

Finance & Operations Committee Meeting Minutes

Connect for Health Colorado Meeting Room

East Tower, Suite 1025

3773 Cherry Creek N Dr., Denver, CO 80209

July 25, 2016

9:30 AM – 11:30 PM

Summary of Action Items

Action	Who By	Due
Create a monthly cash flow statement by scenario to determine impact on cash flow, when triggers will occur and what can be done.	Finance Department	Reviewed and discussed at July 25, 2016 meeting. Improvements being made in predictive modeling for enrollment to improving timeliness and accuracy of enrollment projections. Review progress at September 26, 2016.
Create a schedule of possible revenue opportunities.	Finance Department	Developed in conjunction with Strategic Planning efforts, Update to be provided at September 26, 2016 meeting.
Star ratings for customers. What would stakeholders like to see?	Operations Department	Ongoing analysis.
Audit completion by October 2016.	Finance Department	FY 2016 auditor approval and timing to be reviewed at August 22, 2016 meeting.
Provide accounts receivable metrics monthly.	Finance Department	Ongoing. Provide update at August 22, 2016 meeting on DSO improvement measures discussed at July 26, 2016 meeting.
Medicaid Cost Allocation plan for FY17.	Finance Department	Reviewed at July 26, 2016 meeting. Ongoing updates to be provided.
What is the IT spend for other state based exchanges?	Finance Department	PMPM comparison to be reviewed at August 22, 2016 meeting.
List of projects/activities included in technology contract consolidation, including context	Finance Department	Before August 8, 2016 Board meeting.

of needed cost savings for sustainability.		
Monthly update of audit and compliance items with status column to document.	Finance Department & IT Department	Ongoing.

Board Members Present: Sue Birch, Adela Flores-Brennan, Denise O’Leary and Nathan Wilkes

Staff Present: Brian Braun, Luke Clark, Christine Gavin, Kate Harris, Judith Jung, Alan Schmitz, Lisa Sevier and James Turner

I. Welcome & Introductions

Denise O’Leary chaired the Finance & Operations Committee meeting and called the meeting to order at 9:30 a.m., welcoming everyone in attendance, both in-person and on the phone. The Committee approved the June Finance & Operations Committee minutes.

II. Year End Financial Review

Brian Braun, Chief Financial Officer, updated the Committee on Connect for Health Colorado’s preliminary fiscal year end financials.

Key Metrics

- Enrollment had a lower baseline than the strategic plan, however, there were higher average premiums which offset the difference.
- Percentage of calls answered in 300 seconds is 83%.
- Net operating ratio is 4.8%.
- Per member per month (PMPM) carrier fee is \$9.80.
- Per member per month (PMPM) operating expenses are \$30.60.

Financial Overview

- The net change in assets is below budget expectations by \$3.2 million.
- Program revenues were significantly lower due to a lower amount of covered lives for the special assessment fee and not receiving any Medicaid cost recovery funding.
- Operating expenses were \$4.0 million lower than budget expenses due to contract changes, marketing and outreach savings, technology operations with fewer contractors and more work in-house & general and administrative expenses being lower due to postponing hiring.
- The cash balance was \$1.8 million lower than budget projections due to large vendor liabilities incurred in the prior fiscal year, and marketplace software enhancements.
- Working capital is \$24 million.
- Budget projections show Connect for Health Colorado breaking even for FY 2017.

III. Financial Sensitivity/Scenario Analysis – Initial Discussion

Mr. Braun presented an enrollment sensitivity analysis to the Committee. The purpose of the analysis is to determine the impact of different levels of open enrollment four (OE4) enrollments on cash flows. The analysis also provides insight into the necessary expense reductions in order to achieve sustainability under each scenario. The three scenarios included are:

- Budget – based on enrollment and expenditures as approved in the budget.



- Flat – assumes no growth in enrollment from open enrollment four (OE4), nor increases in PMPM premiums.
- Moderate – assumes 10% growth in enrollment from OE4 and 5% PMPM premium growth.

Enrollment impact from OE4 will be assessed at the end of December 2016 to provide enough time for necessary expense adjustments.

The Committee expressed concern around the timing of the yearly audit and has requested that the audit be completed by October 2016, and in future years that it be completed within three months.

IV. Accounts Receivable Analysis & Strategy

Connect for Health Colorado currently shows the accounts receivable cycle at 130 days. It takes approximately 89 days for effectuated enrollment invoices to be sent to carriers, then 25 days before payment is received by carriers to Connect for Health Colorado's accounts receivable department, and 16 days for the payment to show as received in the operating account.

The preferred state for accounts receivable is 15-30 days for effectuated enrollment invoices to be sent to carriers, 25 days to receive payment from carriers and 5 days for the payment to show in Connect for Health Colorado's operating account, which will bring the cycle to 60 days.

V. Medicaid Cost Allocation Plan

Mr. Braun gave an update on Medicaid cost allocation. The planning process over the last two years has been to examine the Marketplace's expenditures to determine which have Medicaid related activities and then bill accordingly for cost allocation. Connect for Health Colorado's customer service center has been testing the measurement of Medicaid activity since April 2016, and are awaiting the infrastructure to be approved by the Center for Medicare & Medicaid Services (CMS). Approximately \$2.5 to \$5 million has been missed from FY16 Medicaid cost allocations. A plan for FY17 between the Colorado Department of Health Care Policy and Finance (HCPF), Connect for Health Colorado and the Federal partners is currently being established.

VI. Technology Contract Consolidation

Mr. Braun gave a report on technology contract consolidation. Connect for Health Colorado has been working with CGI and hCentive to reduce costs both short-term and long-term. The benefits of contract consolidation are:

- By adding/consolidating the reoccurring services to existing management & operations (M&O), financial savings and spending predictability can be realized.
- Savings in first 12 months is predicted to be \$1.0 million over prior year spending.
- Additional savings to be had if extended beyond one year.
- Levers to be built-in for further reductions as a result of lower than expected enrollment.

One-year overview

- Consolidation to include scope of activities to support the business from both a capital and operating expense.
- Cost of \$6.75 million – can be reduced depending upon enrollment levels.

- Predictable spend for C4 with minimized need for change orders during the fiscal year.
- Includes hours to plan and build for OE5 including required compliance and State enhancements (through June 2017).
- Includes technology support for customer impacting Marketplace gaps (tickets).
- Retention tools (500 hours).
- Some work in reducing manual workarounds.
- Management of hCentive

The committee expressed a need to have a better understanding around the IT expenditures and how they compare to other state based exchanges. A more detailed report of projects for the technology contract consolidation was requested before presenting to the full Board.

VII. Audit and Compliance Update

James Turner, IT Director updated the Committee on major audit and compliance items. The compliance items include:

- Requirement to check that advance premium tax credit (APTC) eligible customers have filed a tax return.
- Center for Medicare & Medicaid Services (CMS) requirement for Exchanges to change their reporting mechanism for the purpose of reconciling APTC payments to carriers.
- CMS requesting that the Marketplace modifies some questions on the paper and online application.
- Modify approach for checking income data if social security administration does not approve HCPF's use of social security data.

VIII. Public Comment

There was public comment by:

Deb Judy – Policy Director for Colorado Consumer Health Initiatives (CCHI)

IX. Adjourn

Meeting adjourned at 11:13 a.m.

Respectfully submitted,

Denise O'Leary