



# 2016 STRATEGIC & FINANCIAL PLAN UPDATE

Prepared for the Connect for Health Colorado  
Board of Directors  
May 11, 2015

# Executive summary

- 1) Connect for Health Colorado is approximately mid-way through its 2016 planning process. Reminder—constant goals in front of us:
  1. Optimize the **customer experience**
  2. **Stabilize & right-size** staffing, systems, processes
  3. Put Marketplace on the path to **financial sustainability**
- 2) We continue to receive **valuable input** to our many planning elements from all stakeholders, which is greatly informing our planning decisions and recommendations
- 3) We received solid direction during our past **two joint Finance-Operations Committee** meetings on several of **our most critical business cases**, including:
  - Enrollment projections, SHOP, MA Site, Service Center structure, IT planning, Assistance Network planning, Sales Channel planning, and initial financial forecasts
- 4) **SES End-to-End Review** RFP results are in; the joint Committee reviewed and recommends holding off on the Review given timing and cost.
- 5) **Today:**
  - 1) Update on the planning and budgeting process
  - 2) Gain minimum Assistance Network funding level commitment to bridge AN funding
  - 3) SES E2E Review recommendation and decision
  - 4) Introduce Fee-setting options, timing requirements, and approval process

# 2016 Budget Process



# Revenue, Expense & Capacity Drivers

Revenue Drivers	Expense Drivers
<b>Health Plan Fee Assessment</b>	<b>Eligibility System functionality</b>
<i>Plan Pricing</i>	<b>Staffing levels</b>
<b>Medicaid reimbursement</b>	<b>Consumer interface &amp; service levels</b>
<b>Broad Market Assessment</b>	<b>Carrier interface efficiency</b>
<b>Ancillary Product Development</b>	<i>APTC Index movement, plan-change rate</i>
<b>New funding sources</b>	<b>Customer path visibility</b>
<i>APTC Index Level</i>	<b>Decision Support</b>
	<i>Audit &amp; Oversight volume, depth, breadth</i>
	<i>Medicaid&lt;&gt;APTC Policy differentials</i>
	<b>Marketing, Outreach, Channel support</b>
	<b>SHOP functionality</b>

**Takeaway: There is significant potential to manage our revenue and cost drivers through this planning & budgeting decision process.**

# Business Cases in Development

Description	Top Decision Components	Direction
<b>Enrollment Targets &amp; Sales Business Case</b>	<ol style="list-style-type: none"> <li>1. Enhancements to SHOP product offering</li> <li>2. Development of strategy around transition plans</li> <li>3. SES functionality, effectuation rate</li> </ol>	<ol style="list-style-type: none"> <li>1. Moderately aggressive 3-year targets presented with enrollment drivers reviewed internally and with the Joint Committee</li> <li>2. <b>The Committee recommended proceeding as presented</b></li> </ol>
<b>Service Center Structure/Re-negotiation</b>	<ol style="list-style-type: none"> <li>1. Expectations regarding service levels</li> <li>2. Physical location of primary and overflow service centers</li> <li>3. Strategies for non-Marketplace calls (re-direct or support)</li> </ol>	<ol style="list-style-type: none"> <li>1. RFP responses reviewed, including service levels, strategy, locations, costs, systems, contract structure, and management</li> <li>2. <b>Negotiation strategy will be discussed in Executive Session</b></li> </ol>
<b>SHOP</b>	<ol style="list-style-type: none"> <li>1. Completion of market due diligence and the RFP process</li> <li>2. Financial ROI's of sustaining structure vs. outsourcing</li> <li>3. Expansion of Small Group Market to 100 or less</li> </ol>	<ol style="list-style-type: none"> <li>1. Two options presented, with potential ROI and service levels, capacity, functionality, and timelines debated</li> <li>2. <b>The Committee recommended proceeding with outsourcing exploration, RFP distribution, and evaluation of responses</b></li> </ol>
<b>Sales Channels</b>	<ol style="list-style-type: none"> <li>1. Distribution of appropriate level of sales targets across channels</li> <li>2. Initiatives that will support and drive sales and engage key channels</li> <li>3. Development of Broker lead tool</li> </ol>	<ol style="list-style-type: none"> <li>1. Reviewed sales channel strategies, plans, estimated enrollment projections by channel, Board support</li> <li>2. <b>No Committee recommendation sought; input collected</b></li> </ol>
<b>Assistance Network (AN)</b>	<ol style="list-style-type: none"> <li>1. Development of alignment strategy</li> <li>2. Refocusing enrollment best practices</li> <li>3. Significant partnering with Marketing and Outreach teams and community based champions</li> </ol>	<ol style="list-style-type: none"> <li>1. Reviewed Statement of Need, ACA requirements, current status, KPI's, market segmentation and strategy, timeline, Board support, rec. minimum funding commitment (\$500k)</li> <li>2. <b>Committee supported general direction recognizing TCHF grant is pending approval</b></li> <li>3. <b>Board Request: Approve minimum funding commitment to assist in grant award and bridge funding for the AN</b></li> </ol>
<b>IT, Decision Support, Broker Portal, V.3.0</b>	<ol style="list-style-type: none"> <li>1. ROI, Funding Prioritization</li> <li>2. Functionality improvement, regulatory requirements</li> <li>3. Evaluation of enhancements in new version of code and relative impact on sales &amp; costs</li> <li>4. Stay on most current versions of code to stay under warranty and receive product fixes</li> <li>5. Decision Support tools' effectiveness assessment</li> </ol>	<ol style="list-style-type: none"> <li>1. Reviewed High-level 3 year IT roadmap, current stabilization phase components, Key projects, prelim cost projections</li> <li>2. <b>No Committee recommendation sought; input collected</b></li> </ol>

# Business Cases in Development

Description	Top Decision Components	Direction
<b>Marketing Branding Health Literacy</b>	<ol style="list-style-type: none"> <li>1. Educating and raising awareness of financial assistance &amp; Marketplace w/out advertising \$</li> <li>2. Better support Navigators/Brokers w/limited resources</li> <li>3. Still meet enrollment goals w/resource limitations</li> </ol>	<b>1. Discussion @ Committee in later May</b>
<b>Staffing Plan</b>	<ol style="list-style-type: none"> <li>1. Balancing replacement consulting staff with FTEs and prioritization of same</li> <li>2. Staffing plan for remainder of 2015 that supports growth and sustainability.</li> <li>3. Staffing plan to support FY2016</li> </ol>	<b>1. Discussion @ Committee in later May</b>
<b>Fees</b>	<ol style="list-style-type: none"> <li>1. Preliminary operating and capital expenditure models &amp; associated cash flow expectations</li> <li>2. Develop revenue budgets and recommendations for fees</li> <li>3. Timing requirements (Carriers, DOI, Marketplace)</li> </ol>	<ol style="list-style-type: none"> <li>1. Committee reviewed 3-year fee-level scenarios against iterative expense forecasting models, cash flow estimates, and additional considerations</li> <li>2. <b>Introducing topic to Board today, decision required by May 18</b></li> </ol>

# SALES GOALS AND CHANNEL INITIATIVES FOR FY 2016

# Enrollment Projections (4-28-15)

## Primary Enrollment Drivers:

- Retention rates
- New business: General
- New business: Eligibility process improved thru-put and recapture
- New business: Transition plans
- Life Change Event volume
- Effectuation rate
- SHOP 51-100 size group increase

Enrollment Type	Covered Lives 6/30/15	Covered Lives 6/30/16	% Inc. 2016 v 2015	Covered Lives 6/30/17	% Inc. 2017 v 2016	Covered Lives 6/30/18	% Inc. 2018 v 2017
Individual- Gross	142,896	217,306	59%	256,242	17%	295,178	10%
Individual- Effectuation	111,459	169,499		204,994		236,142	
SHOP: Small Groups	336	764	127%	1,226	60%	1,874	53%
Covered Lives	2,688	6,878	156%	12,256	78%	15,935	30%



# Rationale for Sales Targets

- The third and subsequent Open Enrollment Periods must build off the success achieved thus far
- There is the one and only opportunity in OEP III to “recapture” Individual enrollments lost due to SES complications
- Several unique market forces are presenting an increased “sales” opportunity in FY16 and FY17: 1.) The end of transition plans in both segments, and the expansion of the definition of small group business
- Connect for Health Colorado has refined its partnership with Brokers and Health Coverage Guides-now we must capitalize on their passion and the books of business they have entrusted to the Marketplace

# What the Ops/Finance Committee Outlined for the Sales Channel Teams

## **Feedback on Enrollment Targets:**

- Moderately aggressive, dependent on enhancements and driving performance, agreement with targets and direction and.. agree with the below requests for Board support of sales:

## **Support of aggressive targets through:**

- Accountability to deliver SES enhancements to the Channels
- Committing to Assistance Network direction
- Participating in Broker appreciation events
- Visiting the Service Center
- Participating in community awareness and brand building events

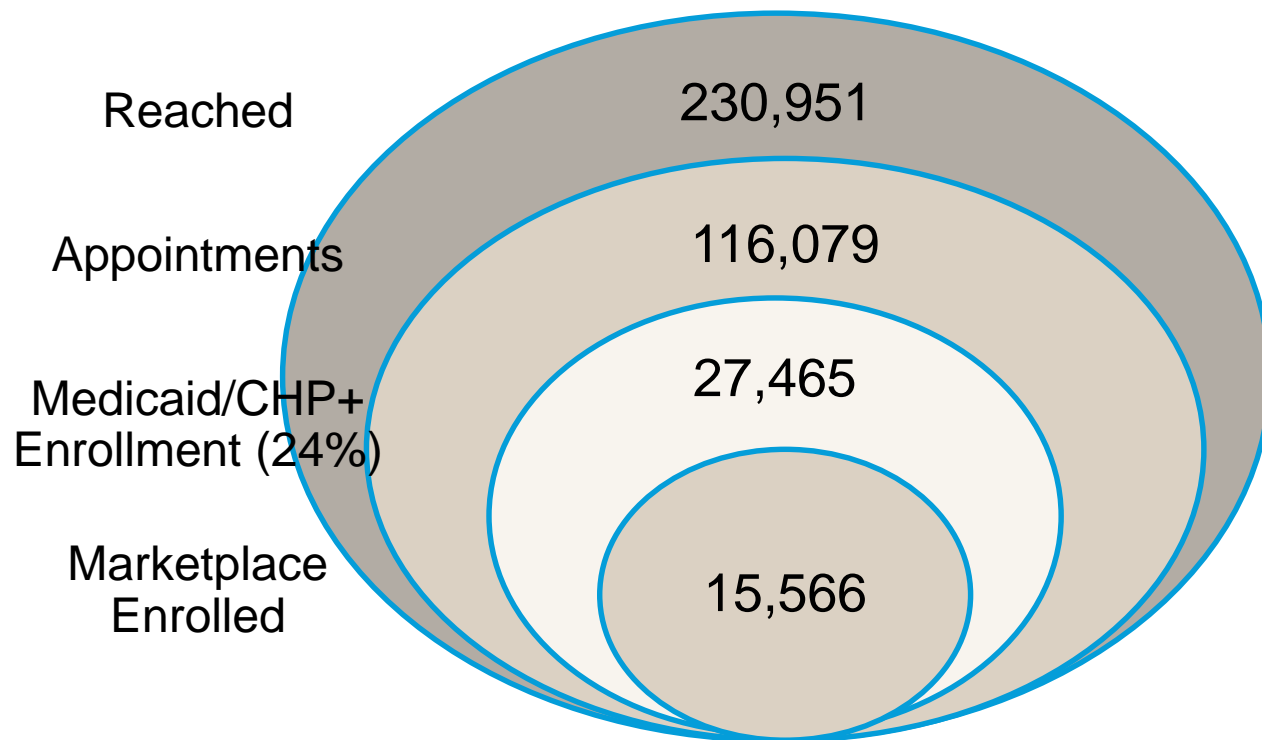
# ASSISTANCE NETWORK STRATEGIC ALIGNMENT

# Rationale for Assistance Site Alignment Strategy

- Now is the time to build on 2 years of broad outreach and the fine work by 50+ Assistance Sites- best practices, winning strategies, etc.
- Evolving the program to focus on contribution to Marketplace sustainability, ie: balance between revenue contribution and fiscal conservatism needed to maintain this imperative program for the long term
- Ensuring the grants received to support Marketplace are not redundant
- Focus resources, efforts, lessons learned to key communities across the geography and demography of Colorado

# Key Performance Indicators Across All Assistance Sites Total

## OEP1 + Post OEP 1 + OEP 2 + Post OEP 2: Oct. 1, 2013-Apr. 8, 2015



\*Self-Reported by AS

# Recommended Site Types for Continued Engagement and Further Budget Development

<b><u>Draft</u></b> Distribution of ~ 24 Sites	
<b>Number of Sites</b>	<b>Funding Range</b>
2	Less than \$50,000
5	\$50,000 to \$99,999
9	\$100,000 to \$150,000
8	\$200,000 to \$250,000
<ul style="list-style-type: none"><li>• Estimated \$3 million for distribution</li><li>• ~ 20 to 23 organizations geographically focused</li><li>• ~ 3 to 5 organizations targeting specific populations statewide</li></ul>	

# What the Ops/Finance Committees Outlined for the Assistance Network Team

- Connect for Health Colorado endorses the imperative value of the Assistance Network to the mission of Connect for Health Colorado
- The Committees support the Management team in their direction to strategically align the Assistance Network:
  - Based on our hard-won cumulative experience two years post-launch,
  - Based on a deeper appreciation for Colorado's unique needs and regional diversity,
  - Based on the strong relationships established with partner organizations statewide
- Awareness that we have submitted a grant application to The Colorado Health Foundation for \$2,500,000 for FY 2015-2016 and we are seeking approval for a base amount of \$500,000 to serve as the required matching operating funds to proceed with securing the grant

# Assistance Network **Recommendation:** Minimum Funding Commitment

## Minimum Funding Commitment Request:

1. Request: Provide commitment of a minimum of \$500,000 budget allocation to the FY2016 Assistance Network program
2. Why do we need the commitment ahead of finalizing the budget
  1. Assistance sites (and the Marketplace) wish to retain the trained and talented Health Coverage Guides for OE3; funding level is required for Sites to make that commitment to their employees
  2. Matching funds are required to evidence our commitment to the AN Program for the Colorado Health Foundation to evaluate our grant proposal



# MEDICAL ASSISTANCE SITE OPTIONS AND DIRECTION

# Background and Rationale for MA Site Capabilities

## Top Reasons Have MA Site Capabilities:

- As customers proceed through the Eligibility Determination phase and **if they do NOT receive a RTE**, Marketplace-Brokers and HCGs have no way to intervene without CBMS access
- Verifications require access to and in depth knowledge of CBMS
- Simultaneous Enrollment can be more tightly controlled with end to end intervention ability
- Currently, Marketplace customers are being handled by a multitude of Medical Assistance Sites... We need to own the customer experience

# MA Site Projections

	Scenario 1- CURRENT STATE with 2015MCD Estimates					Scenario 2- Medical Asst. site w/ Coordinated Referral Strategy			
Work Streams Handled by MA Site	OPEN ENROLLMENT November - January	Enrollment Wrap Ups February - March	Life Change Event Enrollments April - October	TOTAL		OPEN ENROLLMENT November - January	Enrollment Wrap Ups February - March	Life Change Event Enrollments April - October	TOTAL
Eligibility Applications (Assumes Expedited Pathway)	\$154,352	\$56,719	\$37,813	\$248,884		\$154,352	\$56,719	\$37,813	\$248,884
Verifications	\$66,173	\$33,086	\$16,543	\$115,802		\$66,173	\$33,086	\$16,543	\$115,802
Case Maintenance	\$46,999	\$46,999	\$46,999	\$140,997		\$46,999	\$46,999	\$46,999	\$140,997
Medicaid Cases Presenting to Connect for Health Colorado	\$630,214	\$283,596	\$37,813	\$951,624		\$378,129	\$113,439	\$37,813	\$529,380
<b>TOTAL COSTS</b>	<b>\$897,738</b>	<b>\$420,401</b>	<b>\$139,168</b>	<b>\$1,457,307</b>	<b>#</b>	<b>\$645,652</b>	<b>\$250,243</b>	<b>\$139,168</b>	<b>\$1,035,063</b>
<b>Subtotal <u>without</u> Medicaid</b>	<b>\$267,524</b>	<b>\$136,805</b>	<b>\$101,355</b>	<b>\$505,683</b>	<b>#</b>	<b>\$267,524</b>	<b>\$136,805</b>	<b>\$101,355</b>	<b>\$505,683</b>

**Costs Not included:** These Costs reflect Eligibility and Verifications FTE only. There are additional costs associated with supervision, audit and appeals that have not been included. There are also indirect costs to Connect for Health in the areas of Finance, Human Resources, Information Technology and Administrative Support. Additional Leased Space and Operating Costs may also need to be factored in.

## Option 1: Marketplace **Becomes** an M.A. Site

## Option 2: Marketplace **Contracts** with and M.A. Site

### **OPTION 1: *Benefits***

- Gain oversight of cases and expand ability to closely monitor workload
- Funding through HCPF and marketplace revenue could offset cost of staff
- Could hire current HCPF contractors

### **OPTION 2: *Benefits***

- Contractor will be able to perform CBMS related work for our Marketplace customers
- An existing MA sites will have knowledge and experience expediting the start up time
- MA Site can work/accept all general Medicaid cases
- Potential cost allocation from CMS

# What the Ops/Finance Committee Outlined to the MA Site Project Team

- **Supports Option 2 for its speed to execution advantage**
- Understands current contract with HCPF ends 5/15, and the need for continued capabilities are immediate
- Supports Medicaid strategic referral initiatives; thus resourcing Medicaid eligible folks to counties, etc. who are experts
- Supports pursuit of cost allocation efforts to mitigate costs related to MA Site activities related to Medicaid eligibility

# STRATEGIC MARKET DIRECTION SMALL EMPLOYER HEALTH OPTION PROGRAM

# New Partnership

## Small Employer Marketplace - Rationale

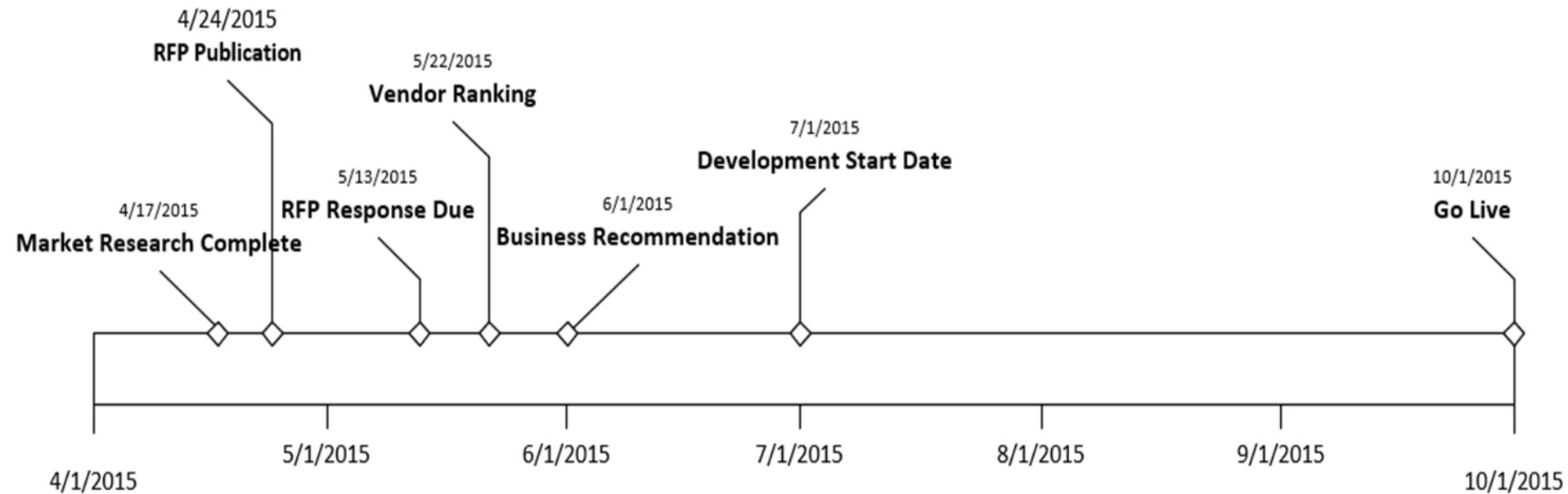
- The BEST partnership includes: solid technology, small group expertise and market credibility
- Current costs outweigh benefits
- We desire a solution that leapfrogs the Marketplace into a market leader
- The need to move from solely an IT platform to an integrated business solution is driving an RFP project to “white label”
- A Small Group Marketplace is required by federal law
- Colorado is a state of small businesses, with 85% of companies employing 10 employees or less
- 2016 poses great growth opportunity w/Transitional plans
- 2017 poses great growth opportunity w/Expanded market

# Financial Improvement: Small Group Marketplace Revised Strategy

Incremental Revenue/Expense (000's)				
Year	2015 (@3.5%)	2016	2017	2018
Revenue	\$423	\$1,083	\$1,930	\$2,510
Expense** **Preliminary Assumptions	\$3,002	\$1,599	\$1,316	\$1,334
Margin	\$(2,579)	\$(516)	\$614	\$1,176



# The Small Business Marketplace- Project Timeline



# What the Ops/Finance Committee Outlined to the Small Group Project Team

- Confirmed the opportunities for growth
- Supports the imperative to select a partner who can offer an integrated business solution
- Understands partner selection will occur in early June

# SERVICE CENTER & INFORMATION TECHNOLOGY

# Service Center Planning

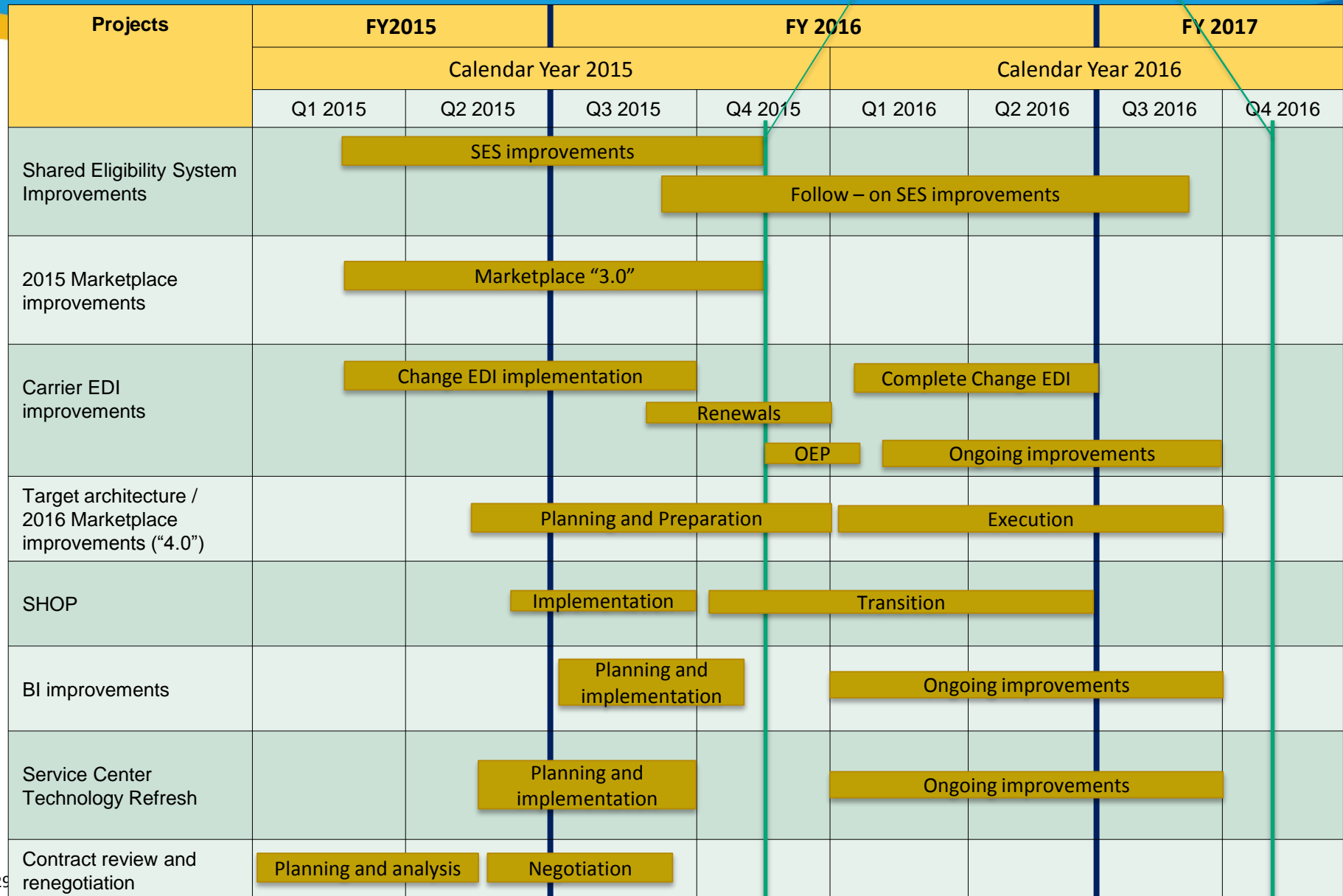
## Timeline

- Review proposals from vendors – to 4/24
- Present summary findings to Ops Committee – 4/28
- Additional negotiations and review – 4/24 – 5/7
- Board approval on negotiation strategy - 5/11
- Continued negotiations – 5/26
- Final contract – week of 6/4
- FY 2016 Service center budget finalized – week of 6/4

Item	Range	Comments
Total cost of service center	\$17.5 - \$17.8M (33% reduction from FY 2015 - ~4.5M savings)	Both vendors provided proposals with exclusions, this is the 'all in cost' Both assume SES savings. Both include SHOP costs.
Answer time SLA	80/300 to 8/360	Both vendors are able to define other SLAs and be held accountable to them
Contract types		Variable/fixed with SLA and credits or not to exceed price
Contract commitment	4 or 5 years	
Work location		Both retain call center staff in Colorado Springs, both use regional locations with lower cost of living for overflow and/or lower skill staff
Technology refresh		Amortized over term of contract – not priced separately

# Key IT projects over next 20 months

OEP Begins



# Preliminary IT project cost projections for FY 2016 / 2017

Project	FY 2016 Cost Projections	FY 2017 Cost Projections	Total FY 2016/17 Projections	Comments
SES improvements	\$ 4,800,000	\$ 800,000	\$ 5,600,000	Assumes additional changes are needed after September 2015
2015 Marketplace Improvements	\$ 750,000	\$ -	\$ 750,000	Assumes limited ability to make changes to Marketplace for 2016 OEP other than SES (e.g, defect fixes, renewals processing improvements, some usability improvements)
Carrier EDI improvements	\$ 500,000	\$ 300,000	\$ 800,000	Assume EDI will be completely working with all carriers by end of FY 2016 and ongoing improvements costs are about \$300K/yr
Migration to target architecture/ 2017 OEP changes*	\$ 1,000,000	\$ 1,400,000	\$ 2,400,000	Assumes that we will reduce the number of products in the Marketplace to allow us to realize more fully the benefit of hCentive product enhancements and reduce overall M&O costs
SHOP migration*				Assume net neutral during FY 2016 due to service center cost reductions, some capital may be required initially
BI improvements	\$ 250,000	\$ 200,000	\$ 450,000	
Service center technology refresh				Included in service center proposals
Other projects and ongoing costs	\$ 500,000	\$ 800,000	\$ 1,600,000	Includes desktop maintenance and other costs,
Total	\$ 7,800,000	\$ 2,700,000	\$ 10,000,000	
* waiting for proposals from vendors				

**NOTE: These are preliminary (+/- 25%) cost estimates for new / ongoing project work. Total annual IT costs (not including staff costs) include the above project work *plus* ~\$8M in annual license, maintenance and operations, and hosting fees.**

# FINANCIAL SCENARIOS

# Directional Context: SBM State Comparison

	CO	State #1	State #2	State #3	State #4
<b>Enrollment</b>	150,000 YTD	100K– 180K	100K– 180K	100K– 180K	100K– 180K
<b>Annual Revenue</b>	<b>\$ 27.5M</b>	<b>\$ 40M</b>	<b>\$ 44M</b>	<b>\$ 43M</b>	<b>\$50M</b>
Exchange Admin Fees	\$ 6.5M 1.4%		\$ 25M	\$ 14M	\$ 8M
Broad Market Assessment	\$16M \$ 1.25	\$ 25M			\$ 20M
Medicaid Recovery/Gen Fund		\$ 15M	\$ 19M	\$ 29M	\$ 20M
Other	\$ 5M				\$ 2M
<b>OPEX</b>	<b>TBD</b>	<b>\$ 37M</b>	<b>\$ 50M</b>	<b>\$ 43M</b>	<b>\$50M</b>
Call Center	\$ 21M	\$ 18M	\$ 20M	\$ 12M	\$ 28M
Salaries/Fringes	\$ 6M	\$ 9M	\$ 8M	\$ 7M	\$ 14M
Headcount	50	75	67	70	150

## Takeaways (Above figures are approximate and 'in motion' as SBM's are in their planning processes as well)

- Other similarly situated SBM's are generating \$12m-22m greater revenue, primarily thru Medicaid reimbursement and/or higher Admin fees/assessments.
- Service Center expenses, generally the largest expense item, are in similar ranges
- Staffing models vary, but indicate the Marketplace is staffed at approximately 2/3 other SBM levels.



# DRAFT I: Financial Scenarios: Revenue

Draft Revenue Scenarios - May 1, 2015 update											
Cash Basis Estimates (\$000's)	Working Model										
	FY 2015	2.8%/\$1.60 Model			3.5%/\$1.80 Model			4.5%/\$1.80 Model			
	Estimate	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018	
2014 Assessment Fees	5,100	400	0	0	400	0	0	400	0	0	
Health Plan Assessment Fees	987	7,795	14,031	22,394	9,617	24,187	27,993	11,047	31,098	35,991	
Special Broad Market Assessment	4,500	19,260	17,280	0	19,980	19,440	0	19,980	19,440	0	
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Shop (w/ new investment)	120	220	800	1,600	220	1,500	2,000	220	1,925	2,575	
Vision	9	18	20	24	18	20	24	18	20	24	
Foundation Grants ( <i>estimates only - no commitments made or received</i> )	2,500	2,500	1,000	1,000	2,500	1,000	1,000	2,500	1,000	1,000	
Interest Income	46	18	3	3	18	3	3	18	3	3	
<b>Medicaid Cost Recovery (PLACEHOLDER)</b>		<b>2,500</b>	<b>2,000</b>	<b>2,000</b>	<b>2,500</b>	<b>2,000</b>	<b>2,000</b>	<b>2,500</b>	<b>2,000</b>	<b>2,000</b>	
Level 2 Grant	60,500	200	0	0	200	0	0	200	0	0	
CoverColorado	14,034	0	0	0	0	0	0	0	0	0	
<b>Total Revenue</b>	<b>92,796</b>	<b>37,911</b>	<b>40,104</b>	<b>32,021</b>	<b>40,453</b>	<b>53,150</b>	<b>38,020</b>	<b>41,883</b>	<b>60,486</b>	<b>46,593</b>	

# Draft I: Financial Scenarios: Expenses

FY 2016 Draft Expense Models - May 1, 2015 Update			
Expense Category	FY 2015 Forecast	3.5% - Revenue Driven Model	1st Draft. Hi-Level Strategy-Based Model
General & Administrative	7,325	9,172	10,672
Salaries & Benefits	5,515		9,126
Rent, Tech Infrastructure, equip, connectivity	797		781
Other	1,013		765
Marketing & Public Relations	4,771	1,000	2,000
Assistance Network	6,040	3,000	5,000
Operations	2,683	1,260	1,260
Business Development	673		468
Carrier Support & Other Operations	731		360
Training	324		54
Other	955		378
Customer Service Center (net of SES savings)	21,280	17,623	17,623
Technology	10,942	8,889	9,389
Hosting	2,108		2,053
M&O Costs	6,653		5,588
Additional Marketplace Maintenance/Enhancements	986		888
Other	1,195		860
SHOP Savings		(100)	(100)
<b>Total Operating Expense</b>	<b>53,041</b>	<b>40,944</b>	<b>45,944</b>
Technology CapEx and Other Projects			
Completion of Carrier Coordination Project			
Marketplace Improvements/Licenses	15,531	2,800	2,800
SES (includes 2,200k in new SES project)	7,060	3,650	3,650
Shop		500	500
<b>MA Site</b>		<b>TBD</b>	<b>TBD</b>
EDI		750	750
Other		400	400
Total CapEx and Projects	22,591	8,100	8,100
<b>Total Cash Outlays</b>	<b>75,632</b>	<b>49,044</b>	<b>54,044</b>

# Summary: DRAFT I Financial Scenarios

	FY Revenue Models									
	FY 2015	1.8%/2.8%/\$1.60 Model			3.5%/\$1.80 Model			4.5%/\$1.80 Model		
	Estimate	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018
Total Revenue	92,796	37,911	40,104	32,021	40,453	53,150	38,020	41,883	60,486	46,593

FY 2016 Expense Models			
Expense Category	FY 2015 Forecast	3.5%- Revenue Driven Model	1st Draft, Hi-Level' Strategy-based Model
Total Cash Outlays, including CapEx	75,632	49,044	54,044

## Takeaway:

- Budget process is in initial stages as planning work continues.
- Operational costs can be covered at the mid-level funding model.
- There is strategic work to do on both the revenue and expense sides of the bottom line equation, most notably continuing pursuit of Medicaid reimbursement.

# Optimal Expense Level Cash Flow

	Cash Balance Forecast (\$000's) Using Optimal Expense Budget								
Budget Model			6/30/15	12/31/15	6/30/16	12/31/16	6/30/17	12/31/17	6/30/18
1.8%/2.8%/\$1.60 Model			26,000	18,200	9,500	8,700	NA	NA	NA
3.5%/\$1.80 Model			26,000	18,200	12,000	18,400	13,300	8,400	NA
4.5%/\$1.80 Model			26,000	18,200	13,500	23,900	22,700	21,000	16,200

## Takeaways:

- Broad Market Assessment Fee runs CY 2015 + 2016
- Many options exist to backfill the revenue source and/or reduce expense between now and 2017
- Additional organizational capacity investment is required to continue the sustainability path

# FY 2016 FEE DISCUSSION

# 2016 Assessment Fees

- Marketplace Revenue Sources
  - Health Insurance Carrier Assessment; Broad Market Assessment, Carrier tax credit donations, grant revenue, Other
  - CMS reimbursement levels for Medicaid support is under research, retrospectively and prospectively
- Timing:
  - Setting the Carrier Assessment Fee level for CY 2016 is required presently for carriers to accurately set and submit plan rates due to DOI by 5/29
  - Timeline allows for adequate Marketplace testing time in the fall
- Health Insurance Carrier Assessment:
  - Board establishes Health Insurer Assessment for calendar year 2016
  - Cash receipt from the fee level set now will primarily impact FY 2017
  - Current fee is set at 1.4% of effectuated premiums; no cap in place
- Broad Market Assessment (HB 13-1245)
  - Board establishes broad market Health Insurer Assessment for calendar years 2014, 2015 and 2016; fee is capped at \$1.80 pmpm
  - Cash receipt from the fee level set now will impact FY 2017 revenue
  - 2014 Fee was waived; 2015 rate is set at \$1.25 pmpm

# Health Insurance Carrier Assessment

- Considerations for setting fee:
  - Rates set now will impact cash for 2 months of FY2016 and most of FY 2017
  - 2016 Budget and long-term forecast are not yet completed, i.e. true costs of operation and capital requirements are in process following plan development
    - Optimal operations budget requires fee increase and Medicaid reimbursement funding for long-term sustainability
  - Cash Flow forecasts *at current budget projections (incomplete)* utilizing Reserves to bridge funding sources:
    - At previously projected level, operations funded through CY2016
    - At 3.5% (FFM level), operations funded *at least* through CY2017
    - At 4.5%, operations funded through *at least* CY2018
  - Additional unbudgeted funding requirements: Capital investment, Operational Reserves, New product development, unforeseeable revenue/cost impacts
  - Fee level impacts carrier margins and Marketplace ROI; and ultimately consumers
  - Context: Other States' fee levels vary greatly given State structures (up to 4.5% plus addl. Funding sources), and Medicaid reimbursement

# State-based Exchange Value Propositions

- Gear strategies toward Colorado's specific needs, geography, and populations
- Stakeholders are able to provide input and feedback to design, functionality, training, operations
- The Marketplace and State own the data, and can use it, report on it, and learn from it (e.g. FFM does not provide its data to the states)
- Decision Support tools available to consumers, brokers, HCG's
- No Wrong Door Consumer support
- Local governance of the Marketplace
- Brokers, Coverage Guides and interfaces with Medicaid supports are local and directly connected to the Marketplace (certified)
- FFM, by comparison, excludes above elements and their funding (i.e. Federal Marketplace excludes above services, resulting in state-based costs not included in the FFM 3.5% fee)
- Economic development—jobs stay in Colorado
- Others??



# Broad Market Health Insurance Carrier Assessment

- Considerations
  - Broad Market Assessment was carried over from Cover Colorado (CC rate \$38.00 pmpm)
  - 3 year fee: 1<sup>st</sup> year of fee waived; 2<sup>nd</sup> year set @ \$1.25 (67% of cap)
    - \$1.25 rate generates approx. \$14m ; \$1.80 rate generates approx. \$21m
    - Converted to a % of the average Marketplace premium, \$1.25 = .35%; \$1.80 = .5%
  - Cash receipt from rate set now begins approx. 12 months later
  - Maximizing the fee during its short availability is key for bridging funding from Federal Grants to earned revenue, and assisting with additional unbudgeted funding requirements and sustaining reserves

# Fee Recommendation: CY 2016

- In order to build and bridge revenue as volume is built up to ensure sustainability; ensure adequate capital, operational reserves and sufficient near-term capacity to gain system and staffing stability:
  1. Carrier Assessment: 3.5% or higher
  2. Broad Market Assessment: \$1.80 pmpm
  3. Aggressively continue pursuit of Medicaid recapture funding
  4. Continue long-term revenue strategy development as a primary Finance Committee focus post-budget completion

# SES E2E REVIEW

# SES End-to-End Review: Request for Proposal (RFP) timeline

3/25 – RFP delivered to 6 selected vendors

3/27 - Vendor provides notification that they intend to respond to RFP

3/31 - Vendor submits questions

4/3 - Marketplace responds to vendor questions

4/17 – All RFP responses will be submitted (4 received)

4/24 – Initial shortlisting and review complete and shortlist notifications made

4/28 – Present proposal summary to Operations Committee to gain approval to proceed with vendor presentations

5/8 – Shortlisted vendor presentations complete

5/11 – Board meeting – final review and permission to award

5/15 – Final decisions and contract award

6/5- Selected vendor contract negotiations complete

6/8 – Project start date.

# SES End-to-End Review: Summary of Proposals

- Average cost from 4 responding vendors is \$323K. Excludes indirect costs of:
  - Running RFP process (exec team)
  - Support the investigation (Connect for Health Colorado, HCPF, OIT, CGI, Deloitte, etc)
- Time to complete review and present findings ranges from 6 weeks to 4 months.

We have shortlisted 2 vendors for additional conversations **if the Board approves:**

- Both vendors expect to complete the assessment in ~10 weeks
- Average cost ~\$200K

As part of the due diligence process / next steps, we are asking shortlisted vendors to provide an estimate of impact on staff and vendors to determine overall cost of the assessment.

## Content of review

- SES and the integration points with upstream and downstream systems
  - IT requirements
  - Testing
  - Reports and documentation
- Systems and operations for helping people navigate the SES
  - Call center
  - Call/issue reporting
  - Roles and responsibilities
  - Enrollment issue process
  - Costs
- Governance
  - Vendor oversight
  - Governance structure