



Operations Committee Meeting

May 27th, 2014

Technology Discussion

- Technology implementation budget breakdown
- Shop redesign ROI
- Technology CAPEX 2013 to 2015
- Technology OPEX 2014 to 2018

Technology implementation budget breakdown

Planning & System Enhancements - \$9.8M

- Change Requests
- Release 2.0
 - Individual
 - Service Portal
 - Agent
 - SHOP
- Service Portal / OCX integration
- Eligibility Rules Engine Enhancements

Shared Eligibility System - \$5.58M

New Functionality - \$3.09M

- Plan Management
- Financial Management
- API with brokers, MGAs and web brokers
- HR software
- Automatic Call Distribution Integration
- Address Validation
- Outreach Effectiveness Reporting
- Broker Proposal Tool

Contingency - \$1.84M

SHOP redesign ROI

- Breakeven point is estimated at **21 months**
- Estimated cost of redesign is **\$1.5M investment**
- There is **no incremental M&O** for the redesign
- Assumes that **60% of recurring revenue is attributable** to an easier to use and more functional SHOP platform
- Also assumes a **2% cost reduction to the service center** due to enhanced automation and greater self service capabilities
- Adjusted for 10% lapse ratio per year applied monthly
- Based on historical number of members per SHOP group of 8.2
- Assumed 1% average monthly premium increase applied to the block of business
- Service Center savings based on 2% reduced expense as online Life Change event management, COBRA management and enhanced enrollment ability are introduced

Impact to new and existing customers

If we don't deliver a SHOP redesign:

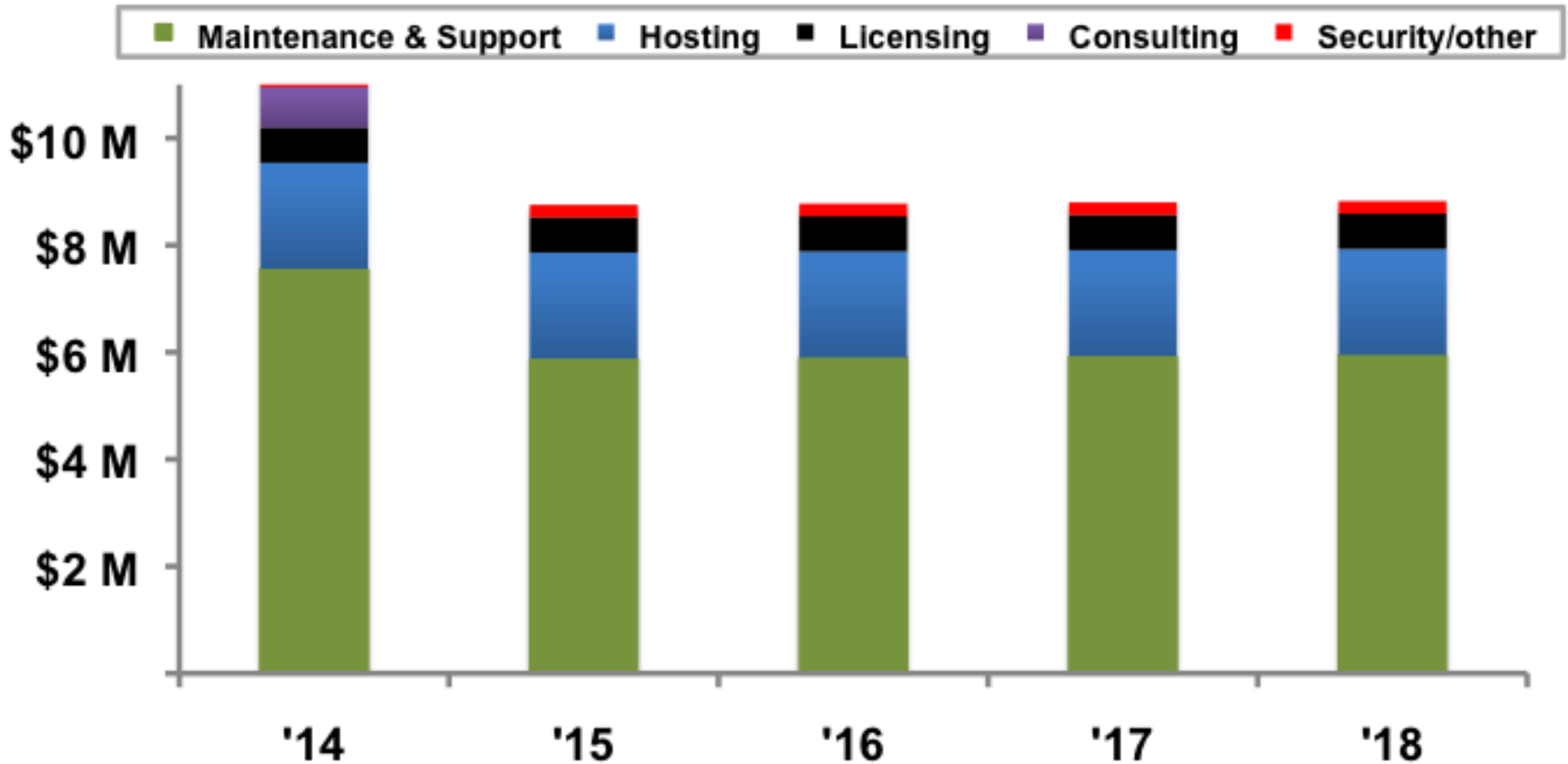
- Input from employers, brokers, agents and health coverage guides suggest that barriers to entry exist with current system
- Without improvement to the administrative and billing systems we may experience reduced growth or possible erosion in our current customer base
- The present system is causing excess work at the Service Center in manually handling customer administration

Impact to small business community and brokers

If we deliver a SHOP redesign:

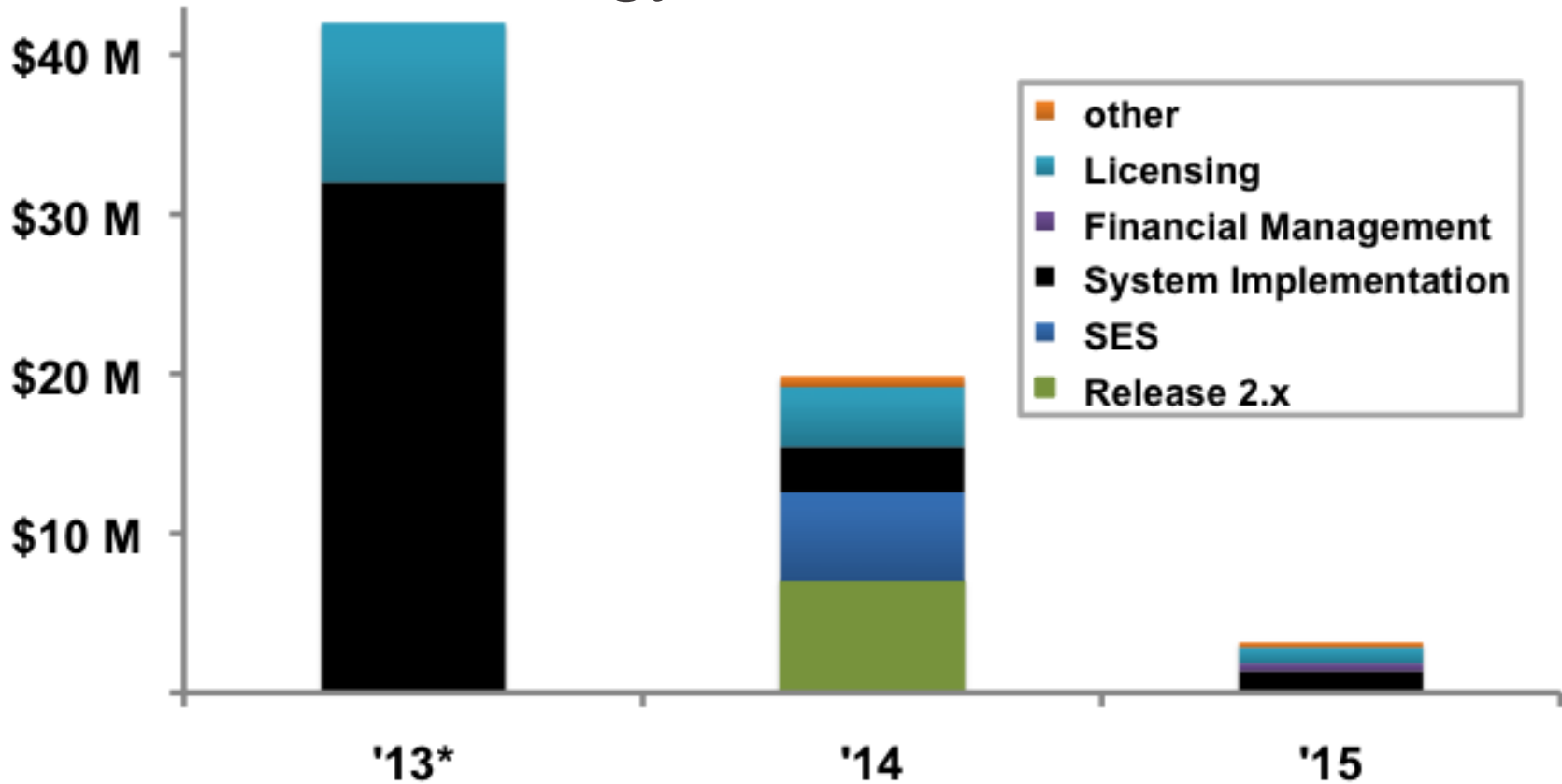
- Brokers account for over 1/3 of our total sales
- They are eager for greater reliability and functionality in SHOP with our strong producers eager to continue to promote an enhanced system for the 2015 benefit year
- Since most group brokers now sell individual coverage confidence in our systems may help promote sales in the individual, non-APTC business

Technology OPEX 2014 to 2018



\$M	'14	'15	'16	'17	'18
Maintenance & Support	\$ 7.6	\$ 5.9	\$ 5.9	\$ 5.9	\$ 5.9
Hosting	2.0	2.0	2.0	2.0	2.0
Licensing	.7	.7	.7	.7	.7
Consulting	.7				
Security/Other	.2	.2	.2	.2	.2
Total	\$ 11.2	\$ 8.8	\$ 8.8	\$ 8.8	\$ 8.8

Technology CAPEX 2013 to 2015

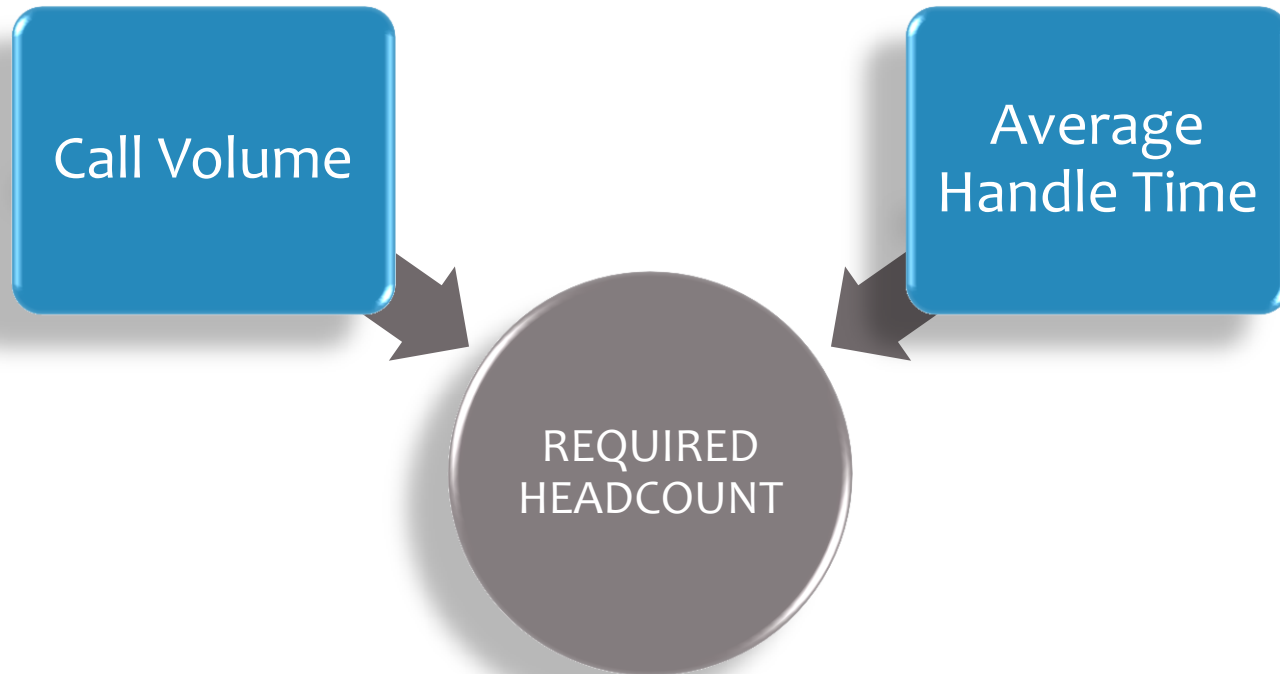


\$M	'13	'14	'15
Release 2.x		\$ 7.0	
SES		5.6	
System Implementation	\$ 32.0	2.9	\$ 1.4
Financial Management			.5
Licensing	10.0	3.7	1.0
Other		.7	.3
Total	\$ 42.0	\$ 19.9	\$ 3.2

Service Center Discussion

- Key Forecast Drivers
- Call Volume Forecast
- Average Handle Time (AHT) Forecast
- Tier II Headcount Forecast

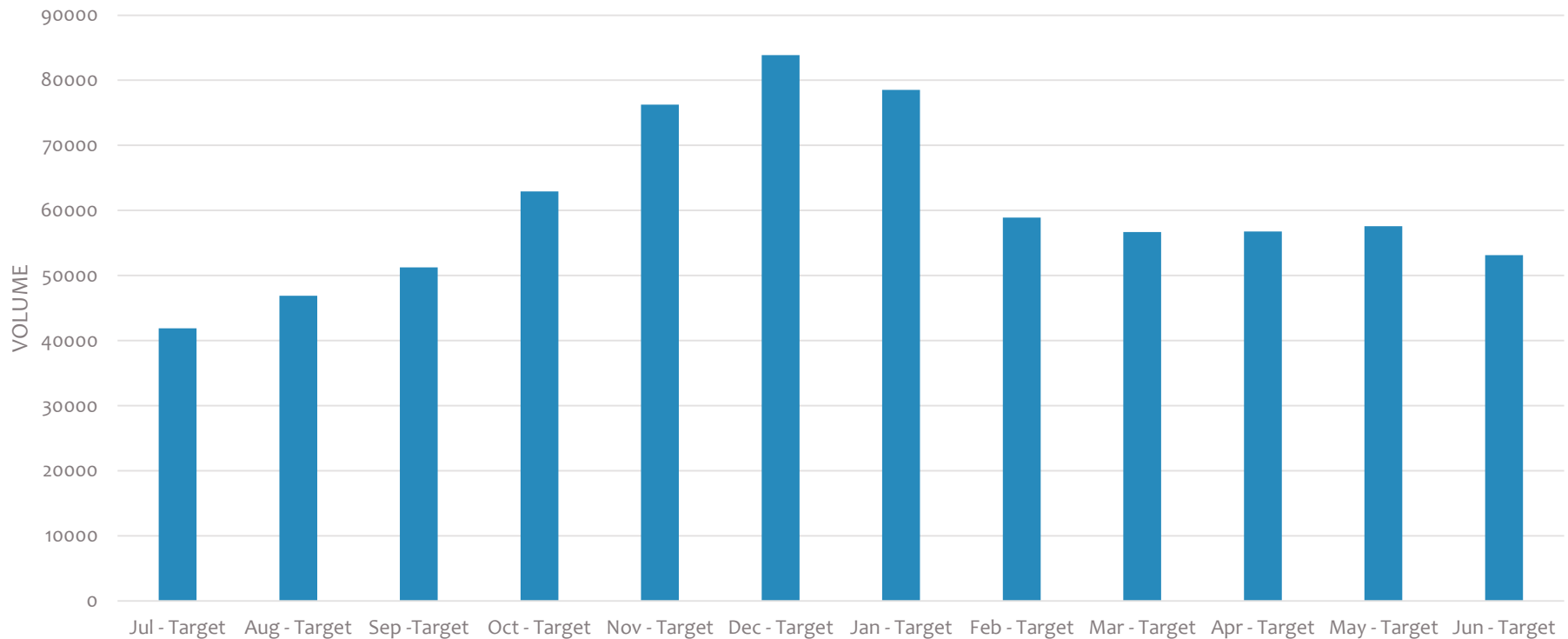
Key Factors Driving Head Count in Forecast



Explanation: Two major factors, when combined with C4HCO's Service Level objective of 80/90, drive the overall Headcount (FTE) Requirement for the Service Center. Changes (+/-) to any of these factors on a monthly, daily, or interval level will result in changes in the Headcount needs of the operation.

Forecast Review

C4HCO - SERVICE CENTER OPS
CALL VOLUME (JUL '14 - JUN '15)

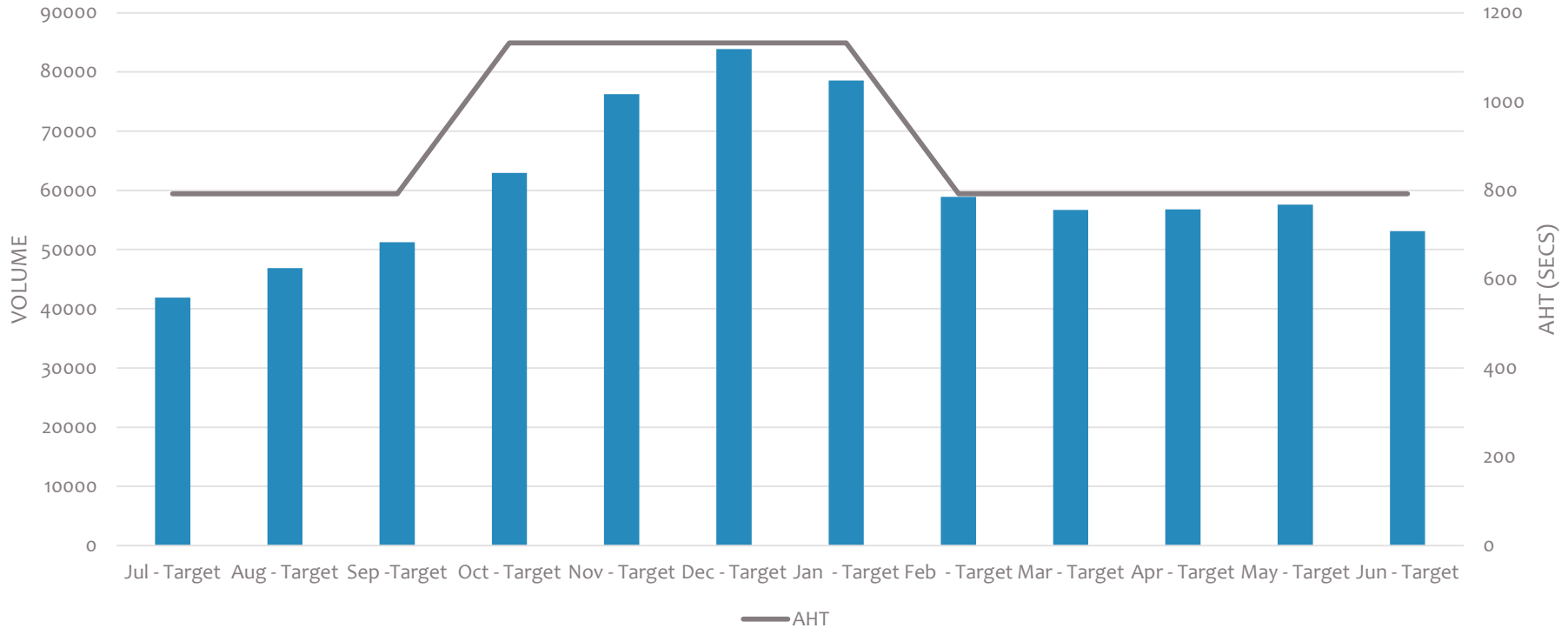


Forecast Assumptions

- Call volume drives headcount expectations and is expected to increase in the fall due to the renewal process
 - Initiate outbound marketing campaign starting in late August
 - Calls increasing as existing customers ask questions about renewals, marketing begins and new customer inquiries in October
- Full ramp-up due to Open Enrollment in early November, peaking in December (based on this year's experience) and beginning a downward trend in January as we move to the Non-Open Enrollment period
 - Open enrollment trends based on last year's actual experience and benchmarks from industry models (Medicare Advantage)
- Assuming a 10% efficiency gain due to technology enhancements and experience of our seasoned service representatives moving into the fall of 2014

Average Handle Time Assumptions

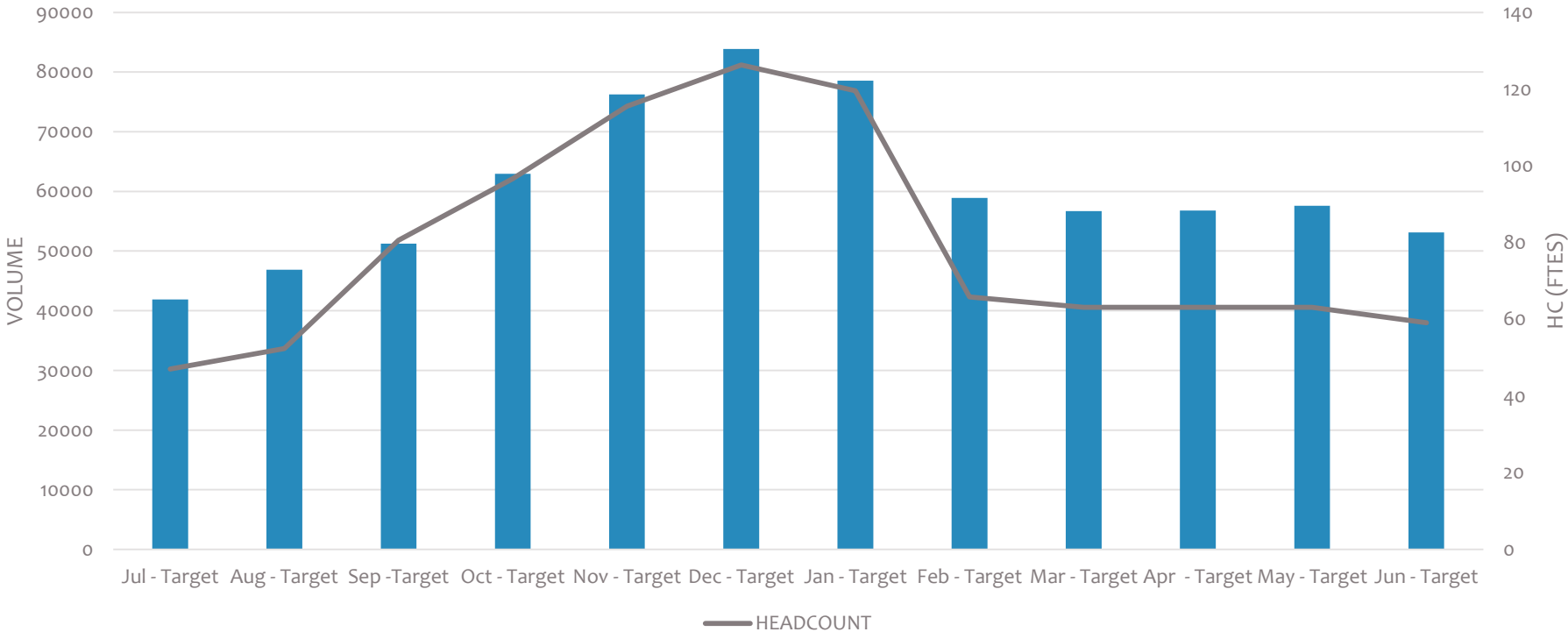
C4HCO - SERVICE CENTER OPS
VOLUME VS. AHT (JUL '14 - JUN '15)



AHT is expected to remain at a steady 793 seconds (13.21 minutes) until October when call volume increases for Open Enrollment are expected to begin and persist through January. Open Enrollment AHT is anticipated at 1,000 seconds (16.67 minutes) based upon last January through February's actual handle time performance with a 10% efficiency gain due to technology improvements and experience of returning service representatives.

Tier 2 Headcount Assumptions

C4HCO - SERVICE CENTER OPS
 VOLUME VS. T2 HEADCOUNT (JUL '14 - JUN '15)



Based upon forecasts, overall Tier 2 (not including Back-Office, Chat, and Outbound) Headcount Requirements are expected to follow the same trend as call volume and AHT with required increases needing to begin in September, with a peak in December, prior to an immediate ramp down beginning in January. Due to the Agent ramp-up period, sourcing / hiring for agents must begin approximately eight (8) weeks prior to the month in which they are needed on the phone.

Questions?

