



# 2016 STRATEGIC & FINANCIAL PLAN UPDATE

Prepared for the Connect for Health Colorado  
Operations Committee

April 28, 2015

# Executive summary

- 1) Connect for Health Colorado's (C4HCO) 2015 **adjusted forecast is approximately on target**
- 2) As we look ahead, our **critical goals** are to:
  1. Optimize the **customer experience**
  2. **Stabilize & right-size** staffing, systems, processes
  3. Put C4HCO on the path to **financial sustainability**
- 3) We are incorporating key stakeholder input into all plans and business cases
- 4) Enrollment forecasts are in the fine-tuning phase
- 5) Making great progress exploring key business drivers, including the Service Center structure, SES implementation, MA Site Analysis, SHOP Analysis
  - 1) **Action Item:** SES End-to-End Review Bids: milestone check on cost & timing
  - 2) **Discussion:** policy direction for budget levers
- 6) Initial financial projections suggest long term financial path to **sustainability is likely** with appropriate operational choices to fund and improve our revenue and cost positions, respectively – more research is underway

# 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 to C4 that they intend to respond to RFP

3/31 - Vendor submits questions to C4

4/3 - C4 responds to vendor questions

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

4/24 – Initial shortlisting and C4 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

# STRATEGIC PLANNING INPUT

# 2016 Budget Process



# Business Cases in Development

Description	Top Decision Components
<b>Enrollment Targets and 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>
<b>Service Center Renegotiate / Reduce Costs</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 around non-Marketplace calls (re-direct or support)</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. Valuation of current costs to future costs including cost of changing partners</li> <li>3. Expansion of Small Group Market to 100 or less</li> </ol>
<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>Hosting</b>	<ol style="list-style-type: none"> <li>1. Timeline for rehosting and dependencies; project ROI prioritization</li> <li>2. Ability to negotiate hosting rates</li> </ol>
<b>Decision Support, Broker Portal, V.3.0</b>	<ol style="list-style-type: none"> <li>1. Evaluation of enhancements in new version of code and relative impact on sales &amp; costs</li> <li>2. Stay on most current versions of code to stay under warranty and receive product fixes</li> </ol>
<b>Sustainability, 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> </ol>
<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 with limited advertising and resources</li> <li>3. In light of the above, still meet enrollment goals of the organization</li> </ol>



# Business Case: Enrollment Projections—Draft I

## 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
<b>Individual- Gross</b>	142,896	217,306	59%	256,242	17%	295,178	10%
<b>Individual- Effectuation</b>	111,459	169,499		204,994		236,142	
<b>SHOP: Small Groups</b>	336	764	127%	1,226	60%	1,874	53%
<b>Covered Lives</b>	2,688	6,878	156%	12,256	78%	15,935	30%

# Business Case: Service Center Update

## 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 to negotiate with selected vendor (executive session) – 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

# SHOP & MA Site Update (Separate Decks)

# FINANCIAL SCENARIOS

# Directional Context: SBM State Comparison

	CO	State #1	State #2	State #3	State #4
<b>Enrollment</b>	150,000	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 2.5%–3.0%	\$ 14M 3.5%	\$ 8M
Broad Market Assessment	\$16M \$ 1.25	\$ 25M 1.35%			\$ 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.

# 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>
	<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.**

# Financial Modelling

- Three High-Level Revenue Scenarios
  - Last Forecasted Assessment Fee Rates (Spring 2014)
  - Increase Fee Rates to 3.5%/\$1.80
  - Increase Fee Rates 4.5%/\$1.80
- Three High-Level Expense Scenarios
  - 2015 Forecast
  - Revenue-driven Model (@3.5%/\$1.80)
  - Strategy-driven model (Optimal)

# DRAFT I: Financial Scenarios: Revenue

Draft Revenue Scenarios										
Cash Basis Estimates (\$000's)	Working Model - Enrollment Forecasts Being Updated									
	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
Catchup 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	4,000	17,100	15,300	0	17,800	17,400	0	17,800	17,400	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 (no new investment)	120	120	120	120	120	120	120	120	120	120
Vision	9	18	20	24	18	20	24	18	20	24
Foundation Grants (estimates - no commitments)	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
Level 2 Grant	60,500	200	0	0	200	0	0	200	0	0
Cover Colorado	14,034	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>92,296</b>	<b>33,151</b>	<b>35,474</b>	<b>28,541</b>	<b>35,673</b>	<b>47,730</b>	<b>34,140</b>	<b>37,103</b>	<b>54,641</b>	<b>42,138</b>



# Draft I: Financial Scenarios: Expenses

FY 2016 Draft Expense Models - Details Still Under Review			
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
Career Support & Other Operations	731		360
Training	324		54
Other	955		378
Customer Service Center (net of SES savings)	21,280	14,623	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
<b>Total Operating Expense</b>	<b>53,041</b>	<b>37,944</b>	<b>45,944</b>
Technology CapEx and Other Projects			
Completion of Carrier Coordination Project			
Marketplace Improvements/Oracle Licenses	15,531	2,000	2,000
SES (includes 2,200k in new SES project)	7,060	3,650	3,650
Shop		TBD	TBD
MA Site		TBD	TBD
EDI		TBD	TBD
Other		TBD	TBD
Total CapEx and Projects	22,591	5,650	5,650
<b>Total Cash Outlays</b>	<b>75,632</b>	<b>43,594</b>	<b>51,594</b>

17 Does not include depreciation/amortization

# 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
<b>Total Revenue</b>	92,296	33,151	35,474	28,541	35,748	47,692	34,733	37,103	54,641	42,138

FY 2016 Expense Models			
Expense Category	FY 2015 Forecast	3.5% -- Revenue Driven Model	1st Draft, Hi-Level' Strategy-based Model
<b>Total Operating Expense (excl depreciation)</b>	53,041	37,944	45,944
<b>Total Cash Outlays, including CapEx</b>	75,632	43,594	51,594

Takeaways: More work to do on both the revenue and expense sides of the equation.