

**pennie<sup>®</sup>**





# Pennie Board of Directors Meeting

May 2025

# Agenda

- **Preliminary Matters**
- **Federal Updates: Enhanced Premium Tax Credits**
- **Organizational Updates**
  - 2024 Financial Recap
  - Q1 2025 Financial Report
  - 2024 Reinsurance Contribution Re-budget
- **Pennie Brokers**
- **Secondary Income Data Source Update**
- **Featured Plan Display Update**



## Preliminary Matters

- **Call to Order**
- **Roll Call**
- **Approval of Previous Meeting's Minutes**
- **Opportunity for Public Comment**



# **Federal Updates:**

## Enhanced Premium Tax Credits

# Monitoring Federal Activity

**Various potential federal changes could have a large impact on Pennie, driving various contingency plans to partially mitigate the significant uncertainty.**

- Enhanced tax credits expiration under current law at the end of 2025. Next likely Congressional vehicle for consideration of an extension is at the end of September, one month before Open Enrollment begins.
- CMS regulation that includes several policies that would potentially require quick changes, if finalized. Largest immediate impacts would be change to Open Enrollment dates and auto renewal procedures.
- Other policies under consideration by Congress and/or the administration that could impact premium tax credits and costs for consumers, including potential changes to cost-sharing reduction funding.
- Combined impact of policies under consideration:
  - More expensive for Pennie enrollees (higher premiums)
  - Less valuable in terms of financial protection (higher out of pocket costs)
  - Harder to enroll (more steps)

## Refresher: Auto-Renewal Process

**The Auto Renewal process is a complex and critical operation that impacts eligibility and coverage of all ~500,000 enrollees and faces risks with late-breaking changes.**

- **Responsible for most enrollments (97.5% in OE25) to start Open Enrollment**
- Annual process that automatically renews eligible enrollees for the next plan year with updated APTC eligibility due to federal poverty level and income changes and with updated plans and rates
  - Runs prior to Open Enrollment
  - Practice, or staging, run starts in early September
  - Final production run is completed by late October
  - Notices are sent by early November
- Creates renewal application to re-enroll members in their plan for the upcoming year
  - If eligible, will renew with advanced premium tax credits
- Lengthy process that requires diligent review and multiple quality checks and approvals by Pennie
- The majority of our enrollees do not actively shop and stay in their auto-renewed plan

**CONCERN:** Any changes to the Auto-Renewal process, including schedule, comes with increased risk and potential delays.

**NOTE:** Next slide will detail scenarios where changes could happen in the Auto-Renewal process or schedule, along with the associated risk and difficulty levels.

## Contingency Planning for the Expiration of Enhanced Premium Tax Credits

**Contingency planning is focused on four potential timing options related to the enhanced premium tax credits.**

**1. EPTCs Expire** -- Default Configuration

The system will be updated to remove EPTC for PY2026 in August, unless Congressional action is taken before then. After testing is finalized, the old APTC tables will be in use starting with the Auto-Renewal cycle that runs in September.

**2. EPTCs are Extended During Auto-Renewal Run** -- High Risk, High Difficulty

An additional practice run would be added to the Auto-Renewal process to rerun with the updated eligibility criteria for EPTCs. The Auto-Renewal production run may be delayed, along with notices. If unforeseen delays occur, then the Auto-Renewal process could be delayed resulting in it not being completed until after the start of OE.

**3. EPTCs are Extending After Auto-Renewal Run but Before January 1, 2026** -- Very High Risk, Very High Difficulty

Depending on the date the EPTCs are extended, a new renewal run might be necessary to attempt to re-establish the extended EPTC amounts before January 1st. Will be more challenging if no flexibility in OE dates.

**4. EPTCs Expire but are Extended after the start of 2026** -- Low Risk, High Difficulty

Key decisions would have to be made, including whether to grant EPTCs prospectively or retroactively and if rebalancing of financial assistance would be used.

**Note:** If the Open Enrollment Period is shortened, then customers will have less time to actively shop, making our early & ongoing communications even more valuable. Communications will be in the form of mailers, notices, emails, texts, outbound dialing, system banner alerts, and website pop-ups.



## Budget Contingency Planning

- Potential federal policies could have the combined effective of **driving coverage losses upwards of 30% in 2026.**
- Pennie's operating revenue comes from enrollment-based user fees. **With a 30% coverage loss prediction, Pennie user fee revenues are estimated to also decrease by up to 30% starting as early as January 2026.**
  - Many variables can impact this estimate in either direction due to plan premiums, affordability policies, and what level of coverage people choose.
- Pennie also receives around \$15-\$19M a year in federal funding through DHS for the Medicaid-related activities that we undertake as the marketplace to support the “no wrong door” policy. Given broader Medicaid congressional discussions, this **additional \$15-\$19M could be at risk of reduction or elimination.**

## Budget Contingency Planning

- **With a 30% revenue reduction, Pennie would immediately be running at an operational deficit of \$30 million a year (or \$2.5 million each month).**
- This would worsen substantially if the federal funding was also eliminated, increasing the **operational deficit to \$45M a year, or \$3.75M a month.**
- To reduce the operational deficit, Pennie would need to undertake the lengthy processes of reducing costs, re-evaluating the reinsurance contribution, and renegotiating contracts.
- **Pennie can maintain financial viability for a period of time by using the carryover and reserve funds.**
  - NOTE: The unique situations that created the carryover will not continue. For example: previous reinsurance costs were lower than budgeted, but this year are coming in higher than budgeted.
- **The carryover and reserve funds are critical to the financial stability of Pennie in the next 2 years.** These funds would allow Pennie to remain financially viable while we significantly rework functions to find a new self-sustaining operational equilibrium.



# Organizational Updates





# 2024 Financial Recap



# CY 2024 Financial Recap

CY2024 FINANCIAL RECAP			
Revenues			
Net Position, Beginning of Year \$73,036,190			
	Budget	Actual	Variance
User Fees	\$85,900,000	\$96,297,858	\$10,397,858
Federal Receipts	\$18,600,000	\$19,536,916	\$936,916
Treasury Interest	\$2,000,000	\$5,143,146	\$3,143,146
<b>Total</b>	<b>\$106,500,000</b>	<b>\$120,977,920</b>	<b>\$14,477,920</b>
Expenses			
	Budget	Actual	Variance
Personnel	\$8,005,000	\$6,534,683	(\$1,470,317)
Operations	\$50,891,000	\$50,664,727	(\$226,273)
Reinsurance Program	\$44,400,000	\$29,571,917	(\$14,828,083)
<b>Total</b>	<b>\$103,296,000</b>	<b>\$86,771,327</b>	<b>(\$16,524,673)</b>
<b>2024 Net Position</b>		<b>\$107,242,783</b>	
<b>Operational Reserve</b>		<b>\$75,000,000</b>	
<b>Remaining Balance for 2025</b>		<b>\$32,242,783</b>	
<b>Funds obligated to be transferred to Reinsurance 7/25</b>		<b>\$44,400,000</b>	



# **Q1 Financial Report**

(Jan – March 2025)

## 2025 Q1 Financial Overview

Revenue Earned	Q1
User Fees Billed	\$27,654,068
Federal Funding	\$1,736,295
Treasury Interest	\$1,295,648
<b>Total Revenue</b>	<b>\$30,686,011</b>

Expenses Incurred	Q1
Personnel	\$1,624,356
Operations	\$7,759,235
<b>Total Expenses</b>	<b>\$9,383,591</b>

## 2025 Q1 Budget Overview

	Expenses	Budgeted	Actual
Q1 Totals	Personnel	\$2,124,491	\$1,624,356
	Operations	\$7,938,343	\$7,759,235
	Total	\$10,062,834	\$9,383,591
Q1 \$ Variance (under budget)	\$679,243		
Q1 % Variance (under budget)	7%		

Notes: Personnel variance due to vacancies, and operations variance due to expenses coming in less than originally anticipated. We have hired six new employees since the fall, currently recruiting three positions, and have four upcoming job postings.



## 2025 Q1 User Fee Revenue Overview

Month	Projection	Actual
January	\$8,750,000	\$8,621,273
February	\$8,812,000	\$9,739,299
March	\$8,832,000	\$9,293,496
<b>Total</b>	<b>\$26,394,000</b>	<b>\$27,654,068</b>
<b>Q1 \$ Variance</b>	<b>\$1,260,068</b>	
<b>Q1 % Variance</b>	<b>5%</b>	

## 2024/2025 Q1 Comparison

	2024	2025	\$ Difference	% Difference
<b>Revenue Earned*</b>	\$26,712,378	\$30,686,011	\$3,973,633	13%
<b>Expenses Incurred</b>	\$9,574,138	\$9,383,591	(\$190,547)	(2%)
<b>Budget</b>	\$9,817,994	\$10,062,834	\$244,840	2%

Notes: \*Includes the federal reimbursement for Q1 that was received in April.

We are in an excellent financial position for Q1, with higher than anticipated receipt of revenue and less than anticipated expenditures.

## 2025 Budget Increase Needed for Reinsurance Contribution

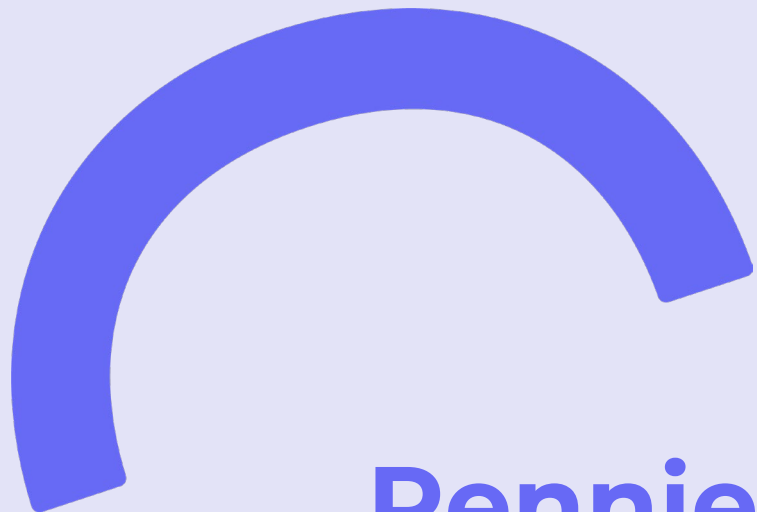
The amount that was budgeted in the 2025 budget for the reinsurance program was \$44.4M\*. We recently received an update from PID that the total amount needed came in higher than originally estimated. Additional funding in the amount of \$2,152,185.00 is needed.

If approved, the total amount budgeted for CY2025 for the reinsurance program would then be a total of **\$46,552,185.00**

### **Recommendation:**

To approve an additional funding amount of **\$2,152,185.00** for the reinsurance program in the CY2025 budget.

Notes: \*The \$44.4M includes \$400,000 for PID operational expenses.



# Pennie Contact Center

## Pennie Contact Center Update

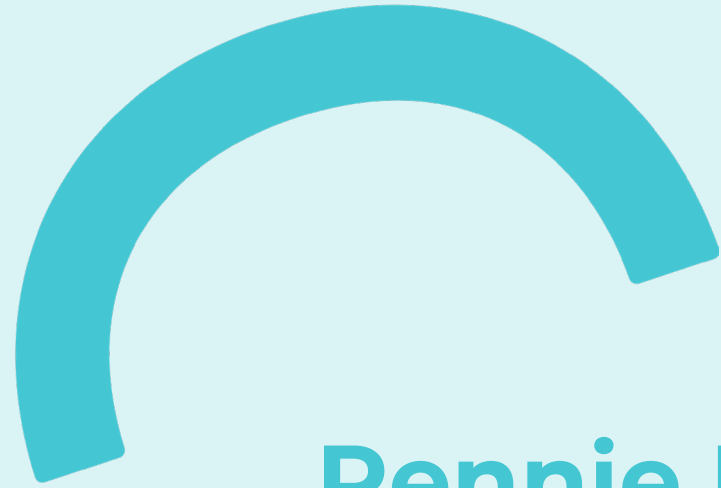
Since our March Board Meeting, our Contact Center Contractor has expressed an interest in working with us as we conduct our business case analyses for each of our contact center options.

Specifically, they have expressed an openness to amend the existing contract in order to allow us the flexibility to take on some of the contact center duties to test the effectiveness of taking some of this work in-house (e.g., a portion or all of the quality assurance team, a set number of CSRs).

While open to exploring this alternative as a fourth option within our business case (in addition to the three existing options: (1) exercise option year(s) with our contractor, (2) build an in-house contact center, or (3) issue an RFP for contact center vendors), Pennie would need to ensure certain benefits from this approach before it would be considered as part of the business case.

### Key Considerations

1. Costs – The proposed approach should not add any additional costs to Pennie and would need to consider the costs of any staff brought on internally, reducing existing costs by at least that amount.
2. Quality – The proposed approach would need to articulate actionable plans for improving quality, consistency, and accuracy.
3. Timely – The proposed approach would need to have enough detail and a viable cost structure within the next couple months to warrant consideration for the business case.
4. Viable – If the proposed approach does not appear to be a viable alternative to the other three options on its face, then it will not be considered for the business case analysis.



# **Pennie Brokers:** Demographic Data

## Broker Project – Background & Context

- Pennie continues to focus on understanding the uninsured to provide the highest level of support, including where they live, why they're uninsured, what barriers they have to coverage, their trusted voices, and their demographics.
- With the uninsured, we are striving to both raise awareness of Pennie and get them the local, one-on-one support our research has shown they are looking for.
- Starting in 2023, we focused on the broker population, seeking to answer:
  - Who are Pennsylvania's health brokers?
  - Who are we missing?
  - How can we expand coverage opportunities through them?
- We learned that none of our state partners, insurers, or brokerages had performed a demographic survey on Pennsylvania health brokers.
- Pennie felt we were in the unique position to be the industry leader to gather this data to help align the needs of the uninsured with the brokers searching for new business.

## Broker Project – What We Learned

Through an optional broker demographic survey embedded in the certification training, we learned that our broker population is relatively aligned with PA's uninsured population.

Category	Broker Survey	Pennie Enrollees	PA Uninsured Population	PA Population
Age Group: 45–64	44.29%	50%	5.0%	30.1%
Age Group 35–44	21.87%	17%	18.2%	12.8%
Age Group 24–34	13.9%	16%	22.5%	12.7%
White Alone	51.56%	69.7%	4.7%	75.7%
Hispanic	13.91%	5.0%	12.3%	8.4%
Black or African American	13.04%	5%	7.1%	11.1%
Brokers Speaking Spanish	14.97%	N/A	17.25%	5.6% of PA speaks Spanish at home
Geography – SEPA	18%	34%	33.8%	35%
Geography – Rural PA*	~58.2%**	28.5%	27.27%	27.15%

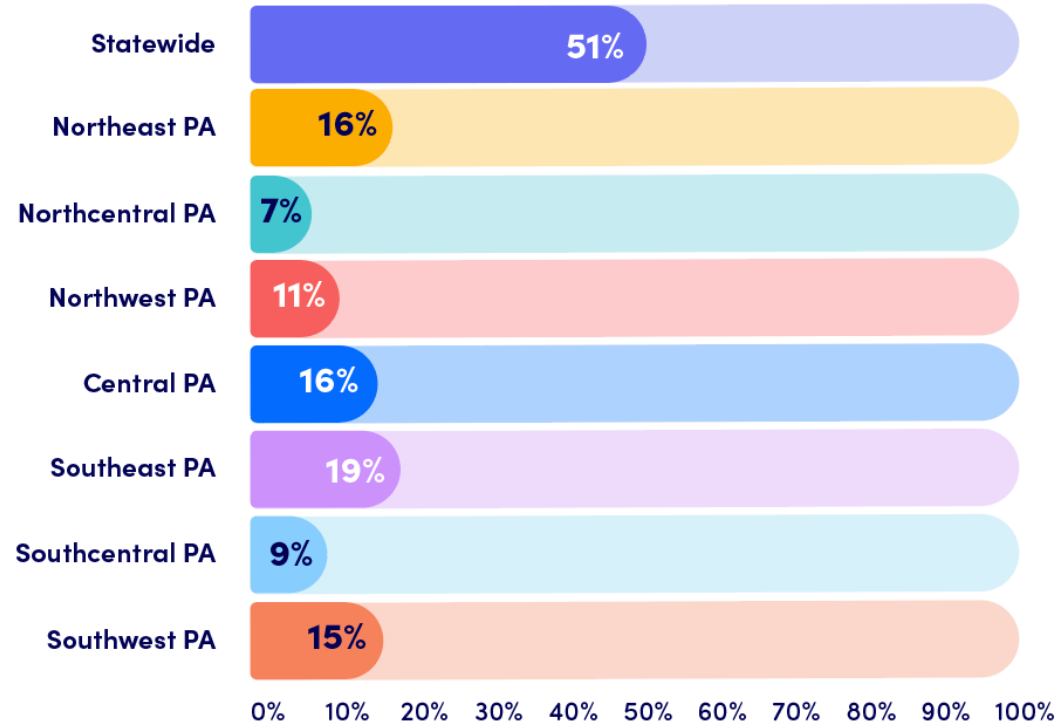
\* The 48 counties considered rural by [Center for Rural PA](#)

\*\*Estimate based on regional survey responses. Total may include brokers who selected multiple regions or “statewide.”





## Broker Project – Geographic Breakout



Total Respondents  
**4,277**

## Broker Project - Recruitment Efforts

### 2023

- Pennie piloted a broker recruitment effort in 4 highly uninsured Philadelphia ZIP codes that yielded 50 new certified broker certifications.

### 2024

- Pennie expanded our recruitment effort to include all of Philadelphia county that yielded 92 new certified Philadelphia county-based brokers.

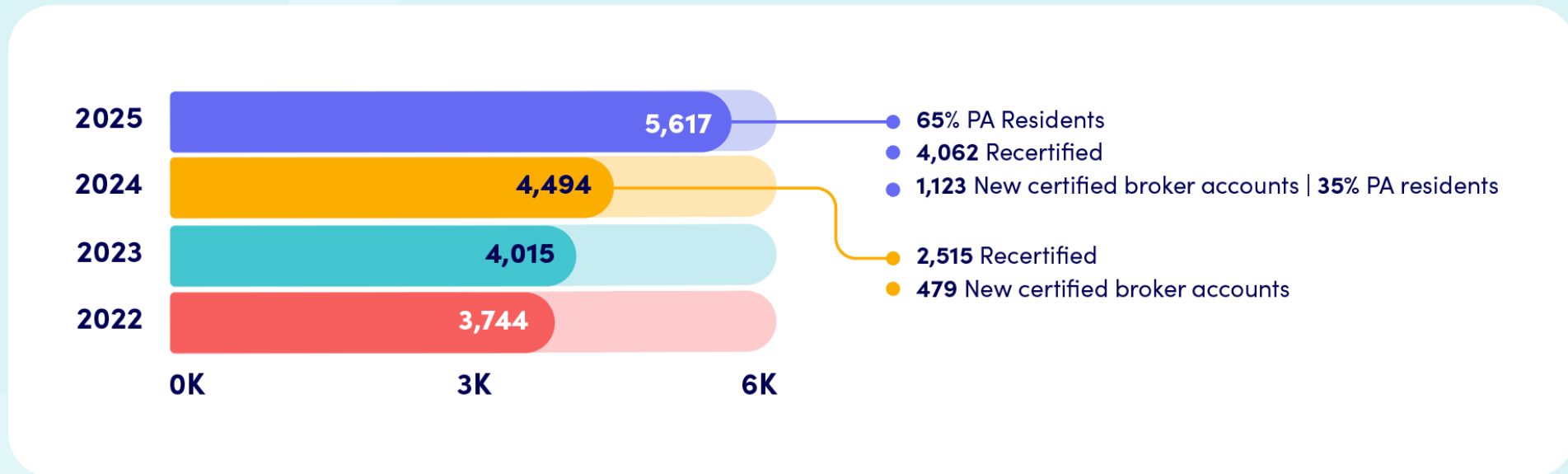
### Engagements

- Chambers of commerce, Small Business Development Centers, Insurance Associations, Brokerages, Webinars, Paid Media, and more.
- All with the goal of encouraging brokers with a health line of authority to add Pennie to their book of business.

## Comparison: Newly Certified Brokers vs. Previous Years

**When Pennie made the effort, we proved we could move the needle.**

For 2022 & 2023, we hovered between 3700-4000 brokers



This **represents the highest levels of broker participation** since Pennie's launch, driven by targeted outreach, enhanced broker support, and increased marketing of the value in becoming Pennie-certified

# Broker Project

## Gaps & What's Next

- Pennie will take steps to update the survey to capture more specific geographical data to best overlap uninsured data with where the help is.
- As our broker base is relatively representative of PA's uninsured, there are still gaps in southeastern PA, young brokers, and rural regions.
- Staying with our mission of raising awareness and getting more help throughout PA, Pennie will shift its focus and resources to building our new Assister Network for 2025-2026.
- We encourage industry partners to take our research and lessons learned and build upon this foundation to continually grow Pennie's broker base to serve PA's uninsured.



# **Pennie Brokers:** Broker Agreement Revisions

# Pennie Broker Agreement Revisions

**Consistent with federal law and approach, Pennie is updating the Broker Agreement to establish more clearly: broker responsibilities, consumer protections, and process steps for decertification.**

## Authority

- Under federal law, Exchanges are required to have an agreement with Brokers.

## Goals

- To clarify and strengthen Brokers' Responsibilities.
- To adopt standards of termination under federal regulations.
- To simplify contractual language.
- To improve the agreement's structure.

## Broker Agreement Revisions – Main Changes

**Formalizes Broker certification requirements**, such as completion of annual training, registration with Pennie, and adherence to agreement.

**Clarifies Broker's responsibilities and conduct**, including prohibiting extra fees and required purchase of other policies. Adopts federal consent requirements and establishes communication standards.

**Adopts clear enforcement and termination process** that mimics federal regulations while complying with PA administrative law.

Establishes that a **breach of the terms can be used as basis for Pennie to terminate or suspend** the Agreement.

Additional **penalties for misconduct**, including future prohibition of certification.

Establishes process for **reciprocal action** that allows Pennie to terminate the Agreement if a broker has been terminated for fraud by federal or other state exchanges.

# Broker Agreement Revisions

**Overall, the changes will benefit both Pennie and brokers by establishing:**

- Clear expectations.
- Clear language.
- Transparent process.
- More protections for consumers.

**Next Steps:** Pennie seeks Board approval to move forward with Broker Agreement changes that establish a fair, clear, and timely process for Pennie to act to suspend or terminate brokers in violation of the agreement.





# Secondary Income Data Source Update

## New Income Verification Updates

**Refresher:** Pennie is pursuing a new state income data source for verification that has the potential to improve the consumer experience, increase enrollee retention, and significantly reduce costs to Pennie. The costs for the current data source through Equifax were shifted to states in July 2024 and increase annually.

Pennie is on-track to deploy the Quarterly Wage Data secondary income check with the PA Department of Labor & Industry (L&I) as part of the June release, with testing between Pennie and L&I to commence in May.

State Quarterly Wage Data will be used in two distinct ways:

- 1) **Monthly** income verification – Starting in July, monthly Quarterly Wage Data reports would verify income for individuals who conditionally qualified for financial assistance because additional income documentation is needed.
- 2) Continued eligibility for subsidies during **Auto-Renewals** – During Auto-Renewals each year, Quarterly Wage Data would provide a secondary source of income verification, after the IRS income check. For this year, Pennie would still use the Equifax source as a tertiary check to reduce new implementation risk.

Given the anticipated changes coming in the *Program Integrity* Final Rule, Pennie is proposing to continue to utilize Equifax through the end of the year with the goal to completely transition to using Quarterly Wage Data as the only secondary income check by early 2026.

## New Income Verification Updates

### Benefits of utilizing Quarterly Wage Data compared to Equifax

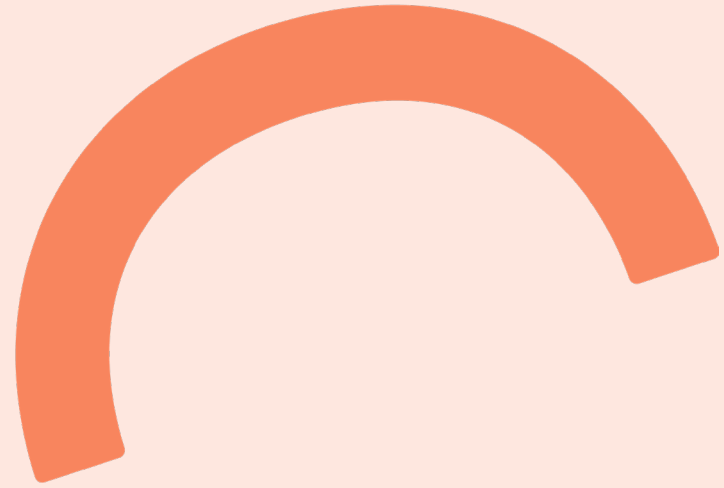
	Quarterly Wage Data	Equifax
<b>Cost*</b>	Low fixed monthly cost after start-up	Per-transaction cost that increases year-over-year
<b>Income data available</b>	Previous four (4) quarters of available wage data	Point-in-time based on most recent income available only
<b>Ability to re-check income?</b>	Yes	No
<b>Pennie access to data?</b>	Yes	No

\*Once fully implemented, Quarterly Wage Data will only cost \$100/month, regardless of the number of transactions, which allows for substantial savings from Equifax.

For reference, Equifax costs roughly \$20,342 per month with a larger cost (\$162,735.45) during the AR process in October. While underbudget, this cost indicates that the Equifax check has not been as effective as anticipated.

By the 2028 OEP, each Equifax transaction will cost no less than \$9.55, compared to \$5.76 in PY25. Between July 2024 and March 2025, Pennie received 55,501 transactions from Equifax.

Over the next five years, Pennie estimates that moving its secondary income check from Equifax to Quarterly Wage Data could save up to \$1 million in operational costs.



# Featured Plan Display Update

## Update

Pennie is on track to implement the Featured Plan Display project with the June release ahead of Open Enrollment 2026. Pennie held two focus group sessions this week to inform how this new tool will be presented to consumers and shared key project information and timelines with insurers.

Pennie is working to collect data that will allow Pennie to measure the project's success and to make improvements in future years:

Question: What impact did Featured Plan Display have on customer behavior?

*Key data points*

- What percentage of customers enrolled in a plan using the Featured Plan Display?
- Were customers more likely to actively plan shop compared to previous years?

Question: Were customers satisfied with the Featured Plan Display functionality?

*Key data points*

- How many customers enrolled in a new plan for 2026 compared to previous years?
- Did customers who enrolled in a "featured plan" stay enrolled in the plan longer than those who did not?

Other consumer behavior observations to be monitored:

- Any change in patterns on the overall metrics in Open Enrollment versus Special Enrollment Period enrollees
- Other active shopping behavior and trends for new shoppers

# pennie®

## ADDRESS

PO Box 11873  
Harrisburg PA  
17108-1873

## PHONE

+1 844-844-8040

## WEB

[pennie.com](http://pennie.com)