

# CONNECT FOR HEALTH COLORADO

## FISCAL 2017 BUDGET FINANCE AND OPERATIONS COMMITTEE

MAY 23, 2016

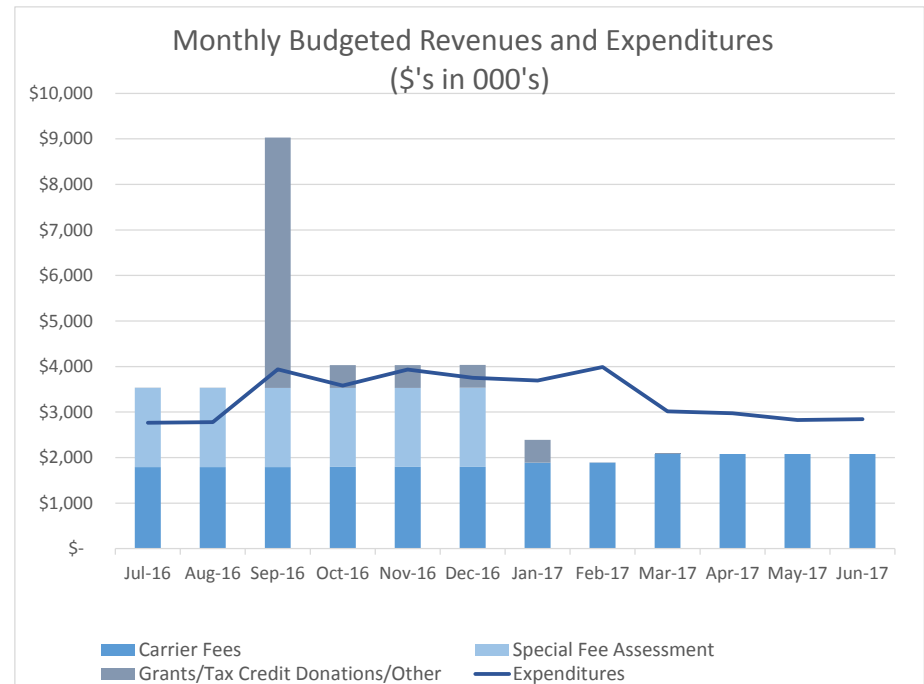
# Key FY 2017 Budget Assumptions

- Carrier fee of 3.5% for entire period,
- Special Fee Assessment of \$1.80 per covered life ends Dec.31, 2016
- Effectuated enrollment averages 125,000 for the period January – December 2016 and grows to 138,000 in March 2017 as the result of open enrollment.
- Average PMPM premium grows by 5% per enrollment period
- Tax credit donations - \$5 million
- Grant funding for Assistant Network continues at current levels
- Modest growth in SHOP
- No new revenue sources included in operating income
- Capital expenditure reserve establishment

# Fiscal Year 2017 Budget Income From Operations

\$'s in 000's

	<b>FY 2016 Projected</b>	<b>FY 2017 Budget</b>
<b>Revenues</b>		
Grants	8,411	2,500
Carrier Fees (Individual and SHOP)	13,415	22,855
Special Fee Assessment	17,486	10,425
Tax Credit Donations	5,000	5,000
Other	122	10
<b>Total Revenues</b>	<b>44,433</b>	<b>40,790</b>
<b>Operating Expenses</b>		
Customer Service	19,055	15,062
Assistance Network	2,952	2,562
Marketing and Outreach	1,445	1,242
Technology	13,132	11,829
General and Administrative	9,882	9,398
<b>Total Operating Expenses</b>	<b>46,466</b>	<b>40,093</b>
<b>Operating Income (Loss)*</b>	<b>(2,033)</b>	<b>697</b>



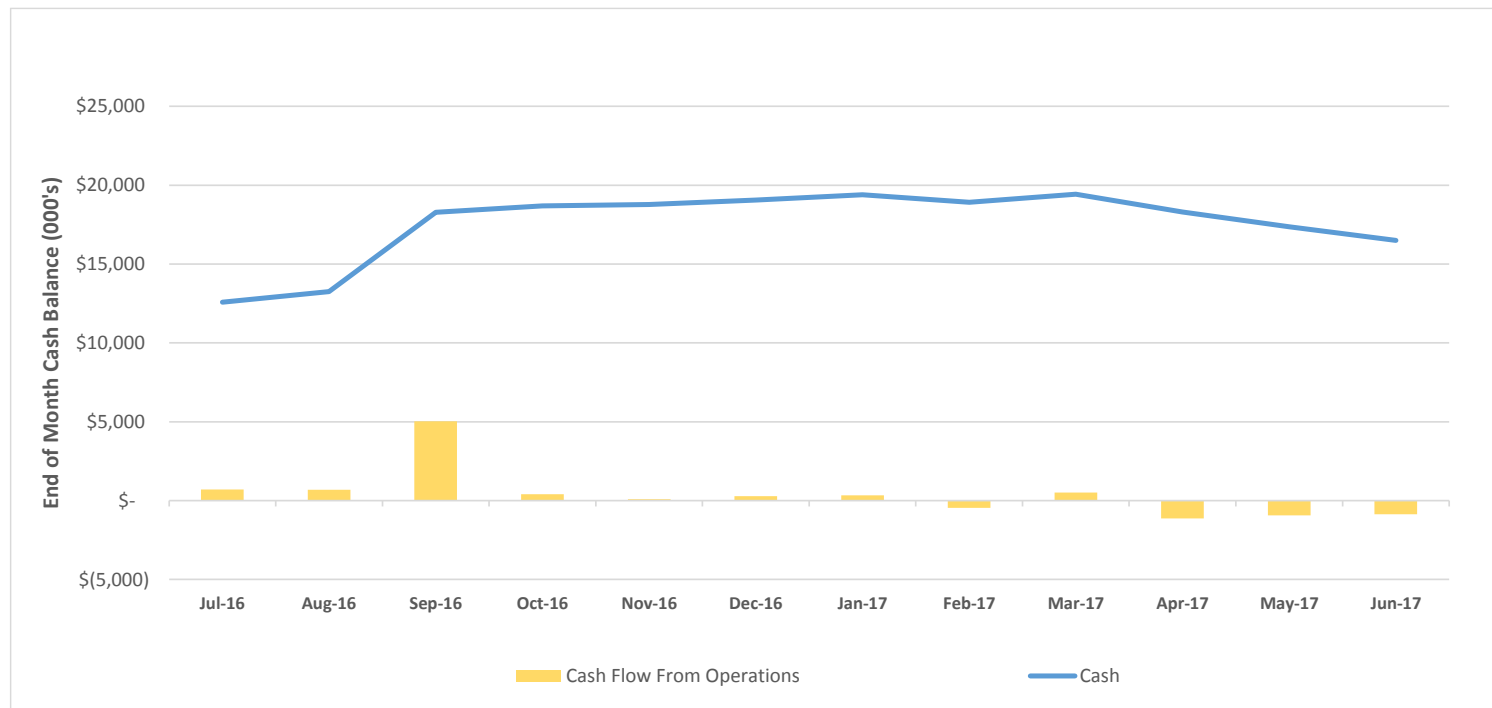
\* Before depreciation and amortization of long-term assets

# Fiscal Year 2017 Budget

## Forecasted Quarterly Financial Position

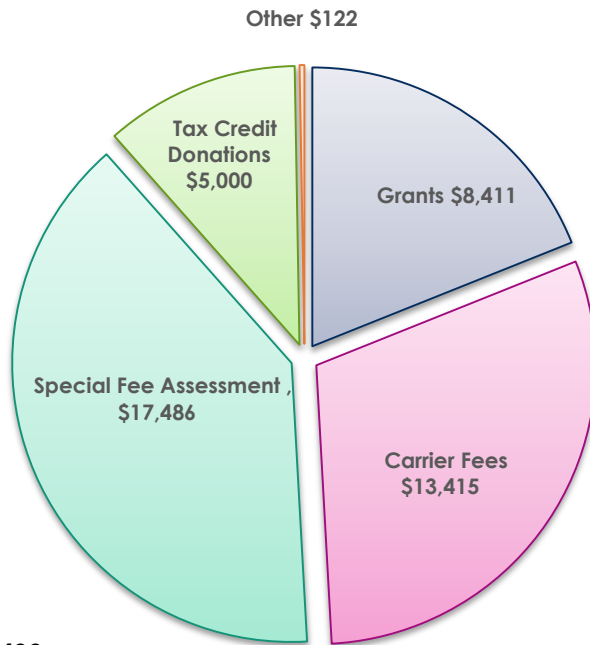
\$'s in 000's	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>6/30/2017</u>
<b><u>Assets</u></b>					
Cash and Cash Equivalents	11,885	20,281	19,557	19,431	16,500
Accounts Receivable, Net	12,881	13,094	13,145	8,432	8,963
Grants Receivable	221	-	-	-	-
Pre-Paid Expenses	4,101	5,367	3,802	2,241	668
Total Current Assets	<u>29,088</u>	<u>38,742</u>	<u>36,505</u>	<u>30,103</u>	<u>26,130</u>
Property & Equipment	56,681	56,681	56,681	56,681	56,681
Accumulated Depreciation	(27,264)	(30,026)	(32,787)	(35,549)	(38,310)
Other Long-term Assets	173	145	125	110	90
Total Long-term Assets	<u>29,590</u>	<u>26,801</u>	<u>24,019</u>	<u>21,243</u>	<u>18,461</u>
Total Assets	<u>58,678</u>	<u>65,543</u>	<u>60,524</u>	<u>51,346</u>	<u>44,591</u>
<b><u>Liabilities</u></b>					
Accounts Payable	4,445	5,251	4,548	2,839	2,245
Accrued Liabilities	331	331	331	331	331
Other Short-term Liabilities	3	3	3	3	3
Total Short-term Liabilities	<u>4,778</u>	<u>5,585</u>	<u>4,882</u>	<u>3,172</u>	<u>2,579</u>
Total Long Term Liabilities	46	46	46	46	46
Total Liabilities	<u>4,824</u>	<u>5,630</u>	<u>4,928</u>	<u>3,218</u>	<u>2,624</u>
<b><u>Net Assets</u></b>					
Unrestricted	<u>53,854</u>	<u>59,913</u>	<u>55,596</u>	<u>48,128</u>	<u>41,967</u>
Total Net Assets	<u>53,854</u>	<u>59,913</u>	<u>55,596</u>	<u>48,128</u>	<u>41,967</u>
Total Liabilities & Net Assets	<u>58,678</u>	<u>65,543</u>	<u>60,524</u>	<u>51,346</u>	<u>44,591</u>

# Fiscal Year 2017 Budget Cash Position

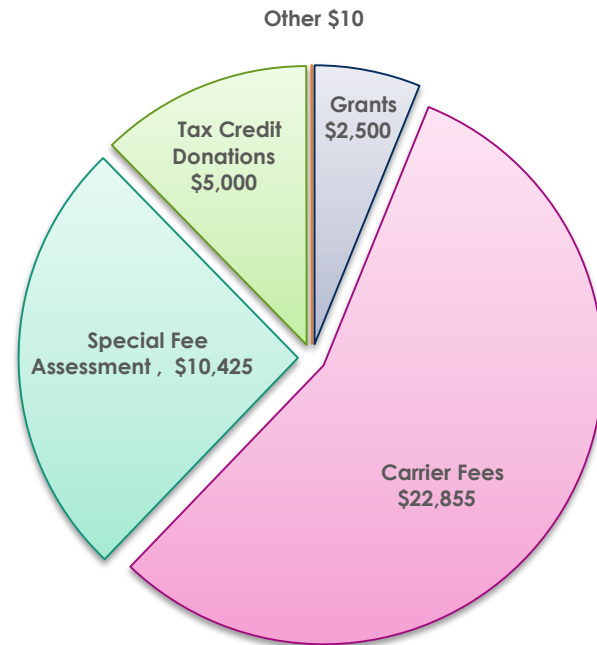


# Revenue Comparison – FY 2016 vs FY 2017

## Fiscal Year 2016 Projected Revenue



## Fiscal Year 2017 Projected Revenue



Total - \$44,433

Total - \$40,790

\$'s in 000's

# Significant Year over Year Changes – Fiscal Year 2017 Revenues

*Overall reduction in revenues of \$3.6MM (8%)*

- **Carrier fee Revenue**

FY 2017 Increase of \$9.4MM (70%):

- Change in carrier fee from 1.4% to 3.5% starting January 2016
- Increase in average PMPM premium by 14% (based on open enrollment 3)
- Average effectuated enrollment increase of 10% (based on open enrollment 3)

- **Special Fee Assessment Revenue**

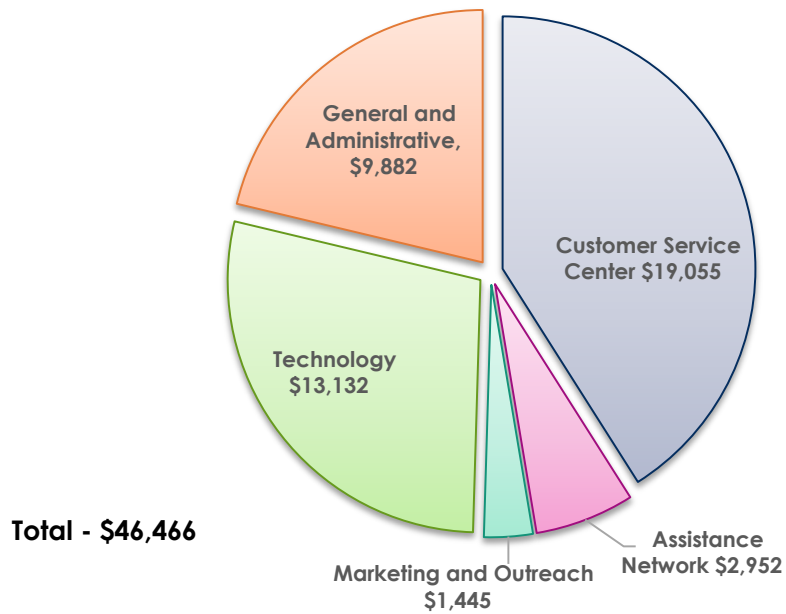
- FY 2017 decrease of \$7 MM (40%) - due to fee ending in December 2016.

- **Grant Revenue**

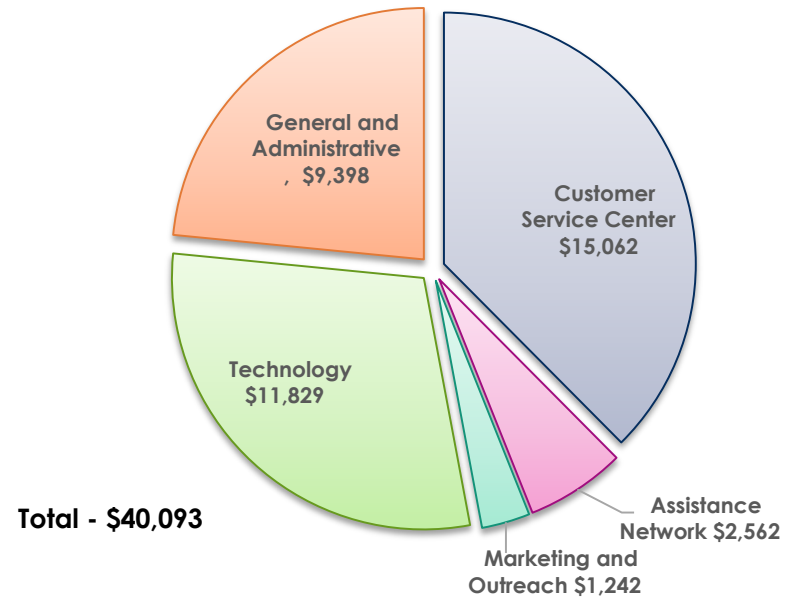
- FY 2017 decrease of \$5.9MM (70%) due to close out of Federal grant in FY 2016.

# Operating Expense Comparison – FY 2016 vs FY 2017

## Fiscal Year 2016 Operating Expenses



## Fiscal Year 2017 Operating Expenses



\$'s in 000's



# Significant Year over Year Changes – Fiscal Year 2017 Expenditures

*Overall reduction in expenditures of \$6.4MM (14%)*

- **Customer Service Center Expenses**

FY 2017 Net Decrease of \$3.9MM (21%):

- Higher service center costs in FY 2016 due to contract transition costs in 1<sup>st</sup> half of year resulting from prior contractual obligations
- Savings due to technology/process improvements and reduction in facility costs

- **Technology Expenses**

FY 2017 Net Decrease of \$1.3MM (10%):

- FY 2016 included \$2 MM of one-time SES costs

- **General and Administrative Expenses**

FY 2017 Net Decrease of \$484,000 (5%):

- Reductions in professional service fees
- FY 2016 included higher use of contractors – realignment in use of contractors and staff in FY 2017 (FY 2016 included executive, technology, security and finance contractors). Realignment will result in lower total FTE's and lower per FTE expense

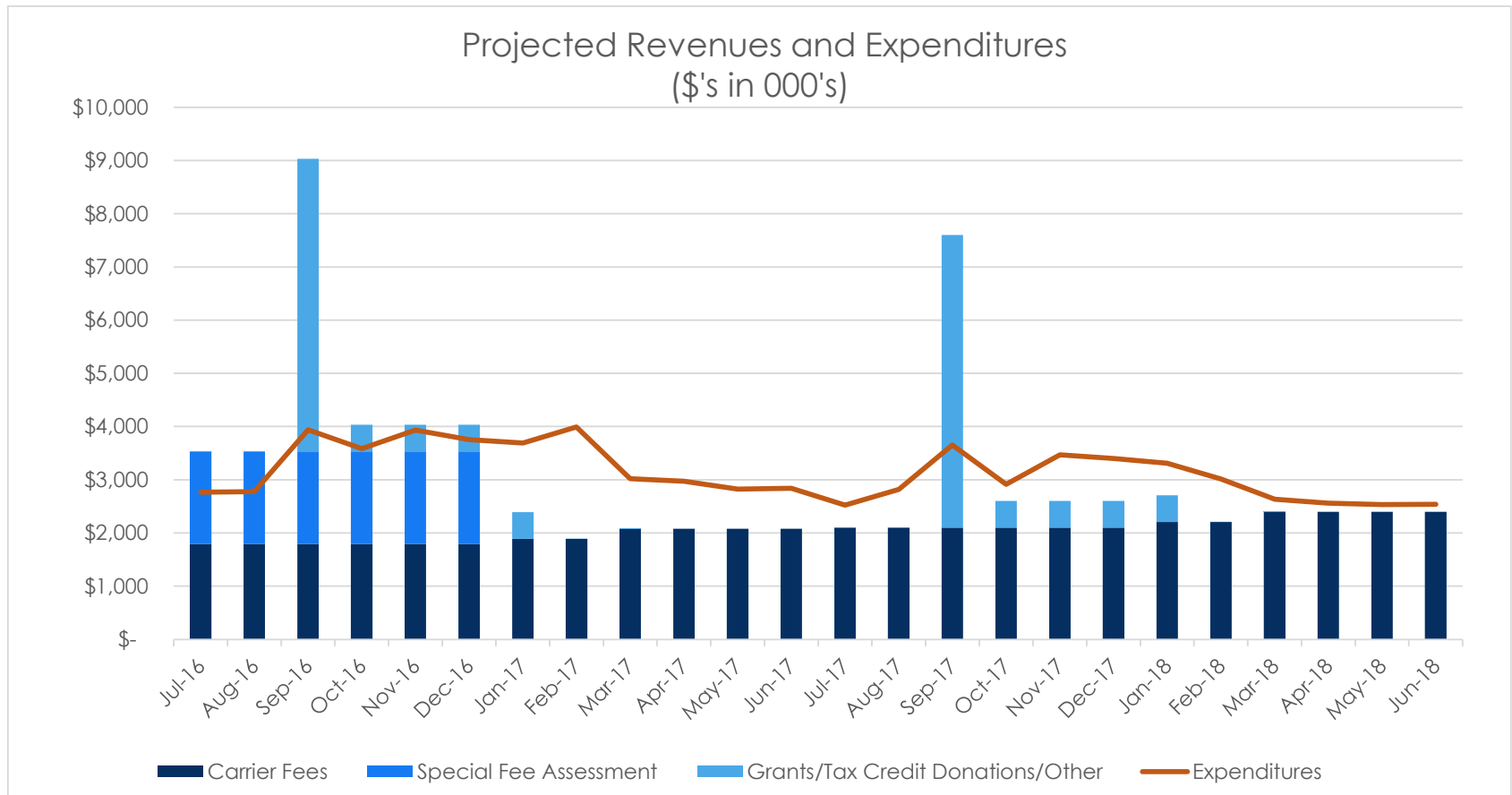
# Potential Additional Revenue and Expense Impacts

- Carrier fees – currently reviewing open enrollment for discrepancies with carriers (potential \$500,000 - \$750,000 annual benefit)
- Public Benefit Corporation – reviewing financial projections for potential FY 2017 impacts
- Medicaid Cost Allocation – not included in budget – plan in process of being submitted for approval. (potential \$1 - \$4 MM benefit).
- Technology Savings – further reductions possible due to consolidating contracts/removing management inefficiencies, platform enhancements to reduce workarounds (potential \$ impact being analyzed).
- Customer Service Center Savings – future additional reductions possible due to decreased call volume resulting from technology enhancements and process improvements (potential \$ impact being analyzed).
- General and Administrative Savings – additional reductions in contractors, audit costs and facility costs (potential \$ impact being analyzed)

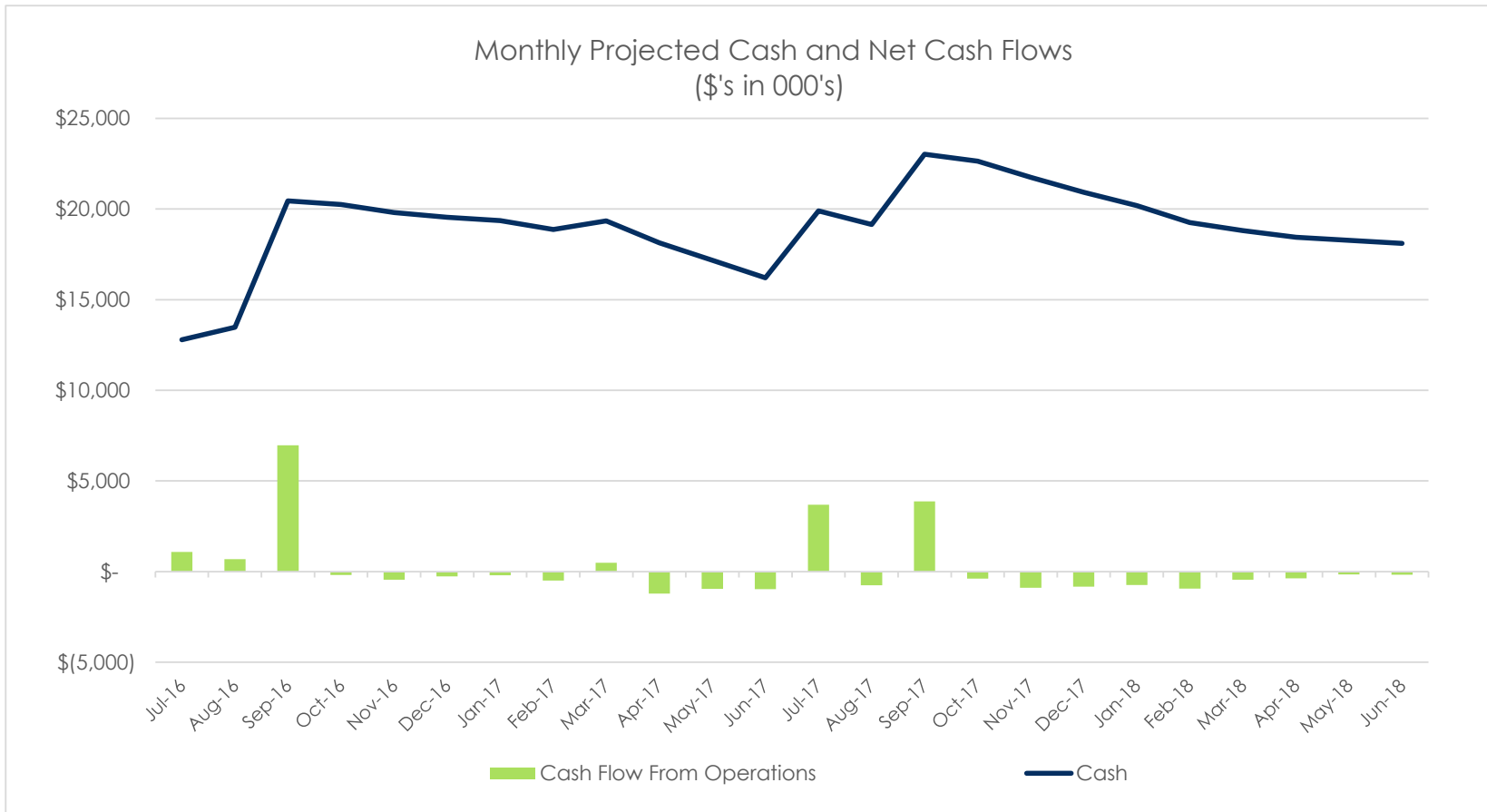
# 24 Month Projection FY 2017 and 2018

\$'s in 000's	Total FY 2016	Total FY 2017	Total FY 2018
<b>Revenues</b>			
Grants	8,411	2,500	2,500
Carrier Fees	13,415	22,855	26,599
Special Fee Assessment	17,486	10,425	-
Tax Credit Donations	5,000	5,000	5,000
Other	122	10	18
<b>Total Revenues</b>	<b>44,433</b>	<b>40,790</b>	<b>34,117</b>
<b>Operating Expenses</b>			
Customer Service Center	19,055	15,062	13,746
Assistance Network	2,952	2,562	2,562
Marketing and Outreach	1,445	1,242	1,242
Technology	13,132	11,829	9,262
General and Administrative	9,882	9,398	8,567
<b>Total Operating Expenses</b>	<b>46,466</b>	<b>40,093</b>	<b>35,379</b>
<b>Income (loss) from Operations</b>	<b>(2,033)</b>	<b>697</b>	<b>(1,262)</b>
<b>Cash Flow Adjustments (Receivables/Payables)</b>		3,790	3,170
<b>Cash Flows From Operations</b>		<b>4,486</b>	<b>1,907</b>
<b>Beginning Cash For Operations</b>		<b>11,717</b>	<b>12,000</b>
Net Cash Flow		4,486	1,907
Capital Reserve Change		4,203	1,907
<b>Ending Cash For Operations</b>		<b>12,000</b>	<b>12,000</b>
<b>Capital Reserve Use</b>		<b>(2,000)</b>	<b>(2,000)</b>
<b>Ending Capital Reserve</b>		<b>2,203</b>	<b>2,110</b>
<b>Key Measures</b>			
Average Effectuated Enrollment	112,000	129,333	142,000
Annual Operating Expenses per Enrollee	415	310	249
Total Ending Cash (after use of capital reserve)	11,717	14,203	14,110

# Projected Revenues and Expenditures – 24 Months

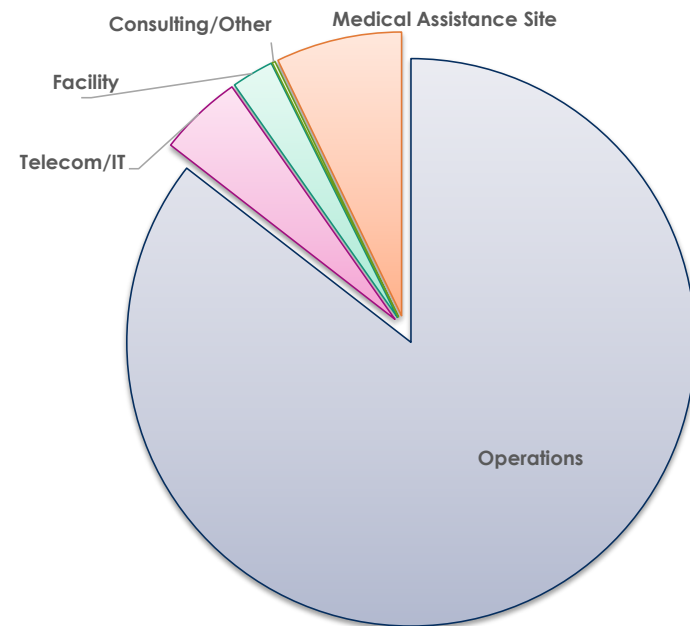


# Projected Cash – 24 Months



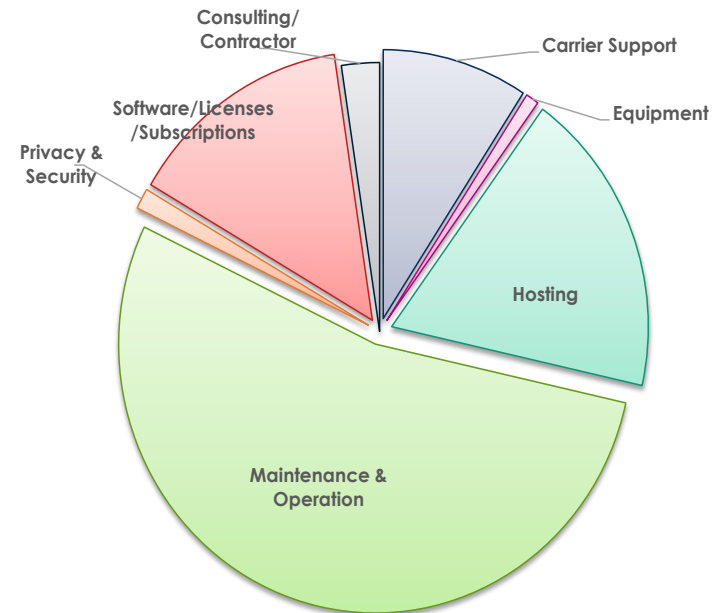
# Budget Line Components – Customer Service

- Total FY 2017 Budget - \$15,062,000
- Operating Costs – vendor costs for staffing and management of service center
- Telecom/IT – Telephony, Data and IT support services for CO service Center
- Facility Costs – Rent and Supplies for CO service Center
- Medical Assistance Site Costs – staffing, facility and telecom costs
- Additional Savings Potential – continuous performance improvement, technology enhancements to reduce call volume



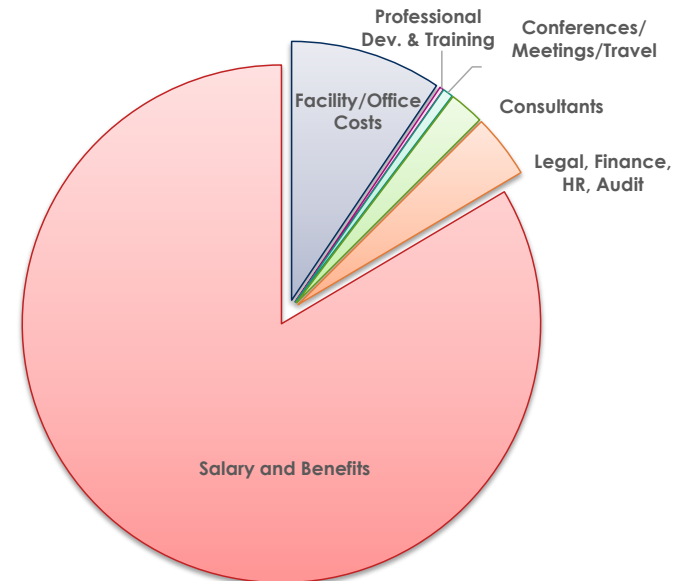
# Budget Line Components – Technology

- Total FY 2017 Budget - \$11,829,000
- Hosting – marketplace hosting
- Maintenance and Support – ongoing system maintenance/defect fixes, marketplace, SES, integration, corp systems
- Privacy and Security – consulting support
- Software Licenses/Subscriptions – Oracle, corporate system licenses
- Carrier Support – vendor support of carrier integration/EDI
- Consulting /Contractor – professional consultants, testing
- Additional Savings Potential – redundancy reductions between vendors and C4, system enhancements to reduce maintenance/support costs



# Budget Line Components – General and Administration

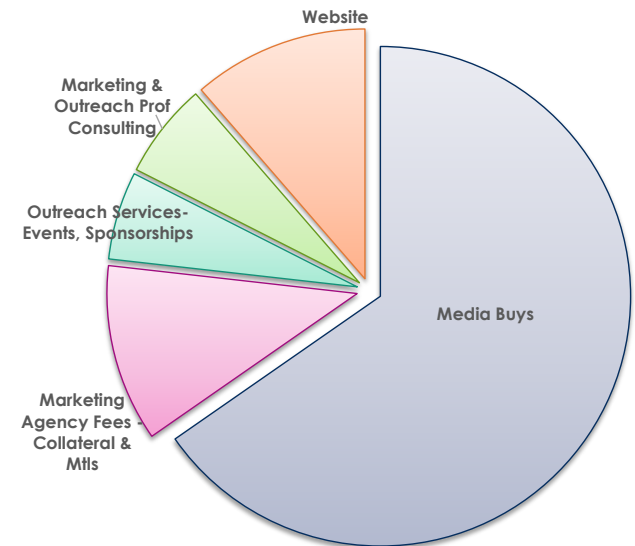
- Total FY 2017 Budget - \$9,398,000
- Salary and Benefits – employee salaries and benefits
- Facility/Office Costs – Office rent, supplies, telephone/internet/copiers, support systems
- Professional Dev. & Training – internal training
- Legal, Finance, HR, Audit – auditor costs, payroll and accounting system costs, HR, training contractors
- Conference, meetings, travel – staff meeting, travel costs
- Consultants – strategy, public affairs consulting





# Budget Line Components – Marketing and Outreach

- Total FY 2017 Budget - \$1,242,000
- Website – Support, programming, strategy, updates, URL renewals
- Marketing & Outreach Professional Consulting – surveys, video
- Outreach Services Events, Sponsorships - community meetings and events, broker/HCG meetings and events
- Marketing Agency Fees Collateral and Materials – graphic design, printing, translations, annual report
- Media Buys – paid media, planning, social media boosting



# Budget Line Components – Assistance Network

- Total FY 2017 Budget - \$2,562,000
- Grants to assistance sites
- Other network assistance support costs are included in General & Administrative and Marketing line items