



Washington State Health Benefit Exchange
Annual Report to the Legislature
January 1, 2018

WASHINGTON HEALTH BENEFIT EXCHANGE – REPORT TO THE LEGISLATURE

STATUTORY REQUIREMENT

Per Chapter 43.71 RCW, the Washington Health Benefit Exchange (the Exchange) was required to report to the Legislature, the Governor, and the Exchange Board with a five-year spending plan that identified potential reductions in per member per month (PMPM) spending from the 2015-17 biennial appropriation. This plan, which was submitted January 2016, identified specific reductions in call center spending, information technology costs, and staffing. The Exchange is required to provide annual updates on the reductions identified in the original spending plan.

The initial plan, and subsequent updates are available online at: <https://www.wahbexchange.org/about-the-exchange/reports-data/presentations-reports/>.

BACKGROUND

The strategic plan adopted by the Exchange Board in September 2015 and updated in September 2016 and September 2017, continues to focus on four core outcomes:

- Define and deliver operational excellence;
- Increase the number of insured and access to affordable coverage;
- Advance consumer choice and decision-making; and
- Promote equity across the system.

The Exchange receives about \$5.2 million per year in General-Fund State which provides a portion of the state match required to support Medicaid activities, such as navigators, printing and call center activities. The remainder of the state Medicaid match is funded by the 2% premium tax received by the Exchange for QHP enrollees. General Fund-State funding has remained constant since the 2015-17 biennium.

The budget information in this report reflects the enacted 2017-19 budget and does not include Governor Inslee’s 2018 proposed supplemental budget. Future quarterly PMPM reports will reflect legislative changes to the enacted budget.

TABLE 1: ENACTED 2017-19 BUDGET BY FUND SOURCE

Fund Source	FY 2018	FY 2019	Total
GF-State	\$5,184,000	\$5,184,000	\$10,368,000
Health Benefit Exchange Account – 17T	\$28,040,000	\$28,696,000	\$56,736,000
GF- Federal	\$25,274,000	\$27,563,000	\$52,837,000
Total	\$58,498,000	\$61,443,000	\$119,941,00

The Exchange continues to strive for operational efficiencies, while making customer focused improvements. In the 2017-19 enacted budget, the Legislature approved an increase for information technology funding which supports the Exchange’s efforts to continue to provide tools for customers to increase self-sufficiency and improve their user experience. Additionally, the budget also includes one-time funding to replace Healthplanfinder servers that are nearing the end of their useful life. Even though the Exchange has significantly reduced its staffing levels since 2015, the costs of benefit increases, and the application of state employee salary increases for Exchange employees, has resulted in an increase in salary and benefit dollars.

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CALCULATION OF PER MEMBER PER MONTH (PMPM) VALUES

This report uses the enacted 2017-19 Exchange biennial budget and projected expenditures for future years based on current level to report progress on the PMPM calculation. The report includes SFY 2017 as a baseline. Enrollment numbers for qualified health plan enrollees are from the October 2017 Wakely enrollment forecast and the November 2017 Caseload Forecast Council (CFC) forecast for Medicaid projections.

The PMPM is calculated by dividing the budgeted expenditures by the total number of enrollees by type of activity. The split of QHP versus Medicaid costs reflect the current Advanced Planning Document (APD) approved by the Centers for Medicare and Medicaid Services (CMS). The current APD reflects an increase in the proportion of QHP to Medicaid enrollees from 8.90% to 9.67% of shared costs. Overall, the impact on QHP PMPM from 2017 to 2018 is an increase of \$2.07 per member per month, while Medicaid (Washington Apple Health) increases by only \$0.05.

TABLE 2: CALCULATION OF PER MEMBER PER MONTH FOR TOTAL BUDGET

	State Fiscal Year 2017*	State Fiscal Year 2018*	State Fiscal Year 2019*	State Fiscal Year 2020**	State Fiscal Year 2021**
Total Budget	\$54,693,000	\$58,498,000	\$61,443,000	\$56,647,000	\$57,540,000
QHP Budget	\$18,888,829	\$22,000,546	\$22,972,396	\$21,389,716	\$21,684,406
Average Monthly QHP Enrollment	170,462	162,211	150,534	151,983	153,287
Average Monthly Medicaid Enrollment	1,606,607	1,590,442	1,608,593	1,616,636	1,624,719
QHP PMPM	\$9.23	\$11.30	\$12.72	\$11.73	\$11.79
WAH PMPM	\$1.86	\$1.91	\$1.99	\$1.82	\$1.84
Combined PMPM	\$2.56	\$2.78	\$2.91	\$2.67	\$2.70

*FY 2017, 2018 and 2019 – enacted Legislative budget

**FY 2020 and 2021 budgets are based on carry forward levels

TABLE 2: PER MEMBER PER MONTH PROJECTION BY COST CATEGORY - BUDGET IN THOUSANDS

	FY 2017 Actuals	FY 2018 Budget	FY 2019 Budget	FY 2020 Budget	FY 2021 Budget	FY 2022 Budget
Total Cost	\$ 53,153,863	\$ 58,498,000	\$ 61,443,000	\$ 56,647,000	\$ 57,540,000	\$ 56,647,000
Annual	\$ 29.91	\$ 33.38	\$ 34.93	\$ 32.03	\$ 32.36	\$ 31.70
Monthly	\$ 2.49	\$ 2.78	\$ 2.91	\$ 2.67	\$ 2.70	\$ 2.64
Salaries	\$ 12,515,913	\$ 14,459,641	\$ 14,893,430	\$ 14,893,430	\$ 14,893,430	\$ 14,893,430
Annual	\$ 7.04	\$ 8.25	\$ 8.47	\$ 8.42	\$ 8.38	\$ 8.33
Monthly	\$ 0.59	\$ 0.69	\$ 0.71	\$ 0.70	\$ 0.70	\$ 0.69
IT	\$ 19,357,971	\$ 18,014,431	\$ 20,066,431	\$ 16,913,431	\$ 16,913,431	\$ 16,913,431
Annual	\$ 10.89	\$ 10.28	\$ 11.41	\$ 9.56	\$ 9.51	\$ 9.47
Monthly	\$ 0.91	\$ 0.86	\$ 0.95	\$ 0.80	\$ 0.79	\$ 0.79
Call Center	\$ 11,302,671	\$ 11,200,000	\$ 11,200,000	\$ 11,200,000	\$ 11,200,000	\$ 11,200,000
Annual	\$ 6.36	\$ 6.39	\$ 6.37	\$ 6.33	\$ 6.30	\$ 6.27
Monthly	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.52	\$ 0.52

PROGRESS ON STRATEGIES TO REDUCE COSTS

In its initial Five-Year Spending Plan for the Legislature, the Exchange identified several potential strategies to reduce costs. Our 2017 report to the Legislature included a description of the progress that was made in calendar year 2016. This report reflects the additional progress made in 2017 to reduce costs and improve customer service.

In the 2017-19 enacted budget, the Legislature increased the appropriated funding available to the Exchange. Funds were primarily added for information technology spending with the largest expenditure for the replacement of servers for the Healthplanfinder. While targeted investments were made to enhance consumer's experience on Healthplanfinder, the Exchange has maintained or reduced its spending on core activities, such as the call center contract, even though caseloads have increased.

Annually, the Exchange utilizes a zero-based budget methodology to ensure that resources continue to be used for the most strategic purposes. Since nearly 70% of the Exchange budget is contracted, considerable effort has been given to ensuring that contracted resources provide competitive costs and high performance.

1. Renegotiate contracts to lower call center costs and maintenance and operations information technology costs.

In SFY 2017, the Exchange renegotiated its call center contract and extended it through June 2019. The contract terms were modified to benefit from the annual reduction in calls that occurred in SFY 2016 and 2017. In recognition of the contract extension, the call center vendor also reduced the maximum contract amount by approximately \$200,000 per year. The amended contract went into effect in October 2017.

Calls experienced during open enrollment (OE 5) have been significantly higher than projected, and performance has dramatically improved this enrollment. The ability of the call center to handle the increase in volume while still meeting service levels is due to operational efficiencies gained through increased training and continuous quality improvement coaching. These strategies have decreased the call handle time by over two minutes, fewer tickets created by call center representatives, and increased quality scores, as compared to last year's open enrollment (OE 4).

The renegotiated Deloitte operations and maintenance (O&M) contract resulted in annual savings of \$1.2 million per year beginning in SFY 2018. Some of these savings were repurposed to accommodate new O&M costs for improved functionality for the Consumer Decision Support Tool (CDST) for plan shopping and the new provider directory. Future reductions for O&M are planned once the migration to the cloud is completed in SFY 2019.

2. Enhance automation to reduce dependencies on call center staff for routine transactions.

The Exchange has provided additional features for the call center, brokers and navigators to assist customer self-sufficiency. In addition, the Exchange has developed staff capacity to provide in-house training rather than rely on expensive contractors. Training resources were previously funded through federal grants, which are no longer available. An existing FTE was repurposed to fill training needs. The training FTE works collaborative with call center staff to ensure training and operational manuals are updated to reflect system improvements and refined operational processes.

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The call center vendor has also provided enhanced training, which has resulted in improved performance. In addition, our new mobile application allows consumers to easily upload documents directly to their dashboards which eliminates the need for call center staff to upload documents from our imaging system.

3. *Reconfigure customer tools to allow consumers greater ability to process applications without assistance from the call center.*

The Exchange continues to prioritize changes to tools that increase customer self-sufficiency. Progress has been made to allow documents to be uploaded using a mobile application and new features have been added to allow greater use of tablets and phones for enrollment activities. Additional features, which would allow the entire application process to be completed using mobile devices, are planned. These initiatives are possible with the additional expenditure authority provided by the Legislature for information technology improvements.

4. *Explore how partnerships with Department of Social and Health Services and Department of Enterprise Services could enhance the ability to leverage contracts and reduce costs.*

The Exchange uses services from the Department of Enterprise Services (DES) and WaTech when found to be cost effective and meet the Exchange's business needs, such as the need for availability outside the normal work week. For example, during the open enrollment period for qualified health plans, the Exchange call center typically works on Saturdays and during evenings.

5. *Examine software licenses, including purchasing through State contracts, to reduce costs.*

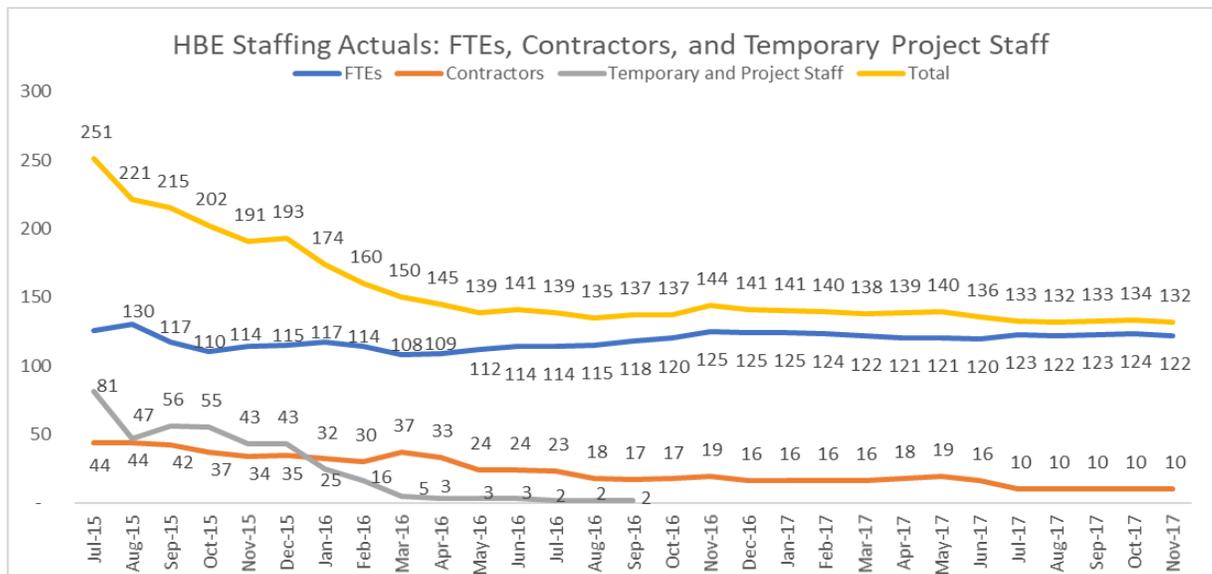
The Exchange has been able to reduce the number of licenses it uses, as well as renegotiate lower costs for some. When cost effective, the Exchange has purchased its software through the Department of Enterprise Services. During calendar year 2017, the Exchange increased its use of DES approved contracts, which has helped contain software costs and expedite procurement cycle time. The Exchange also utilized WA Tech's list of cloud providers which significantly expedited the procurement for the cloud transition.

In 2017, the Exchange also made several infrastructure-related improvements, including consolidating agency printers to reduce costs and improve security. In addition, the Exchange consolidated its use of conference lines. These actions reduced costs for these activities and offset some of the increases for annual software costs.

6. *As the Exchange continues to stabilize, examine staffing levels in all areas.*

The Exchange has significantly reduced its dependency on contractors and temporary employees. In some areas, additional Exchange staff have been added to improve compliance and/or continue an essential function formerly provided by a contractor. The Exchange has established a Workforce Management committee, which examines all vacant positions to ensure changing workforce needs are met within the existing staff footprint.

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7. Expand inter-agency work teams and staff cross-training to improve efficiency and effectiveness.

The Exchange continues to improve inter-agency decision-making and coordination. This year, the Health Care Authority engaged a contractor to facilitate the development of a consolidated Advanced Planning Document (APD) process which was Medicaid Information Technology Architecture (MITA) compliant. This process greatly improved the quality and timeliness of the APD submittal. An existing IT governance workgroup was expanded to include Operations and Finance participation from each of the agencies and has been working collaboratively to address system, operational and financial issues from an enterprise-wide perspective. This group is currently collaborating to address new Medicaid APD requirements and respond to CMS inquiries. HCA and HBE Operations and Communications departments have also coordinated efforts to improve client communication and reduce printing costs.

Call center staff have established a carrier workgroup with participating issuers to identify ways to streamline calls between call centers and to coordinate communication efforts to better serve our customers and decrease the number of calls that are transferred back and forth between call centers.

8. Continue to examine business processes to prevent duplication and increase efficiency.

Individual departments and cross-agency teams have continued to improve business processes. The Exchange initiated LEAN training this fall to develop in-house capacity to continue these efforts. Finance is reviewing its monthly close process to reduce cycle time and provide more timely reporting. Operations will be focusing on the customer complaint referral process to reduce duplicative work, increase response time, and improve tracking and monitoring.

9. Leverage outreach efforts by state agencies and partner organizations.

In 2017, the Exchange continued its work with several state agencies and expanded activities with several partner organizations. As in the past the Exchange worked with the state’s Employment Security Department on providing calls and email messages to claimants about insurance options and the Department of Licensing to appear in high volume walk-in service centers and provide

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information in public employee benefit handbooks.

10. Better utilize navigators/brokers for outreach.

Building from last year's successful pilot, the Exchange expanded its health insurance storefront locations from two to six during the open enrollment period. These locations have been found to be an effective way to provide consumer assistance by skilled Navigators and brokers at a local level, allowing for customers to both schedule appointments or just walk in for assistance. This year the Exchange also added six broker affiliate sites to raise awareness and facilitate enrollment to make 1:1 service available and further support existing Navigator efforts in their areas.

11. Enhance member communication channels with carriers to leverage customer touch points for key messages to maintain enrollment.

The Exchange is doing much more with direct email outreach to new and existing clients with reminders for them to complete their applications. This outreach is specialized to reach customers depending on where they are in the application process. Also, with the new WAPlanfinder mobile app, customers can receive alerts regarding actions required through a device other than their computer. These efforts are additionally supported by our ongoing online digital advertising and social media message.

The Exchange has significantly reduced the combined Medicaid and QHP per member per month costs from FY 2016 to FY 2017. This reduction is largely due to increases in Medicaid and QHP enrollees without additional increases in expenditures. In addition, the Exchange has implemented strategies to contain costs, which are described above.