

Board Meeting Minutes

*Connect for Health Colorado Meeting Room
East Tower, Suite 1025*

3773 Cherry Creek N Dr., Denver, CO 80209

March 23, 2015

8:30 AM – 12:00 PM

Board Members Present: Sue Birch, Davis Fansler, Adela Flores-Brennan, Eric Grossman, Sharon O’Hara David Padrino, Arnold Salazar, Marguerite Salazar and Nathan Wilkes.

Board Members Joining via Phone: Steve ErkenBrack

Board Members Absent: Mike Fallon

Staff Present: Luke Clarke, Gary Drews, Cheryl Ierna, John Neumeier, Karen Phillips, Lynn Pressnall, Chris Ringwood, Alan Schmitz, Lisa Sevier and John Wetherington.

Approximately 7 guests attended the meeting in-person and the conference line was available for people to join by phone.

I. Business Agenda

- Chair Sharon O’Hara called the meeting to order at 8:30 am and welcomed those in attendance, both in-person and on the phone.
- The agenda was reviewed and no changes were made.
- Disclosure of Conflicts of Interest: None

Ms. O’Hara thanked the Operations Committee and Finance Committee for their extraordinary work over the past couple of weeks, with a special thank you to the partners and Ex-Officios who attended the meetings to help inform the discussion, stating that a resolution to some key issues is getting closer and this is due to the Connect for Health Colorado staff, Board and partners.

The Legislative Implementation Review Committee will be meeting every other week on Wednesdays, from 7:30 am to 8:30 am and everyone is invited to attend.

II. Financial and A133 Audits

Auditors Steve Corder and Tiffany Knight, from Kunding, Corder & Engle P.C., were introduced to the Board.

Arnold Salazar, Finance Committee Chair, stated that the Finance Committee reviewed the audit in depth the previous week and believed the audit to be a fair and accurate representation.

Mr. Corder gave a high level overview of the audit of the financial statements for the year ending June 30, 2014. Three items were discussed:

1. The audit of the financial statements.
2. The OMB Circular A133 Audit – a separate audit that is required for non-profit organizations that receive more than \$500,000 in federal funding.
3. An Operational Matter Letter – the findings in this letter are not material weaknesses or control deficiencies, so it is not felt they are worth discussing during the high level review.

Ms. Knight reviewed the financial statements, stating that this was an unmodified, or clear, opinion on the audited financials; clarifying that all expenses that are capitalizable into the assets are depreciated for a life of five years. Fiscal year 2014 was only a partial year of depreciation because the Marketplace did not start until October of 2013. There will be full years of depreciation over the next three to five years of the assets.

Mr. Corder further explained that the Marketplace is incurring allowable capital asset expenditures per the federal grant award. When the expenditures are incurred the revenue is recognized as a positive on the income statement. However, the matching expense is not there because it's been capitalized as a fixed asset. This can be misleading to the reader, as the revenue goes directly to the bottom line. In future years, as the depreciation is recognized there will be expenses larger than what was in the past because the money was spent and now the cost is being recognized.

The OMB Circular A133 audit is conducted to make sure there is a good internal control system to ensure the financial statement representations are correct and that federal rules and regulations associated with the applicable grant from which the money is received are followed. While technically the organization has been in existence for three years, this is only its second full year of operation. The first year there was a period in which the organization only received a small amount of money. Connect for Health Colorado has really only been up and running the last two years. During this time the emphasis was to get the website up and running for October 1st 2013 Open Enrollment. While a large amount of effort was spent making sure this happened successfully, the accounting department was greatly understaffed, leading to most of the findings in the report.

Originally the Marketplace had received approval to extend some prepayments for software maintenance and support services that fell outside of the grant period specified within the grant agreements. Confirmation had been expected, but just prior to this Board Meeting CMS admitted they had actually made an error in allowing this. The Marketplace is now in discussions with CMS to determine how the funds can be re-budgeted into other categories.

Mr. Corder pointed out that by being a new start up, Connect for Health Colorado has not had the benefit of all necessary policies, or a completely staffed accounting

department. As a result, the audits findings are typical for an organization in this place of its life cycle.

Arnold Salazar made a motion to accept the audit as submitted by Kundinger, Corder & Engle P.C. Eric Grossman seconded the motion.

Alan Schmitz, General Counsel stated that given the information recently provided to Connect for Health Colorado from CMS regarding the prepayments made for software maintenance and support services, the Board should approve the audit with the following changes:

- Remove the statement that the Board disagrees with the corrective action with respect to the term of the grant monies.
- Change the language to state that the Board agrees a corrective action is necessary given that CMS has indicated they inadvertently provided the Marketplace with an approval to use the monies for the prepayment. To correct this moving forward the Marketplace will adjust for changes in the budget for allocation of funds with respect to the time period of the grant.

Mr. Schmitz further stated that the Marketplace received this information verbally and through email and Connect for Health Colorado will obtain proper written documentation to this fact from CMS.

Ms. O'Hara called the motion for a vote and the motion was approved as follows:

Yes: Steve ErkenBrack, Eric Grossman, Davis Fansler, Sharon O'Hara, Arnold Salazar and Nathan Wilkes

No: None

Abstain: Adela Flores-Brennan

III. **Public Comment**

Ms. O'Hara opened the meeting for public comment.

Ms. O'Hara read a letter from Ronnie Barr, a licensed Health Insurance Producer and Certified Licensed Agent. Mr. Barr asked that Colorado adopt the same process as Covered California and Healthcare.gov, asking that every person begin their application directly through Connect for Health Colorado. If the individual appears to qualify for Medicaid, Medicaid should receive the information from the Marketplace and be responsible for reaching out to the individual to obtain a complete Medicaid application.

Chuck Hoppe, a broker, agreed with Mr. Barr. Stating that there are many states that do not require a full Medicaid application for everyone applying for tax credits.

John Luhman, a broker with All Health Options, requested changing real time determination to right determination. Stating that in his experience a large amount of real time determinations have not been accurate.

Ms. O'Hara entertained a motion to move into Executive Session to discuss a personnel matter related to a search for the next CEO; required to be kept confidential under state law. A vote was called for with unanimous approval.

The Executive Session is permitted pursuant to CRS §24-6-402(4)(f).

The Board did not return from Executive Session.

Meeting adjourned at 10:35 am.

Respectfully submitted,

Mike Fallon
Board Secretary

Next Meeting

May 11, 2015 from 8:30 am – 12:00 pm