

**Finance & Operations Committee Meeting Minutes**

Connect for Health Colorado Meeting Room

East Tower, Suite 1025

3773 Cherry Creek N Dr., Denver, CO 80209

**October 24, 2016**

**9:30 AM – 11:30 PM**

<b>Action</b>	<b>Who By</b>	<b>Due</b>
Create a schedule of possible revenue opportunities.	Finance Department	Developed in conjunction with Strategic Planning efforts, to be provided upon completion of the Strategic Plan.
Strategic Plan focus area: Evaluate/research the effectiveness of using a Quality Rating System to inform consumer selection.	Operations Department	Ongoing analysis.
Provide accounts receivable metrics monthly.	Finance Department	Ongoing. Provide update at November 28, 2016 meeting on DSO improvement measures.
Medicaid Cost Allocation plan for FY17.	Finance Department	Ongoing updates to be provided.
Report the IT spend for other state based exchanges.	Finance Department	Further research in process for IT specific expenditures.
Monthly update of audit and compliance items with status column to document.	Finance Department & IT Department	Ongoing.
PMPM report.	Finance Department	Ongoing. Included in Financial report.
BI Reports for the Board & Committees.	Finance & BI Department	Provide sample reports at November 28, 2016 meeting.
Quarterly report of investments and outcome.	Finance Department	Future quarters.
Historical performance & aspirational performance modeling for comparison for OE4 enrollment & strategic plan.	Business Intelligence Department	Predictive model to be developed and available Dec or early Jan based on BI Team resource availability / priorities.
Committee quarterly metrics.	Finance Department	Tie metrics to Strategic Plan goals.
6m, 9m and 12m graphs for comparison for 36 month financial projections.	Finance Department	To be included in quarterly updates.

Provide the Board with more information for pursuing options two and three, and the limitations of options 4 and 5.	Executive Department	Mr. Patterson to discuss at Board meeting on November 14, 2016.
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**Board Members Present:** Susan Birch, Adela Flores-Brennan, Denise O’Leary and Nathan Wilkes.

**Staff Present:** Abe Barela, Brian Braun, Luke Clarke, Christine Gavin, Kate Harris, Judith Jung, Kevin Patterson, Taylor Roddy, Alan Schmitz, Lisa Sevier and James Turner.

**I. Welcome & Introductions**

Nathan Wilkes 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.

- a. The Committee approved the September Finance & Operations Committee minutes.
- b. The Committee discussed scheduling a tentative meeting on December 19 for any pertinent issues that may arise for the Committee to discuss.

**II. Preliminary review of the Annual Audit**

Tiffany Knight, Auditor with Kunding, Corder & Engle, P.C. presented the annual audit preliminary review. Ms. Knight reported that the financial statements are in preliminary form and do not include the single audit reports.

**Draft Financial Statements:** There are several areas that have not yet been tested which could impact the financial statement results, including:

- Confirmation of accounts receivables have not yet been sent. There’s a balance of approximately \$12.8M. Subsequent receipts have been tested, representing approximately 70% of the accounts receivable balance at year-end.
- Confirmation of a pre-paid balance with the Department of Healthcare Finance & Policy (HCPF) of approximately \$150,000, has not yet been sent or vouched to supporting documentation.
- The Single Audit testwork has not yet been completed, including testing financial statement amounts related to the federal grant.
- Need to obtain an update on the OIG audit prior to issuance to determine if any liabilities need to be recognized at year-end.

**Audit Status**

- There have been no audit adjustments or internal control deficiencies identified to date.
- An adjustment was not made, totaling \$149,850, to reverse expenses that were incurred in fiscal 2015, but recorded in 2016 due to immateriality.
- The Single Audit has not yet been completed, including following-up on prior year findings.

**Going Concern Considerations**

- The auditor is responsible for evaluating conditions or events identified during the audit, when considered in the aggregate, indicate there could be substantial doubt about the entities ability to continue as a going concern for a period not to exceed one year beyond the financial statement date, or June 30, 2017.

- Effective with the fiscal year ended June 30, 2017 audit, the auditor will be required to evaluate going concern for a period not to exceed one year beyond the financial statement issuance date.

#### **Statements of Net Position**

- As of June 30, 2016, Connect for Health Colorado's unrestricted net position is about \$25M, mostly held in cash and accounts receivable.
- The average spend per month was approximately \$3.8M.
- In fiscal year 2017 (FY17) the anticipation is to spend approximately \$3.3M per month, in the first three months of FY17 the spend has been \$2.6M.
- There is enough money in the reserves to spend for 6.5 months.
- Budgeting \$40.8M in revenue for FY17 – having collected well over a quarter of the amount. Which will cover 10.5 months of expenses.
- Can cover obligations for 16.5 months.
- Completion of the financial portion of the audit will be finished by the November 28, 2016 committee meeting.

Effective with the next audit, June 30, 2017, the accounting standard has changed and Connect for Health Colorado will be required to look at financials one year beyond the issuance date, which could change the way the projections look.

Brian Braun, Chief Financial Officer, reported to the Committee that the Federal audit is being conducted and that the staff is being prudent and diligent about collecting information for the federal grant close out by December 31, 2016.

### **III. Quarter End Financials & Revised Projections**

Mr. Braun reported on the quarter end financials & revised projections.

- Average effectuated enrollment is higher than anticipated for FY16 - 141,034.
- Percentage of calls answered in 300 seconds is 80% for the quarter, and 74% for the year.
- Plan selection for cumulative covered lives, the baseline is based on 6/8/15 strategic plan is 199,408.
- Operating expense is \$18.71 per member per month (PMPM) with a goal of \$15.00 PMPM, down from \$30.10 this time last year.

#### **Financial Overview**

- Exceeded budget expectations for the quarter by \$1.5M.
- Revenues were \$650,000.00 higher than expected and expenses were \$850,000.00 below budget.
- Marketing & outreach were under budget by \$400,000.00 which is a timing of assistant network partner payments. The variance will be used in the next two quarters.
- Technology operations was under budget by \$284,000.00 which resulted from savings in contracting. Some of this variance will be used in future quarters.
- Salary and benefits are below budget by \$137,000.00 due to lower than anticipated consultant spending.

### 36 Month Financial Projections

Based on the results of the first 3 months of the year, financial projections were revised for the next 36 months as part of the ongoing monitoring of long-term financial sustainability. For these projections, there are 2 different scenarios assumed for the next 3 years.

- Scenario 1 is a conservative projection based on the current expense budget for fiscal year 2017, enrollment staying flat with current levels for the next plan year (2017), a small 5% annual increase in average premium per member, 10% enrollment growth in years 2 and 3 and continued expense savings/reductions of 5% annually in years 2 and 3. This scenario results in reaching a stabilized cash balance of \$15 million and sustainable cash flow in year 3.
- Scenario 2, based on current enrollment levels with an increase of 25,000 members for the next plan year (2017) as the result of the eligible but not enrolled (EBNE) population outreach. In addition, a 15% increase in average member premium for the next plan year based on the published premiums for 2017 was assumed. For this scenario, 5% per year expenditure reduction, similar to Scenario 1, 5% increases in premium levels and enrollment in years 2 & 3 was assumed. Due to the acceleration of enrollment resulting from the EBNE initiative and higher premium levels there is a significant impact in years 2 and 3 on cash flows and the resulting cash balance is forecasted to reach over \$30 million before capital investments.

Both scenarios result in reaching ongoing sustainability by year 3 and maintain healthy cash balances during the entire 3-year period. Scenario 2 provides the means to develop reserves for future capital expenditures. Scenario 1 provides for a small capital expenditure reserve but would require more expense management or additional funding in order to free up funds for any significant capital projects.

#### IV. Investment Options & Policy

Mr. Braun presented the investment options and policy to the Committee. The policy states that Non-government bond investments will consist solely of taxable, fixed income securities that have an investment-grade rating (AA or higher by Standard & Poor's and Aa2 or higher by Moody's) that possess a liquid secondary market.

- Current yield average on corporate bonds is 3-3.5%.
- The risk of investing in corporate bonds is low.
- There is a risk of the interest rates fluctuating & the bond value decreasing.

A broad set of perimeters for investing was suggested, along with 10-15% for non-government bond investment. The final policy will be reviewed with the Committee Chair, then presented to the Board for approval.

#### V. Technology Budget

James Turner, Chief Technology Officer updated the Committee on the technology budget.

##### a. hCentive Contract

Current contracts with hCentive include the following:

- Fixed capacity team (OE4 development & support)
- Software licensing
- Maintenance & support (defects & operational activities)
- Plan management

Connect for Health Colorado is in negotiations with hCentive to develop a fixed capacity model contract that would replace or consolidate most of these contracts. This action would require Board approval. Implications of this are expected to be:

- Cost neutral or better
- Greater management responsibility on Connect for Health Colorado.
- Plan level resource usage through the year.
- Longer commitment to hCentive, with provisions to reduce spend, contingent with enrollment numbers.
- Contracts will need to be reviewed in November and presented to the Committee and Board for approval.
- Current contracts end in January & February 2017.

#### **b. Compliance**

The following high-priority compliance projects are due in FY17.

- FTR for all Plan Year 2017 (PY2017) customers. Which requires The Marketplace to check all tax filings for PY2017.
- Client correspondence
- Modification to online application
- Quality Star Ratings (QSR)
- Policy-based payment reporting changes
- Fixes to 2014 APTC
- Workaround automation
- High-ROI projects
- Verification improvements

Projects with hCentive will be funded from a future Fixed Capacity Model contract from January 2017. Projects with CGI will be funded from the capital development hours in the current M&O contract.

The significant costs for the must have projects for the Governor's Office of Information Technology (OIT) or department of Healthcare Policy and Finance (HCFP) were not anticipated. As such, there will be a request for funds for the additional projects; however, each project should not exceed \$250,000.00.

#### **VI. Paid Digital and Local Radio Media Buys**

Taylor Roddy, Director of Marketing, presented a request for paid digital and local radio media buys to the Committee. Connect for Health Colorado has partnered with Emico Media for the past three open enrollments. The investment is above the procurement allowable amount and includes:

- December 15<sup>th</sup> deadline campaign

- Runs November 28<sup>th</sup> through January 1<sup>st</sup>
- \$219,783.00
- January 31<sup>st</sup> deadline campaign
  - Runs January 2<sup>nd</sup> through January 31<sup>st</sup>
  - \$205,742.00
- All campaigns target the eligible but not enrolled (EBNE), the uninsured and customers losing plans.

Approximately 80% of the total EBNE population or 188,991 potential customers will be exposed to the campaign. The comparison of the spend from last year open enrollment is flat. A total of \$637,000.00 is budgeted for marketing and media for OE4. The request will be brought to the Board for final approval.

## VII. OE4 Updates

Judith Jung, Chief Operating Officer gave the following updates for OE4.

- **Broker Lead Tool**
  - Connect for Health Colorado is going into the second year of using the broker lead tool.
  - 18,000 leads came in during OE3 through the tool.
  - Currently the brokers have 30 minutes to accept the lead before it cycles through to the next available broker.
  - Average response time is 10 minutes, and 6 minutes during business hours.
  - 100% of customers who came through the broker lead tool were contacted by a broker.
  - The sales conversion rate is 25%.
  - Feedback from brokers and customers is that they're highly satisfied with the broker lead tool.
- **Broker Lead Tool – New for OE4**
  - Brokers can now set specific days and times of availability.
  - Turn off availability for vacations, etc.
  - View leads with zip code and city.
  - Access drop-down options for categorizing a lead as deferred, delayed or not a good prospect.
  - View their metrics via BigWave Systems.
- a. **Assistance Network & Broker Community Networking Events**
  - The Brokers and Assisters mixer events are designed to educate on what each certification can and cannot do when it comes to referring customers.
  - Goal is to get each enrollee into the channel best suited to their needs and enrolled in the health plan that best meets their needs.
- b. **Service Center Hours of Operation**

- Monday through Friday from 8:00 am – 6:00 pm and Saturday from 8:00 am to 5:00 pm.
- December 10<sup>th</sup> and 17<sup>th</sup>, hours will be 8:00 am to 10:00 pm.
- The week of December 12<sup>th</sup>, hours will be extended from 7:00 am to 10:00 pm.
- December 15<sup>th</sup> hours will be from 7:00 am to 12:00 am.
- The Service Center will be closed on both December 26th and January 2nd which are state and federal holidays.

#### **VIII. Cascadia Report**

The Committee discussed the Cascadia Strategies feasibility assessment for the third option under consideration for Connect for Health Colorado’s strategic plan. It was suggested that there are clear reasons for the organization to focus on options 2 and 3 out of the original 5 options. Additionally, it was noted that options 4 and 5, which included moving partially or completely over to the federal platform, would be costly, and at the very least restrict any data that the Marketplace could use to assist customers in getting enrolled. Adela Flores-Brennan stated that if the Marketplace pursues option 3, some past Board decisions may need to be revisited, more specifically the Minimum Interoperability Policy.

The Committee asked Mr. Patterson to come back to the Board with information on why options 2 and 3 should be pursued; as well as the limitations of options 4 and 5.

#### **IX. Public Comment**

There was no public comment.

#### **X. Adjourn**

Meeting adjourned at 11:17 a.m.

Respectfully submitted,

Nathan Wilkes