



*Update for Legislative Health Benefit  
Exchange Implementation Review Committee  
Financial Plan Extract*

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*Presented September 5, 2013*

# FINANCIAL APPROACH

## Sustainability Objective

- Connect for Health Colorado is committed to fulfilling its purpose to increase access, affordability and choice for individuals and small businesses purchasing health insurance in Colorado.
- Key to this objective is achieving financial sustainability.

# *Financial Approach: Guiding Principles for Sustainability*

Bring about long-term financial balance

- Focus on providing value to consumers and communities
- Derive revenue from a range of sources
- Set the Marketplace up for success
- Focus on maintaining affordability

# Financial Approach: Revenue Overview

## Early Revenue

- Federal Grants
- High Risk Pool Reserves
- Broad Market Assessment (2015 & 2016 only) \$1.80 per policy per month maximum

## Enrollment Based Revenue

- Administrative Fees: 1.4% in 2014 (federal states are 3.5%)

## “Other”/Future Opportunities

- Supplemental Products
- Carrier Tax Credit Donations
- Website Advertising
- Cost Sharing with Other States
- Foundation Grants

# Financial Approach: Expenditures

## Budgeted Expenses

### Technology

- Technology Licenses
- Technology Maintenance
- Technology Upgrades
- Technology Hosting
- Data Warehousing
- Security
- Testing
- QA
- Eligibility

### Operations

- Staff
- Occupancy
- General & Administrative
- Marketing & Advertising
- Audit

### Services

- Customer Service Center
- Scanning & Imaging
- Training
- Systems Reconciliations
- Enrollment Assistance (Navigators)

Projected annual budget \$26 million



# *Financial Approach*

## Budget Projections and Full Funding Model:

The following document models the current and anticipated budget and funding for Connect for Health Colorado through 2017.

# Financial Modeling

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On Thursday, December 12<sup>th</sup>, the Finance Committee met and discussed the modeling for various enrollment scenarios. This was not intended as an adjustment to Connect for Health Colorado's original conservative, mid, and aggressive enrollment scenarios from early 2013, but rather to illustrate how other enrollment scenarios may affect future administrative fees, market assessment, and the organization's overall sustainability. When reviewing these various scenarios, some considerations and assumptions are:

- Connect for Health Colorado's operations are fully funded by Federal grants in 2014.
- Any Federal grant funds that are not fully expended by Connect for Health Colorado during the grant periods will be forfeited.
- State-Based Marketplaces successfully petitioned the Department of Health & Human Services (Federal granting agency) that any operational revenues earned in 2014 would not reduce the grant amounts awarded.
- A grant from TCHF for \$2,010,000 is fully committed to the Assistance Network program for Navigator support. Navigator operational support cannot be funded under the Federal grant program.
- As a result of HB13-1245, which was passed in June of 2013, Connect for Health Colorado has already received \$15,000,000 from CoverColorado and premium tax credit contributions from insurance carriers totaling \$5,000,000.
- The Marketplace Administrative Fee for 2014 is set at 1.4%. The fee set for the Federal Marketplace is 3.5%.
- The market assessment allowed through HB13-1245 is set at \$0 for 2014. The Connect for Health CO Board will set the assessment amount, between \$0 and \$1.80 PMPM, for 2015. C4HCO will work with DOI on the specific date.

The Connect for Health Colorado Board will set the Marketplace's Administrative Fee and General Market Health Insurer Assessment for 2015 in spring of 2014.



**Modeling Scenario Requested for Discussion Purposes Only by Finance Committee - 50,000**  
(this is not a revised projection)

COHBE's estimated portion of CoverColorado 2015 reserve is \$8.5 million  
Annual operating budget of \$26 million

	2nd half 2013	2014	2015	2016	2017
<u>Enrollment &amp; Premium Assumptions</u>					
Average Estimated Sales Projections					
Average Estimated Premium per member per month	\$0	\$337	\$352	\$370	\$390
Administrative Fee					
<u>Revenue Assumptions</u>					
Exchange Revenue from Admin Fees	\$0	\$2,830,800	\$5,913,600	\$11,322,000	\$26,208,000
Estimated portion of Federal Grant Funding (2013-2016)	\$66,069,622	\$60,984,119	\$15,386,639	\$0	\$0
Revenue from CoverColorado/Unclaimed Property Fund	\$15,000,000	\$0	\$0	\$0	\$0
Revenue from CoverColorado/Reserve Balance			\$8,500,000		
Revenue from General Market Health Insurer Assessment (\$1.50-\$1.80)			\$15,750,000	\$15,750,000	
Revenue from Premium Tax Credit Donations	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Potential Foundation Grants	\$2,010,000	\$2,000,000			
<b>Total Income</b>	<b>\$88,079,622</b>	<b>\$70,814,919</b>	<b>\$50,550,239</b>	<b>\$32,072,000</b>	<b>\$31,208,000</b>
Expected Operating/Technology Budget	\$75,239,971	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Remaining Implementation/Enhancement Costs estimated for 2014 & 2015		\$37,057,020	\$15,725,785		
Additional Implementation Expense (not Federally grant funded)	\$2,010,000	\$2,000,000			
<b>Total Expenditures</b>	<b>\$77,249,971</b>	<b>\$65,057,020</b>	<b>\$41,725,785</b>	<b>\$26,000,000</b>	<b>\$26,000,000</b>
Technology Obsolescence Solution begins after					
Operational Reserve reaches 50% of annual budget	\$0	\$3,587,549	\$12,412,004	\$18,484,004	\$23,692,004
Cumulative Operational Reserve at approximately 50% of annual budget	\$10,829,651	\$13,000,000	\$13,000,000	\$13,000,000	\$13,000,000

**Modeling Scenario Requested for Discussion Purposes Only by Finance Committee - 75,000**  
(this is not a revised projection)

COHBE's estimated portion of CoverColorado 2015 reserve is \$8.5 million  
Annual operating budget of \$26 million

	2nd half 2013	2014	2015	2016	2017
<u>Enrollment &amp; Premium Assumptions</u>					
Average Estimated Sales Projections					
Average Estimated Premium per member per month	\$0	\$337	\$352	\$370	\$390
Administrative Fee					
<u>Revenue Assumptions</u>					
Exchange Revenue from Admin Fees	\$0	\$4,246,200	\$7,392,000	\$10,878,000	\$26,325,000
Estimated portion of Federal Grant Funding (2013-2016)	\$66,069,622	\$60,984,119	\$15,386,639	\$0	\$0
Revenue from CoverColorado/Unclaimed Property Fund	\$15,000,000	\$0	\$0	\$0	\$0
Revenue from CoverColorado/Reserve Balance			\$8,500,000		
Revenue from General Market Health Insurer Assessment (\$1.50-\$1.80 PMPM)			\$15,750,000	\$15,750,000	
Revenue from Premium Tax Credit Donations	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Potential Foundation Grants	\$2,010,000	\$2,000,000			
<b>Total Income</b>	<b>\$88,079,622</b>	<b>\$72,230,319</b>	<b>\$52,028,639</b>	<b>\$31,628,000</b>	<b>\$31,325,000</b>
Expected Operating/Technology Budget	\$75,239,971	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Remaining Implementation/Enhancement Costs estimated for 2014 & 2015		\$37,057,020	\$15,725,785		
Additional Implementation Expense (not Federally grant funded)	\$2,010,000	\$2,000,000			
<b>Total Expenditures</b>	<b>\$77,249,971</b>	<b>\$65,057,020</b>	<b>\$41,725,785</b>	<b>\$26,000,000</b>	<b>\$26,000,000</b>
Technology Obsolescence Solution begins after					
Operational Reserve reaches 50% of annual budget	\$0	\$5,002,949	\$15,305,804	\$20,933,804	\$26,258,804
Cumulative Operational Reserve at approximately 50% of annual budget	\$10,829,651	\$13,000,000	\$13,000,000	\$13,000,000	\$13,000,000

## Modeling Scenario at Original Mid-Level Enrollment Projection - 136,300

Connect for Health Colorado  
Current and Anticipated Budget and Funding

Model Assumptions

COHBE's portion of CoverColorado 2015 reserve is \$8.5 million

Annual operating budget of \$26 million

	2nd half 2013	2014	2015	2016	2017
<u>Enrollment &amp; Premium Assumptions</u>					
Average Estimated Sales Projections					
Average Estimated Premium per member per month	\$0	\$337	\$352	\$370	\$390
Administrative Fee					
<u>Revenue Assumptions</u>					
Exchange Revenue from Admin Fees	\$0	\$7,716,761	\$13,009,920	\$15,523,200	\$26,676,000
Estimated portion of Federal Grant Funding (2013-2016)	\$66,069,622	\$60,984,119	\$15,386,639		
Revenue from CoverColorado/Unclaimed Property Fund					
Revenue from CoverColorado/Reserve Balance					
Revenue from General Market Health Insurer Assessment (\$1.00-\$1.50 PMPM)					
Revenue from Premium Tax Credit Donations					
Potential Foundation Grants					
<b>Total Income</b>	<b>\$88,079,622</b>	<b>\$75,700,879</b>	<b>\$52,396,559</b>	<b>\$31,023,200</b>	<b>\$31,676,000</b>
Expected Operating/Technology Budget	\$75,239,971	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Remaining Implementation/Enhancement Costs estimated for 2014 & 2015		\$37,057,020	\$15,725,785		
Additional Implementation Expense (not Federally grant funded)	\$2,010,000	\$9,716,761			
<b>Total Expenditures</b>	<b>\$77,249,971</b>	<b>\$72,773,781</b>	<b>\$41,725,785</b>	<b>\$26,000,000</b>	<b>\$26,000,000</b>
Technology Obsolence Solution begins after Operational Reserve reaches 50% of annual budget	\$0	\$756,749	\$11,427,524	\$16,450,724	\$22,126,724
Cumulative Operational Reserve/(Shortfall) at approximately 50% of annual budget	\$10,829,651	\$13,000,000	\$13,000,000	\$13,000,000	\$13,000,000

August 26, 2013