

CONNECT FOR HEALTH COLORADO

FISCAL YEAR 2018 BUDGET
BOARD OF DIRECTORS
PRESENTATION

JUNE 12, 2017

Key Fiscal Year 2018 Budget Assumptions

- Carrier fee of 3.5% of exchange generated premiums for entire period
- Effectuated enrollment averages 145,000 for the period January – December 2017 (based on actuals) and remains at 145,000 through June 2018 (no increase resulting from next open enrollment).
- No significant changes to carrier participation on exchange for next enrollment period
- Average medical premiums grow by 10% for next plan year (2018) – 50% of last years increase.
- Tax credit donations - \$5 million
- Grant funding for Assistant Network continues but shared with consumer shopping tool improvements and network connector tool
- No new revenue sources included in operating income (Medicaid cost allocation not approved by CMS at the time of budget preparation). Supplemental budget will be submitted upon confirmation of CMS approval.

Fiscal Year 2018 Budget (July 2017-June 2018) Summary

\$'s in 000's

	FY 2017 Projected	FY 2018 Budget	\$ Change	% Change
Revenues				
Grants	2,590	2,500	(90)	-3%
Carrier Fees (Individual and SHOP)	25,145	30,325	5,179	21%
Special Fee Assessment	10,801	0	(10,801)	-100%
Tax Credit Donations	5,000	5,000	0	0%
Other	17	144	127	749%
Total Revenues	43,553	37,969	(5,584)	-13%
Operating Expenses				
Operations/Customer Service	16,019	14,836	(1,183)	-7%
Technology	11,464	10,493	(971)	-8%
Assistance Network	2,521	2,556	35	1%
Marketing and Outreach	1,658	1,244	(414)	-25%
General and Administrative	8,706	8,588	(117)	-1%
Total Operating Expenses	40,368	37,717	(2,651)	-7%
Net Operating Income*	3,185	252	(2,934)	-92%

* Before amortization and depreciation of long-term assets

Fiscal Year 2018 Budget

Forecasted Quarterly Financial Position

\$'s in 000's	<u>6/30/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>	<u>3/31/2018</u>	<u>6/30/2018</u>
<u>Assets</u>					
Cash and Cash Equivalents	21,711,000	18,847,159	23,112,592	20,011,189	19,611,929
Accounts Receivable, Net	4,163,309	4,163,309	4,157,309	4,265,272	4,218,265
Pre-Paid Expenses	1,821,421	2,180,302	1,537,580	1,183,275	548,862
Total Current Assets	27,695,731	25,190,771	28,807,481	25,459,736	24,379,056
Property & Equipment	61,431,775	62,181,402	62,856,029	63,380,656	63,905,283
Accumulated Depreciation	(42,724,131)	(46,153,865)	(49,590,347)	(53,029,107)	(56,348,869)
Other Long-term Assets	29,609				
Total Long-term Assets	18,737,253	16,027,537	13,265,682	10,351,549	7,556,414
Total Assets	46,432,983	41,218,307	42,073,163	35,811,285	31,935,471
<u>Liabilities</u>					
Accounts Payable	2,240,305	1,978,515	1,689,044	1,321,574	1,109,867
Accrued Liabilities	274,732	280,000	279,000	281,000	280,500
Other Short-term Liabilities	-	-	-	-	-
Total Short-term Liabilities	2,515,037	2,258,515	1,968,044	1,602,574	1,390,367
Total Liabilities	2,515,037	2,258,515	1,968,044	1,602,574	1,390,367
<u>Net Assets</u>					
Unrestricted	43,917,947	38,959,792	40,105,118	34,208,711	30,545,104
Total Net Assets					
Total Liabilities & Net Assets	46,432,984	41,218,307	42,073,163	35,811,285	31,935,471

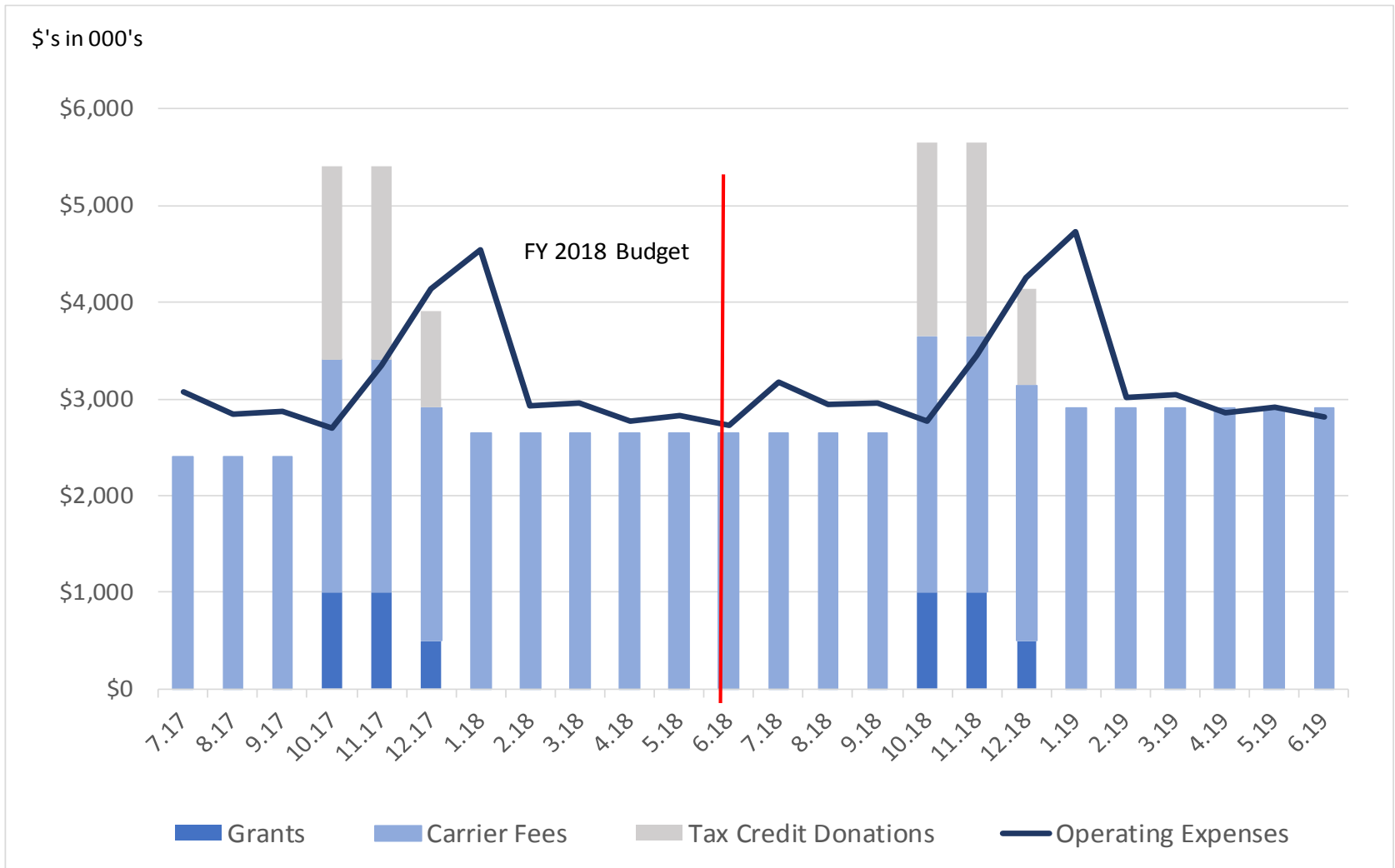
24 Month Projection Revenue and Expense Summary

\$'s in 000's

	FY 2017 Projected	FY 2018 Budget	FY 2019 Forecasted
Revenues			
Grants	2,590	2,500	2,500
Carrier Fees (Individual and SHOP)	25,145	30,325	33,298
Special Fee Assessment	10,801	0	0
Tax Credit Donations	5,000	5,000	5,000
Other	17	144	144
Total Revenues	43,553	37,969	40,942
Operating Expenses			
Operations/Customer Service	16,019	14,836	15,133
Technology	11,464	10,493	11,017
Assistance Network	2,521	2,556	2,556
Marketing and Outreach	1,658	1,244	1,368
General and Administrative	8,706	8,588	8,846
Total Operating Expenses	40,368	37,717	38,920
Net Operating Income*	3,185	252	2,022

* Before amortization and depreciation of long-term assets

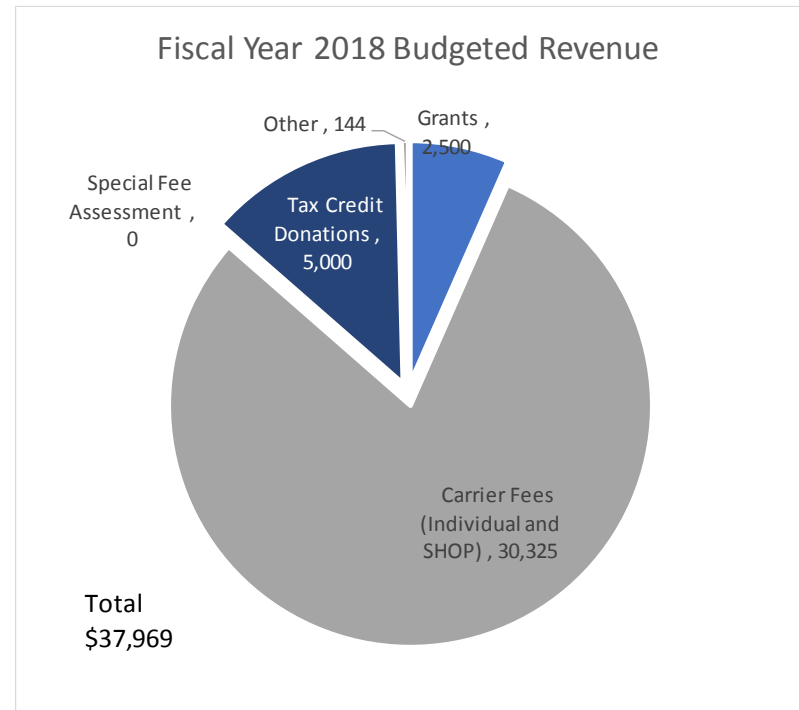
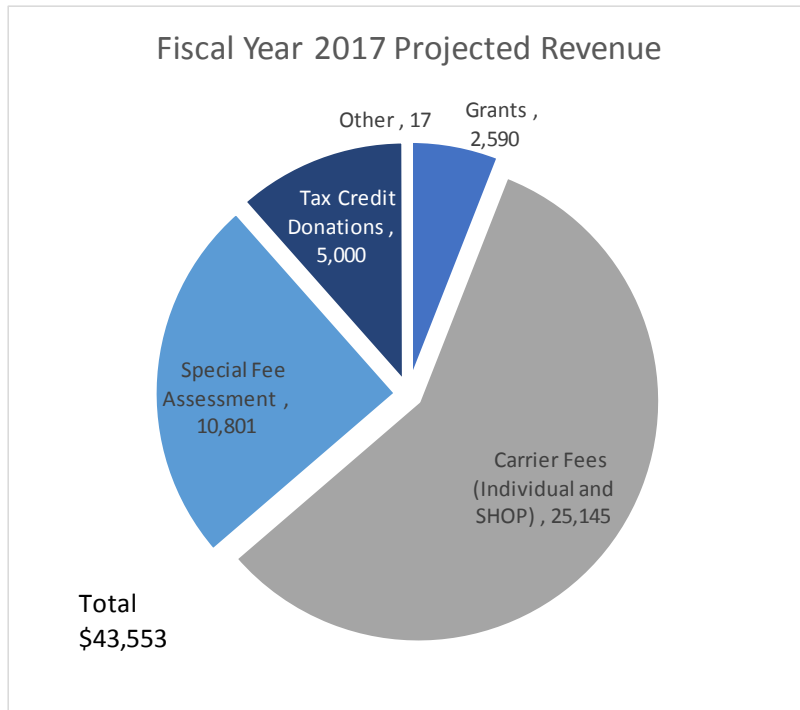
24 Month Projection Revenues and Operating Expenses



24 Month Projection Monthly Cash Flows and Cash



Revenue Comparison – FY 2017 vs FY 2018



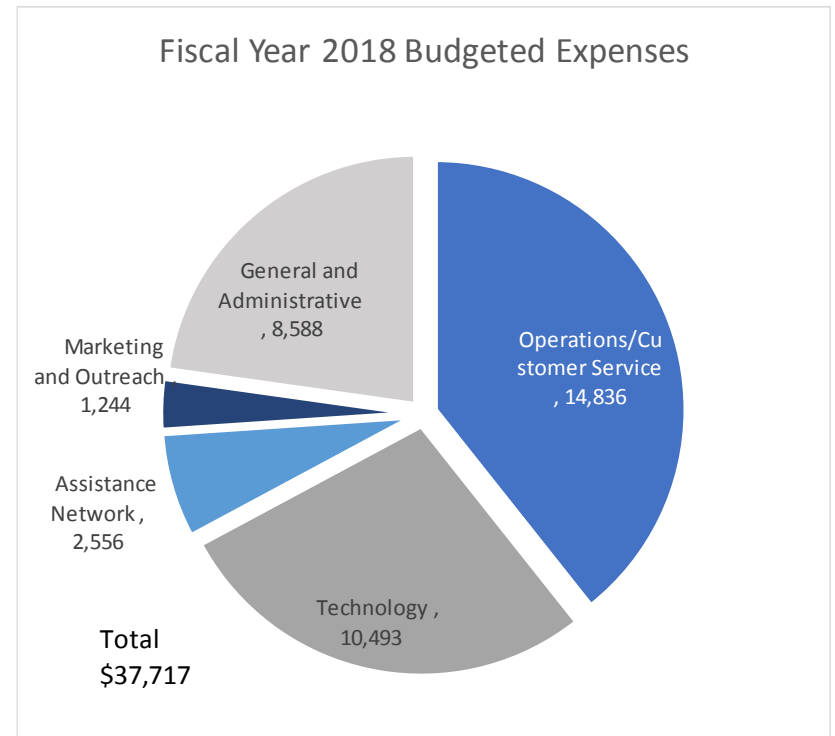
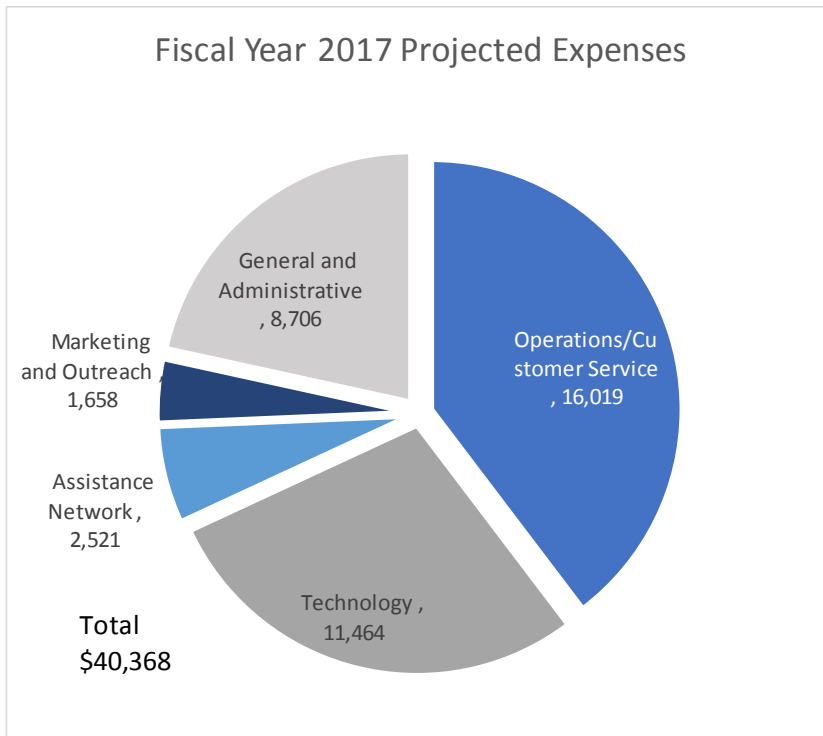
\$'s in 000's

Significant Year over Year Changes – Fiscal Year 2018 Revenues

Overall reduction in revenues of \$5.6MM (13%)

- **Carrier fee Revenue**
FY 2018 Increase of \$5.2MM (21%):
 - Full year of higher enrollment/premiums for FY 18
 - Increase in average premium by 10% (50% of open enrollment 4 increase) for 2nd half of fiscal year
- **Special Fee Assessment Revenue**
 - Fee expired December 31, 2016.
- **Grant Revenue**
 - No change expected from FY 2017.

Operating Expense Comparison – FY 2017 vs FY 2018



\$'s in 000's

Significant Year over Year Changes – Fiscal Year 2018 Expenditures

Overall reduction in expenditures of \$2.6MM (7%)

- Customer Service Operations Expenses

FY 2018 Net Decrease of \$1.2MM (7%):

- Savings due to technology/process improvements and reduction in facility/technology costs
- Fullfillment/notices cost reduction

- Technology Expenses

FY 2018 Net Decrease of \$971,000 (8%):

- Full year of cost savings from renegotiated contracts with technology vendors
- Reduction in vendor billing rates for development work
- Efficiency savings

- Marketing and Outreach

FY 2018 Net Decrease of \$414,000 (25%):

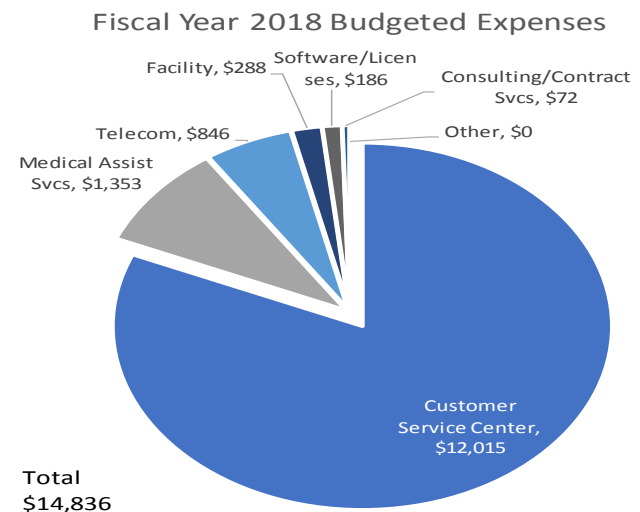
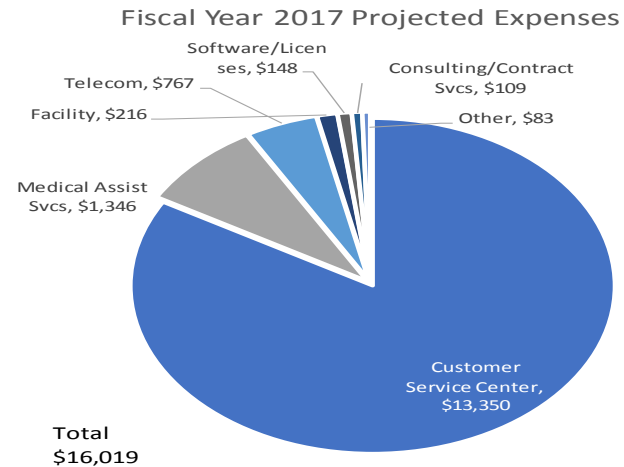
- FY 2017 higher than budget due to special marketing program for eligible but not insured population – not budgeted for FY 2018

Potential Additional Revenue and Expense Impacts FY 2018 and beyond

- Medicaid Cost Allocation – not included in budget – plan currently undergoing review by CMS for approval (budget approval received from State). Potential \$2 - \$4 MM benefit starting in FY 2017.
- SHOP – lower operational costs, look into feasibility of alternative platforms and products.
- Technology Savings – further reductions possible due to improved sharing of resources between vendors and C4HCO, consolidating contracts/removing management inefficiencies, platform enhancements/changes to reduce operational costs.
- Customer Service Operations Savings – future additional reductions possible due to decreased call volume resulting from technology enhancements and process improvements.
- General and Administrative Savings – additional reductions in contractors, audit costs and facility costs (lease up March 2018).
- Carrier fees – expansion of enrollment through focusing marketing efforts. Assist State with reinsurance efforts to maintain diversity of health plans on exchange.
- Partnering with western states and other state based exchanges to share resources and pursue group purchasing opportunities.

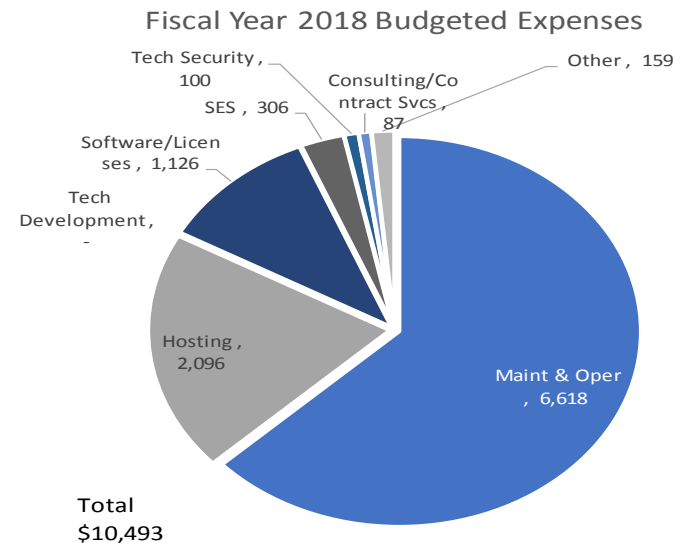
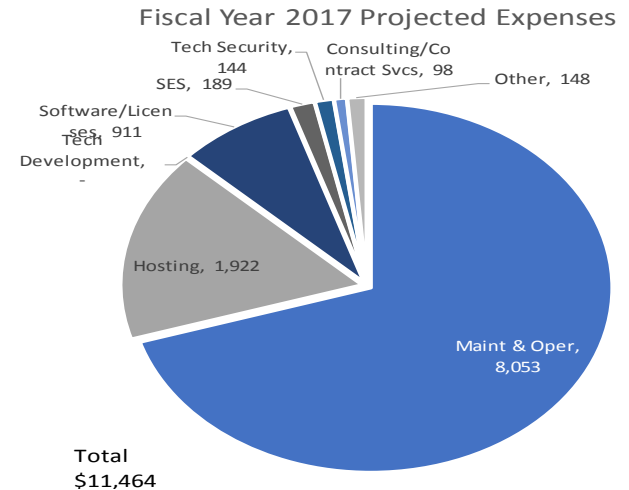
Budget Line Components – Operations/Customer Service

- Total FY 2018 Budget - \$14,836,000 (7% decrease)
- Customer Service Costs – vendor costs for staffing and management of service center
- Telecom/IT – Telephony, Data and IT support services for CO service Center – further cost reduction expected.
- 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

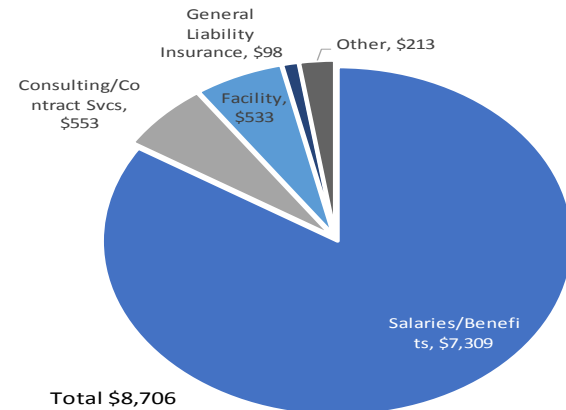
- Total FY 2018 Budget - \$10,493,000 (8% decrease)
- Hosting – marketplace hosting
- Maintenance and Support and Tech Development – ongoing system maintenance/defect fixes, marketplace, SES, integration, corporate system support
- Tech Security – consulting support
- Software Licenses/Subscriptions – Oracle, corporate system licenses, significant future savings from new Oracle contract
- 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



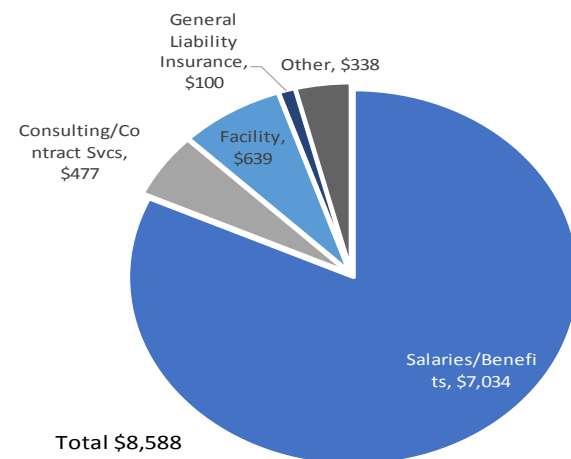
Budget Line Components – General and Administration

- Total FY 2018 Budget - \$8,588,000 (1% decrease)
- Salary and Benefits – all employee salaries and benefits
- Facility/Office Costs – Office rent, supplies, telephone/internet/ copiers, support systems (lease ends March 31, 2018)
- Consulting/Contract Services - Legal, Finance, HR, public affairs, Audit – auditor costs, payroll and accounting system costs, HR, training contractors
- General Liability Insurance – cyber insurance, business and director and officers insurance.

Fiscal Year 2017 Projected Expenses



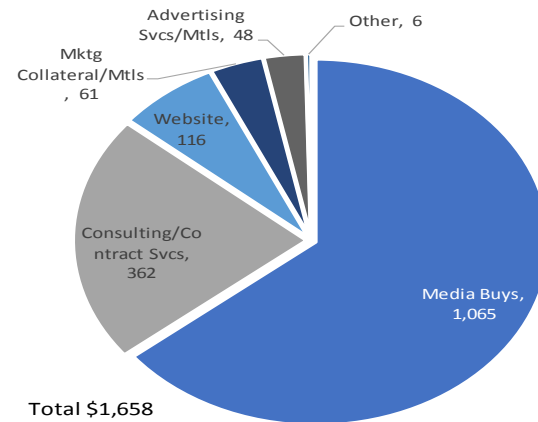
Fiscal Year 2018 Budgeted Expenses



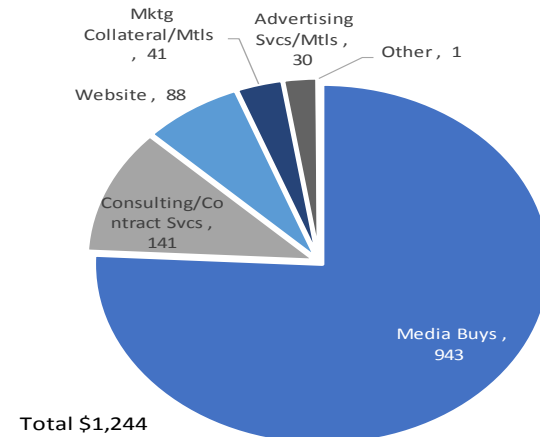
Budget Line Components – Marketing and Outreach

- Total FY 2018 Budget - \$1,244,000 (25% decrease)
- Decrease due to special marketing campaign in FY 2017 that increased costs, FY 2018 budget is in line with FY 2017 budget
- Website – Support, programming, strategy, updates, URL renewals
- Consulting/contractor services – surveys, video, planning
- Marketing Collateral and Materials – graphic design, printing, translations, annual report
- Media Buys – paid media, planning, social media boosting

Fiscal Year 2017 Projected Expenses



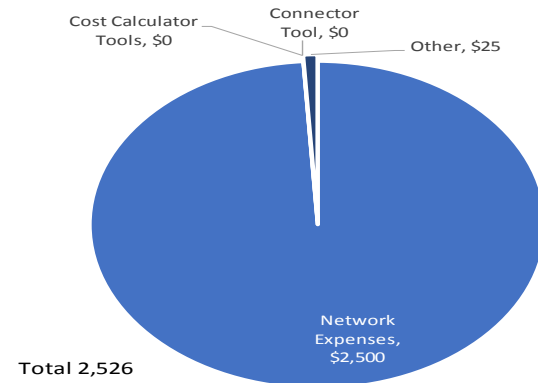
Fiscal Year 2018 Budgeted Expenses



Budget Line Components – Assistance Network

- Total FY 2018 Budget - \$2,556,000 (1% increase)
- Contingent on receipt of funding
- Grants to assistance sites
- Replacement of enrollment tracking tool
- Enhancements to out of pocket cost calculator
- Additional network assistance support costs are included in general & administrative salary expenses

Fiscal Year 2017 Projected Expenses



Fiscal Year 2018 Budgeted Expenses

