

COVER STORY

State's health insurance exchange

KATHY ROBERTSON
Staff writer

Burdened by too much work, comparatively low pay and a slow state hiring process, Covered California is still struggling to fill more than a quarter of its top jobs.

Of 38 executive positions at the agency, which runs the new state health insurance exchange, 11 are vacant or occupied temporarily. And across the agency, it's even worse: 41 percent of all jobs were unfilled on June 30, the end of the state's fiscal year.

The problem is particularly acute for the division that is supposed to provide affordable health plans to small businesses. The Small Business Health Options Program, known as SHOP, has been without a director for more than a year.

"There's a concern, and it's been there awhile," said Scott Hauge, president of Small Business California. "The small-business community is wondering: Are they serious about moving forward?"

Other top jobs that remain vacant or filled temporarily include one of two chief deputy executive directors and director of health plan management. Some worry that the depth of talent needed for sustained success is not there.

"I am concerned about the difficulty Covered California is having in filling key positions," said state Sen. Norma Torres, a Democrat from Pomona. She has introduced legislation she says would help the agency with recruitment and other challenges by expanding its board.

Many interim appointees

All eyes are on California's health benefit exchange, which – despite many problems with its rollout this fall – is considered the most successful in the nation. Agency spokesman Dana Howard says filling top jobs is not the first priority.

"There's not a rush. Covered California is functioning well," he said. "We intend for it to function even better with executives who will add to and enhance our team."

Covered California currently contracts out some essential services and continues to tap respected talent on an interim basis, sometimes at higher pay than most of the folks already hired.

For example: On Jan. 15, former state finance director Ana Matosantos started as a senior advisor to executive director Peter Lee on a six-month contract valued at \$120,000. By comparison, CFO John Hiber – a permanent executive on the same level in the organization chart – makes \$148,992 a year.

The agency has made progress since early January, landing permanent employees for two top jobs: Don Sherman as deputy director for health plan management and Garrison Rios as director of communications and marketing.

But other jobs go unfilled. More than one candidate has walked away because the money was too low. At least two others have walked away because the process took so long they took other offers.

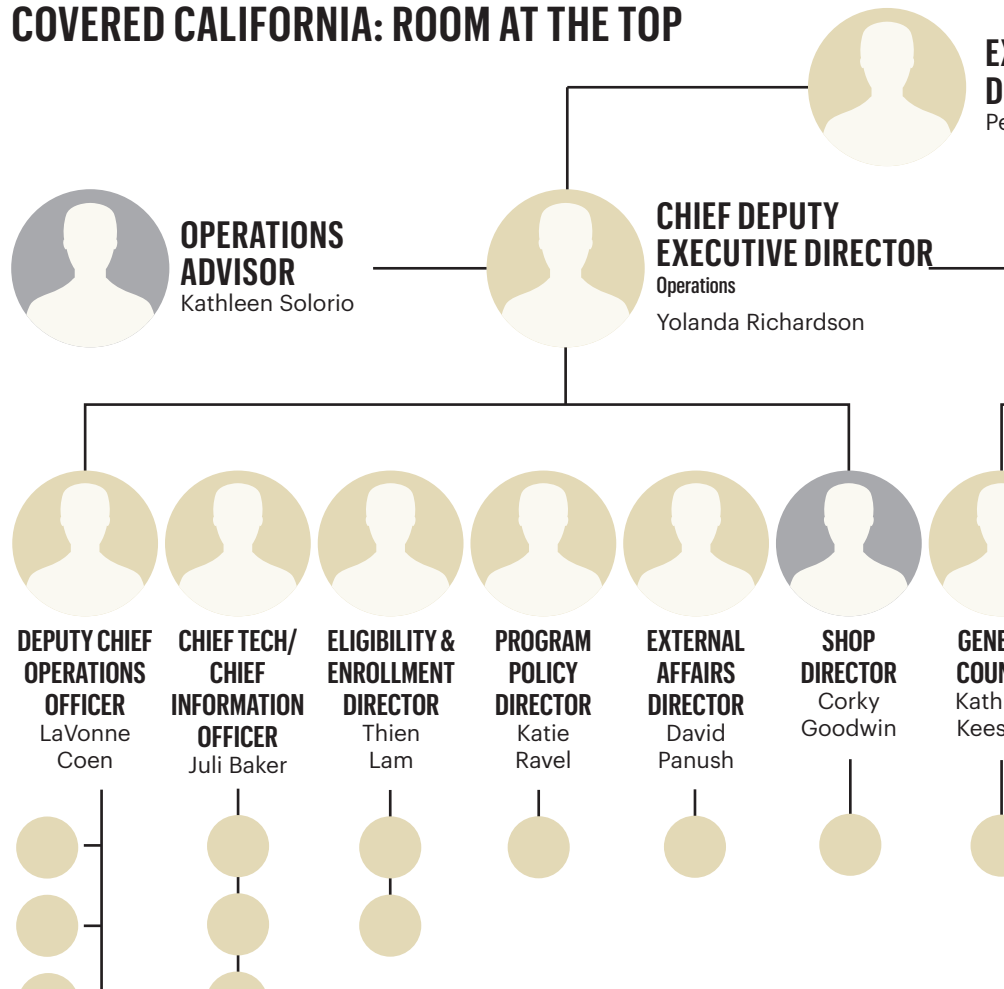
Then there's the frenetic pace at the place. Like other exchanges, Covered California is inventing a new marketplace amid policy pivots by the federal government.

Small-business program struggles

The SHOP director job was filled in June 2012, but Michael Lujan was moved to another position after seven months and then resigned in July, saying he had made a commitment for only one year. The director job's been vacant ever since.

To fill the gap, Covered California

COVERED CALIFORNIA: ROOM AT THE TOP



SALARY COMPARISON

Relatively low executive pay is cited as one reason that Covered California has so many vacancies in top jobs. But at least one agency that hires executives with similar skills – the benefits of the California Public Employees' Retirement System – generally less. Following are top jobs that are filled with permanent employees.

CALPERS — BENEFIT PROGRAMS POLICY AND PLANNING

Position
Ann Boynton, deputy executive director
David Cowling, chief of Center for Innovation
Kathy Donneson, chief of health plan administration
Doug McKeever, chief of health policy research
Stacie Walker, chief of retirement research and planning
DeLesa Swanigan, chief of policy and administration services

hired Irvine-based Pinnacle Claims Management Inc. in April 2013 to administer the Small Employer Health Options Program. Pinnacle's three-year contract is worth \$50 million. Corky Goodwin, vice president of a health consulting firm called The Tori Group LLC is serving as interim director.

"Pinnacle is administering the program, not us. The role at headquarters is to set policy," said Yolanda Richardson,

chief deputy director of operations at Covered California. But "we do want a SHOP director here at Covered California – there are a lot of policy questions."

There have been "great candidates," Richardson said. But no permanent hire. Morgan Consulting Resources Inc. in Las Vegas is handling the search for this and other top executive positions. Headhunters there declined to comment.

Other sources say the pay – if it's in



"It's probably not the most fun or easiest challenge. Compensation is an issue. So is geography: the job is in Sacramento. Most obvious: the work ain't easy."

MICHAEL LUJAN, former director, Covered California's SHOP program

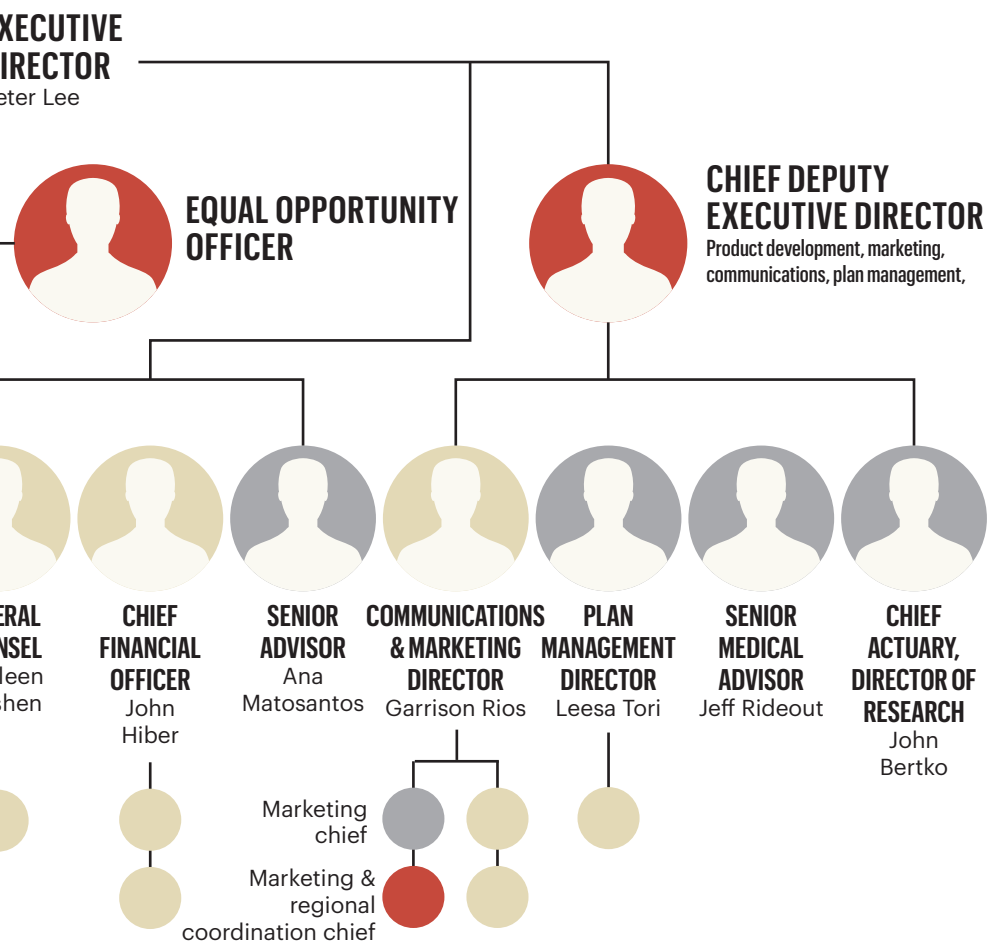


"There's a concern about the small-business community. They're not serious about moving forward."

SCOTT HAUGE, president of the SHOP program

COVER STORY

Large struggles to find top executives



COVERED CALIFORNIA	
Position	Salary
Peter Lee, executive director	\$257,496
Yolanda Richardson, chief deputy director for operations	\$210,000
Juli Baker, chief technology officer/chief information officer	\$164,796
LaVonne Coen, deputy chief operations officer	\$140,009
John Hiber, chief financial officer	\$148,992
Kathleen Keeshen, general counsel	\$159,996
Thien Lam, eligibility and enrollment director	\$103,128
David Panush, external affairs director	\$164,796
Katie Ravel, program policy director	\$111,540
Garrison Rios, communications and marketing director	\$165,000

the ballpark of the \$160,000 annual salary announced when Lujan was named SHOP director – is considerably less competitive than what the private sector offers for comparable work. Slow turnaround is another problem. At least two candidates found the interval between first and second interviews so protracted that they took other offers in the interim. “It’s probably not the most fun or easiest

challenge,” Lujan said. “Compensation is an issue. So is geography: The job is in Sacramento.” Lujan lives in the Bay Area. “Most obvious: the work ain’t easy,” Lujan added. How important is it to fill the job at this juncture, when the individual market is Covered California’s top priority? “In the grand scheme of things,” Lujan said, “there’s other fish to fry.” That’s what upsets small-business folks

and brokers who serve this market. They liked Lujan in the job.

“Michael was very good, which makes this much more difficult,” Hauge said.

Low pay, tough job

The most important outstanding hire is director of health plan management, sources say.

Covered California is essentially an insurance market and the role health plans play in the mix is crucial. The director would be responsible for health-plan contracting, budget design and ongoing plan monitoring. He or she would supervise a staff of up to 30. The proposed salary range is between \$160,000 and \$180,000.

A similar job at a large California health plan pays \$180,000 to \$260,000, depending on experience – plus any bonuses. At least one candidate with life and business experience of more than 20 years in the trenches walked away because of low pay.

“It’s a low salary for the job you are talking about,” said William DeMarco, a spokesman for Warren Surveys, an Illinois company that publishes definitive compensation data for the health-care industry. A health plan CEO can make more than five times that amount in base pay – and 10 times more, with bonuses. An experienced general or regional manager at a health plan can make \$350,000 to \$400,000 in base pay.

Leesa Tori was hired early on as interim director of health plan management at Covered California. Chief at The Tori Group, she gets kudos from health plans as responsive and helpful during launch of the program. In addition, each health plan in the exchange works with a designated plan manager at Covered California. These managers have been stable points of contact for Western Health Advantage, a Sacramento-based plan that participates in the program.

“Because of these strong relationships, we have not had any negative consequences from the open positions in Covered California,” WHA spokesman Rick Heron said.

Big decisions are coming up, though. Rate negotiations with health plans for 2015 will start shortly and are expected to be more complex this time around. Health plans may want more than members; soon, they’ll begin to know how much it costs to treat them. Depending on how enrollment shakes out, there may be a push for higher rates – and push-back from Covered California to keep coverage affordable.

The state should “revise salaries to really

get candidates who can weather the storm long-term,” DeMarco said.

‘God’s work’

At least one other agency is able to fill top jobs with qualified health-insurance executives at state pay, however.

If anything, pay for top health-benefits staff at the California Public Employees Retirement System is less than Covered California offers. Until now the biggest health-care purchasing pool in the state, CalPERS has more than 1.3 million members. Covered California has signed up almost 1.9 million, if potential Medi-Cal enrollment of 1.2 million is added to the 728,086 consumer sign-ups for the program.

Ann Boynton, CalPERS deputy executive officer for benefit programs, policy and planning, makes \$144,204 a year. Kathy Donneson, chief of the health plan administration division, makes \$112,032.

For some at Covered California, state service offers stable work at stable pay – and a chance to make a difference.

“I’m a person attracted from the private sector,” said Richardson. “In all honesty, I labeled it God’s work.”

Hired in April 2012 at a salary of \$160,000, Richardson brought 20 years of experience in business consulting and health care purchasing that included stints as CFO of the San Francisco Health Plan and vice president of operations for Pacific Health Advantage, California’s initial go at running a small business purchasing pool.

“The people we are attracting are people not interested in making top dollar, but to do good work,” Richardson said.

Another lure at Covered California is the opportunity to play a role in California’s grand experiment with health reform.

The agency just hired John Bertko as chief actuary and director of research for a year. A consultant with decades of experience deep inside the insurance industry, Bertko wants to be part of the reform effort in California. He’ll make \$153,600.

“The best thing I can do for Peter (Lee) is to set things up, help put infrastructure in place and identify a long-term person for this role,” Bertko said. “I’ve spent a long time in the industry and tried to play by the rules. We are now on a unique path in history where we can fix things.”

Kathy Robertson covers health care, law, labor, workplace issues and immigration. Reach her at kroberson@bizjournals.com, 916-558-7869 or @robertsonsacbiz.

cern, and it’s been there awhile. The community is wondering: Are they moving forward?”

ment of Small Business California, on the lack of a director for



“I’m a person attracted from the private sector. In all honesty, I labeled it God’s work.”

YOLANDA RICHARDSON, chief deputy director of operations, Covered California