



November 9, 2015

House of Representatives
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

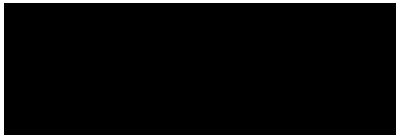
Dear Chairmen Murphy,

Thank you for the opportunity to testify before you and your colleagues on the Committee on Energy and Commerce. I appreciated the chance to keep you up to date on the work of Covered California as we seek to provide quality, affordable health care to all eligible consumers in California.

Attached please find our response to your specific follow-up questions and requests for the record.

Please let me know if you have any further questions or if there is anything else I can do to be of assistance.

Sincerely,



Peter V. Lee
Executive Director

- Attachments:
1. Response to Attachments 1 and 2
 2. Covered California 2015-2016 Budget
 3. A-133 Fiscal Audit, Year Ending 2013
 4. A-133 Fiscal Audit, Fiscal Year 2013-2014
 5. Annual SMART Audit
 6. California State Auditor's Report- 2014
 7. California State Auditor's Report- 2015

cc: The Covered California Board

The Honorable Diana DeGette
Ranking Member, Subcommittee on Oversight and Investigations

Attachment 1

Response to Attachment 1: Additional Questions for the Record

Question 1

1) In Response to: The Honorable Susan W. Brooks

2) Question:

In Indiana we have a significant population below 150% of the federal poverty level (FPL) enrolled in the Indiana Marketplace, the majority of which—those below 138% FPL—should have moved to the Healthy Indiana Plan (HIP) once it became available. The Administration, however, maintains a ‘passive’ re-enrollment where individuals are kept in the Marketplace even if they don’t update their financial information; in many cases individuals are not informed that they may actually qualify for the less costly HIP program

a. How do you view this omission? Is this a leadership issue? Is it an intentional lack of transparency?

3) Covered California’s Response:

At Covered California we are working very hard to enroll every eligible consumer into quality, affordable health insurance plans. We respect the efforts that every state and federal exchange is making to achieve the same goal for their own consumers.

California elected to expand its Medicare eligibility under Governor Brown to those individuals who are below 138% of the FPL. That population has grown since Covered California was created 3 years ago, and over 2.9 million people received coverage through Medi-Cal because of the Affordable Care Act. In California many individual men, women and children are now accessing high-quality health care through Medi-Cal.

Covered California is not in a position to assess the program undertaken by others, but our programs and efforts to renew health care coverage are geared towards ensuring that every consumer receives continuity of care. In California there is no passive reenrollment; every Medi-Cal recipient must verify their eligibility every year and individuals who qualify for Medi-Cal (California’s version of Medicaid) are no longer eligible for exchange coverage. For more information on this we suggest you contact California’s Department of Health Care Services which administers California’s Medicaid program.

Question 2

1) In Response to: The Honorable Susan W. Brooks

2) Question:

In Indiana, initial projections showed that 500,000 Hoosiers were eligible for tax subsidies through the federal marketplace. Instead, recent numbers show that enrollment is less than 150,000.

- a. 350,000 is more than a minor calculation error. In your experience, how would you explain this vast discrepancy?

3) Covered California's Response:

Covered California is not in a position to comment on Indiana's experience. Estimating the number of subsidy-eligible consumers is a difficult task that requires estimating the effects of an entirely innovative health care marketplace on a wide variety of consumers. At Covered California we base our projections on the highly-regarded California Simulated Insurance Market (CalSIM) program. Based on CalSIM analysis, we know that not every consumer could have been reached in year one, and that different communities across our state will be slower to enroll than others. Finally, it is important to note that the pool of uninsured consumers is not static; even if the absolute number remains the same our research shows that consumers are filtering in and out on an ongoing basis as they gain or lose eligibility.

Response to Attachment 2: Additional Requests for the Record

Question 1

1) In Response to: The Honorable Tim Murphy

2) Question:

Please provide the committee with a detailed breakdown of establishment and operational costs for the exchange that you represent.

3) Covered California's Response:

Attached is our annual budget report (attachment 2), which shows our grant versus operational expenditures and costs on page 23, table 5.

Question 2

1) In Response to: The Honorable Tim Murphy

2) Question:

Is the exchange which you represent required to perform an audit examining how grant money is spent, either at the state or federal level? If so, please provide the committee with copies of any and all applicable audits.

3) Covered California's Response:

Per the terms and conditions of the federal grant award, Covered California is required to conduct financial and programmatic audits. In addition, Covered California is audited by external federal and state oversight entities on an ad hoc basis. There have been two required financial audits and one external ad-hoc audit. Required audits include:

- **Annual A-133 Audit:** An annual audit in accordance with the Single Audit Act of 1996, Office of Management and Budget Circular A-133 (A-133 Audit). This audit is designed to ensure that acceptable internal controls are in place and that all programmatic spending abides by government compliance regulations. Covered California contracted with an independent external audit firm to conduct the annual A-133 audit for fiscal year 2013-2014 and year ending 2013 (the first applicable year). Copies were provided to Chairman Upton, Murphy and Pitts on October 27, 2015, and a copy has been attached here, as well (attachments 3, 4).
- **Annual SMART Audit:** Annual audit in accordance with Centers for Medicare & Medicaid Services (CMS) Center for Consumer Information and Insurance Oversight (CCIIO), State-based Marketplace Annual Reporting Tool (SMART). Per Program Integrity Rule II ("PI Reg."), 45 CFR §155.1200 (c) requires states to perform an independent external financial and programmatic audit. Covered California contracted with an independent external audit firm to conduct the annual SMART audit for program

year 2014. A copy of the SMART audit will be provided per the instructions within the letter of October 26, 2015, and is also attached here (attachment 5).

External ad hoc audits include:

- **CA State Auditor's Report:** Covered California was audited by the California State Auditor's Office in 2013 (#2013-602) and 2014 (#2014-131). Copies will be provided per the instructions within the letter of October 26, 2015 and are attached here (attachments 6 and 7).

Question 3

1) In Response to: The Honorable Tim Murphy

2) Question:

What does the exchange you represent anticipate future costs to be? How will your state absorb those costs?

3) Covered California's Response:

Covered California has planned for sustainability from day one. We have been reserving money in our sustainability fund to prepare for ongoing operational costs since the very first open enrollment period. Covered California operates as a business with a public mission and public accountability. As part of that operating philosophy we have a strong reserve and we are projected to end this fiscal year with \$197 million, which represents more than six months of total operational costs. Substantial reserves allow us to ensure that our organization will have the right tools, processes and resources to deliver on our mission to increase the number of Californians with health insurance now and in the future.

Specific anticipated future costs are reflected in the Fiscal Year 2015-2016 Budget ([link](#)). Implementation activities are funded by grant funds and operational costs are funded by sustainability funds. Once Federal funds are exhausted on implementation activities, all activities will be funded by sustainability funds. See attached budget for more details (attachment 2).