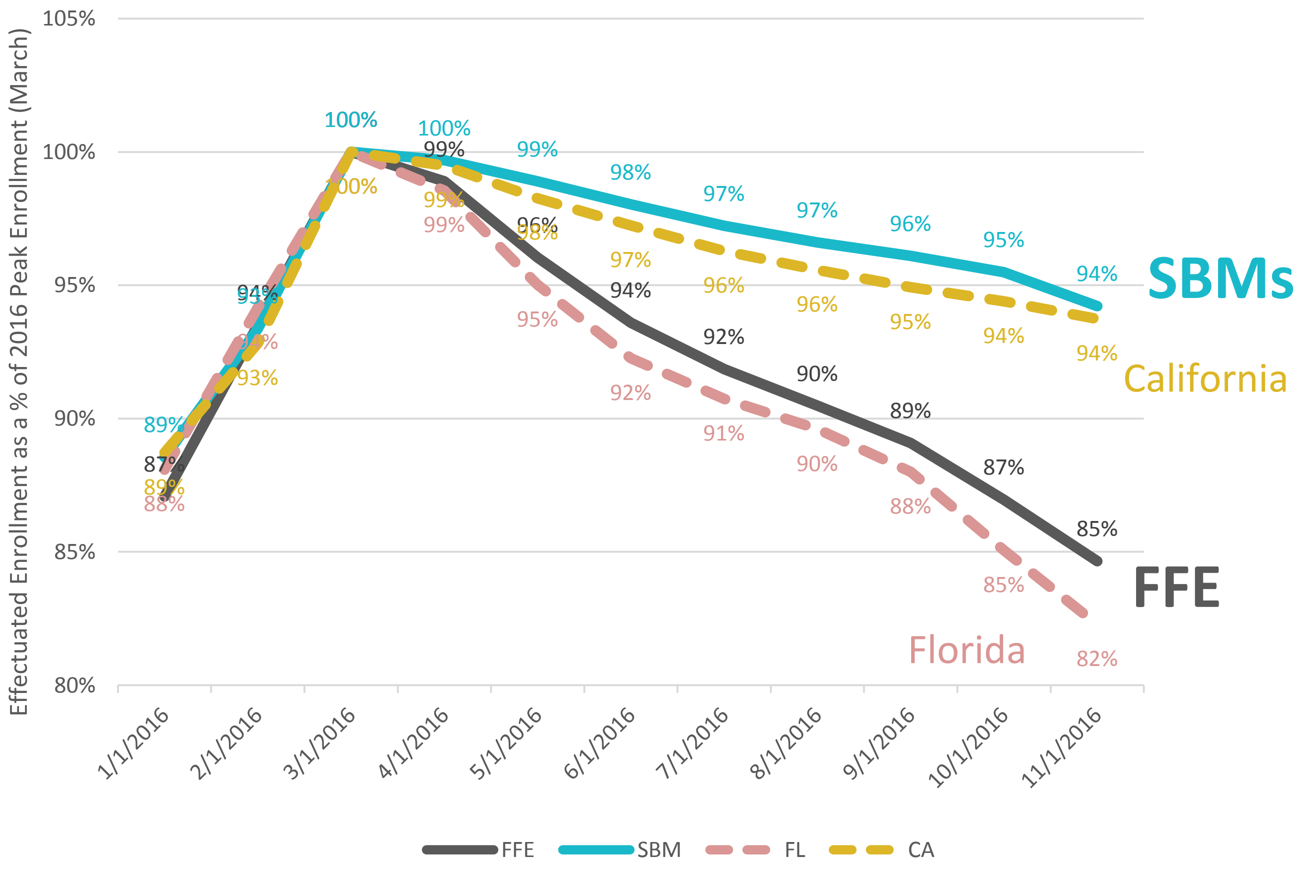
2016 Enrollment Flows, April to December	Average Count of Effectuated Enrollees (per month)	Average % of Enrollees in the Month (per month)
Departures	(40,000)	(3%)
New Enrollees	27,000	2%

* Effectuated population only. Departures include those covered in March who did not return in April, but do not include departures at year's end during renewal (covered in December, but do not return in January)

Based on CMS Data, SBMs are Showing Strong Special Enrollment and Retention Performance

2016 Effectuated Enrollment Snapshot[1] as a Percentage of March 2016 Enrollment

(March is peak coverage month each year)



[1] https://downloads.cms.gov/files/effectuated-enrollment-snapshot-report-06-12-17.pdf

New CMS monthly data on effectuated enrollment is suggestive, but not conclusive – important questions include:

1. Relative to FFE, are SMBs showing **stronger inflows** of new enrollees, **or better retention** of existing members (fewer departures)?

2. Are FFE catching up to SBMs on their path towards a steady state (thus exhibiting stronger OE performance relative to SEP)?

3. What is the relationship between Medicaid expansion and churning dynamics in the marketplace?

WHY IS CALIFORNIA (AND MOST STATE-BASED MARKETPLACES) DOING BETTER THAN THE FEDERAL EXCHANGE? – KEY HYPOTHESES

- ***Ongoing robust marketing matters**:* churn in the individual market means that Marketplaces must continue to market coverage during open enrollment and special enrollment

- ***Special enrollment engagement matters**:* Covered California's decisions to actively promote special enrollment, ensure agent compensation, and engage service channels throughout the special enrollment period have led to strong enrollment

- ***Benefit designs matter**:* Covered California's patient-centered benefit designs provide value for the consumer's premium dollar which leads to strong retention

- ***Individual market stability matters**:* Covered California has had very stable participation by Qualified Health Plans since our launch in 2014 leading QHPs to invest in retention of their members