

# CONNECT FOR HEALTH COLORADO

## FISCAL YEAR 2018 BUDGET FINANCE AND OPERATIONS COMMITTEE PRESENTATION

MAY 22, 2017

# Key Fiscal Year 2018 Budget Assumptions

- Carrier fee of 3.5% of exchange generated premiums for entire period
- Effectuated enrollment averages 142,000 for the period January – December 2017 (based on actuals) and remains at 142,000 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 at current levels
- No new revenue sources included in operating income (Medicaid cost allocation not approved by CMS at the time of budget preparation.

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

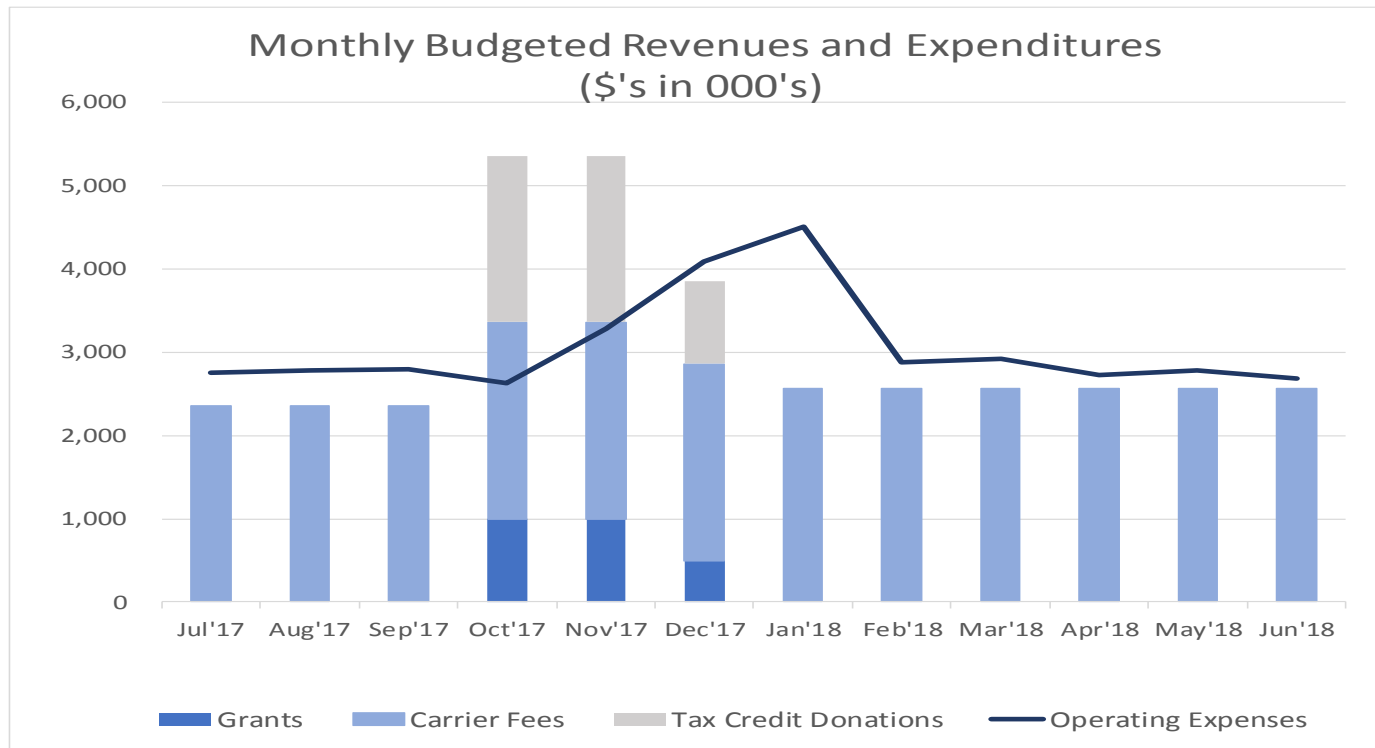
\$'s in 000's

	<b>FY 2017 Projected</b>	<b>FY 2018 Budget</b>	<b>% Change</b>
<b>Revenues</b>			
Grants	2,590	2,500	-3%
Carrier Fees (Individual and SHOP)	23,645	29,589	25%
Special Fee Assessment	10,801	0	-100%
Tax Credit Donations	5,000	5,000	0%
Other	17	144	749%
<b>Total Revenues</b>	<b>42,053</b>	<b>37,233</b>	<b>-11%</b>
<b>Operating Expenses</b>			
Operations/Customer Service	16,019	14,580	-9%
Technology	11,464	10,088	-12%
Assistance Network	2,521	2,556	1%
Marketing and Outreach	1,658	1,344	-19%
General and Administrative	8,706	8,413	-3%
<b>Total Operating Expenses</b>	<b>40,368</b>	<b>36,980</b>	<b>-8%</b>
<b>Net Operating Margin*</b>	<b>1,685</b>	<b>252</b>	<b>-85%</b>

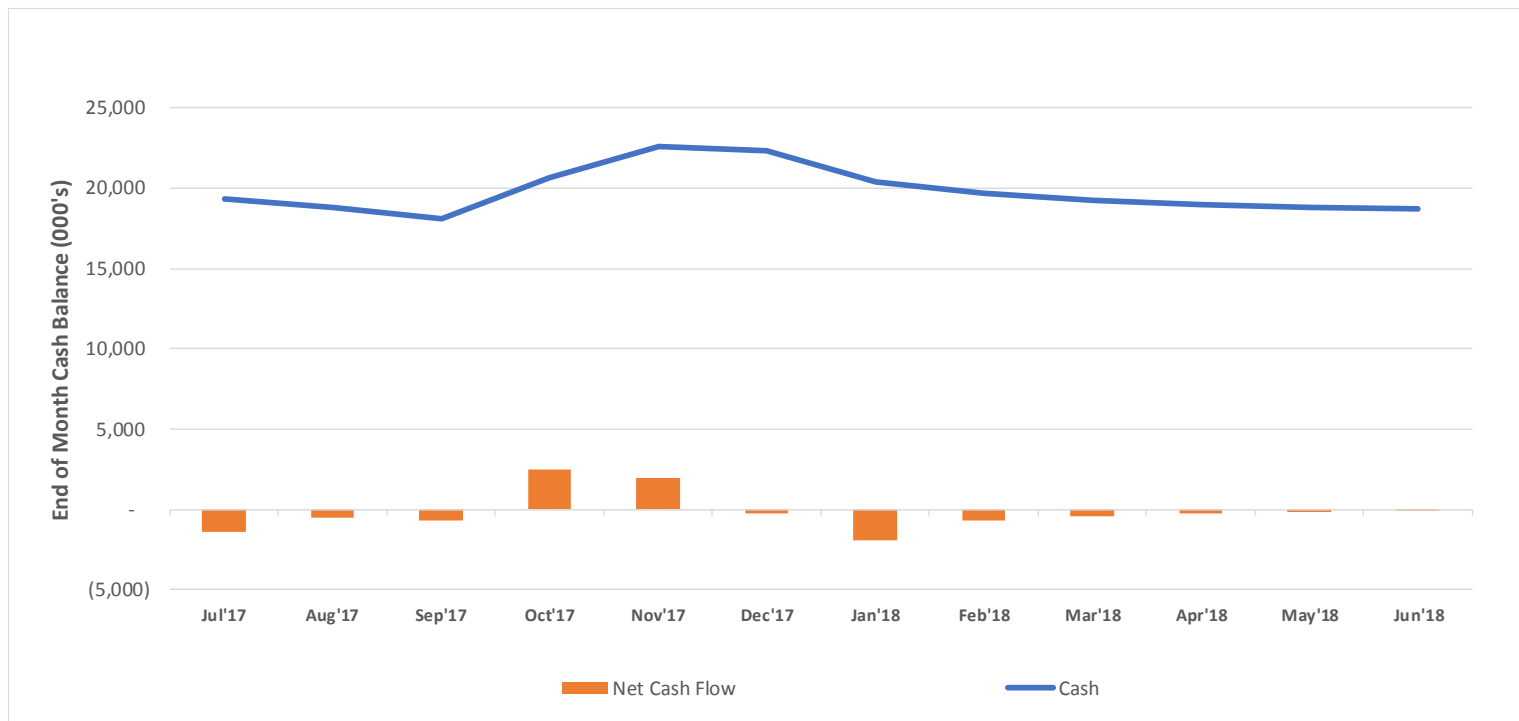
\* Before amortization and depreciation of long-term assets

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

## Revenues and Expenses



# Fiscal Year 2018 Budget Cash Position



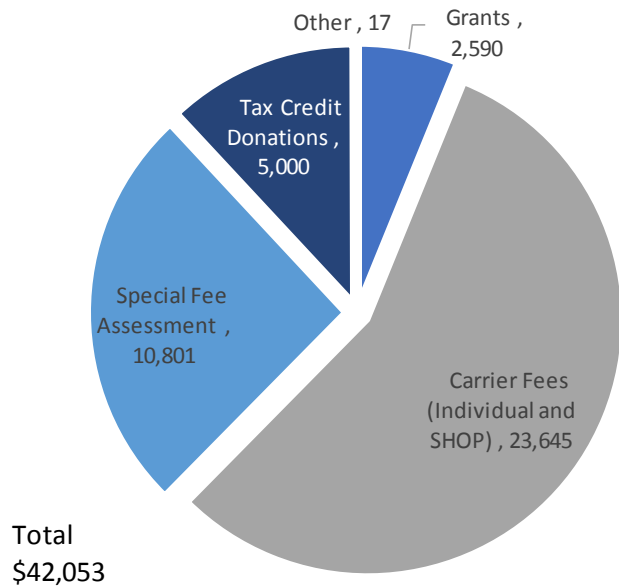
# Fiscal Year 2018 Budget

## Forecasted Quarterly Financial Position

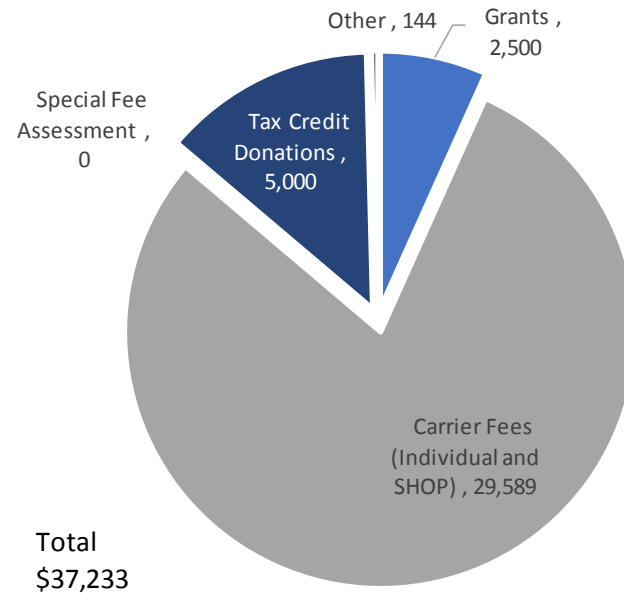
\$'s in 000's	<u>6/30/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>	<u>3/31/2018</u>	<u>6/30/2018</u>
<u>Assets</u>					
Cash and Cash Equivalents	20,745,504	18,106,733	22,347,236	19,220,903	18,734,194
Accounts Receivable, Net	4,863,309	4,863,309	4,857,309	4,890,249	4,830,739
Grants Receivable	-	-	-	-	-
Pre-Paid Expenses	1,821,421	2,180,302	1,537,580	1,183,275	548,862
Total Current Assets	<u>27,430,235</u>	<u>25,150,345</u>	<u>28,742,125</u>	<u>25,294,427</u>	<u>24,113,795</u>
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	<u>18,737,253</u>	<u>16,027,537</u>	<u>13,265,682</u>	<u>10,351,549</u>	<u>7,556,414</u>
Total Assets	<u>46,167,488</u>	<u>41,177,881</u>	<u>42,007,807</u>	<u>35,645,976</u>	<u>31,670,210</u>
<u>Liabilities</u>					
Accounts Payable	1,974,809	1,713,019	1,423,548	1,056,078	844,371
Accrued Liabilities	274,732	280,000	279,000	281,000	280,500
Other Short-term Liabilities	-	-	-	-	-
Total Short-term Liabilities	<u>2,249,541</u>	<u>1,993,019</u>	<u>1,702,548</u>	<u>1,337,078</u>	<u>1,124,871</u>
Total Long Term Liabilities	-				
Total Liabilities	<u>2,249,541</u>	<u>1,993,019</u>	<u>1,702,548</u>	<u>1,337,078</u>	<u>1,124,871</u>
<u>Net Assets</u>					
Unrestricted	<u>43,917,947</u>	<u>39,184,862</u>	<u>40,305,258</u>	<u>34,308,898</u>	<u>30,545,339</u>
Total Net Assets					
Total Liabilities & Net Assets	<u>46,167,488</u>	<u>41,177,881</u>	<u>42,007,807</u>	<u>35,645,976</u>	<u>31,670,210</u>

# Revenue Comparison – FY 2017 vs FY 2018

### Fiscal Year 2017 Projected Revenue



### Fiscal Year 2018 Budgeted Revenue



\$'s in 000's

# Significant Year over Year Changes – Fiscal Year 2018 Revenues

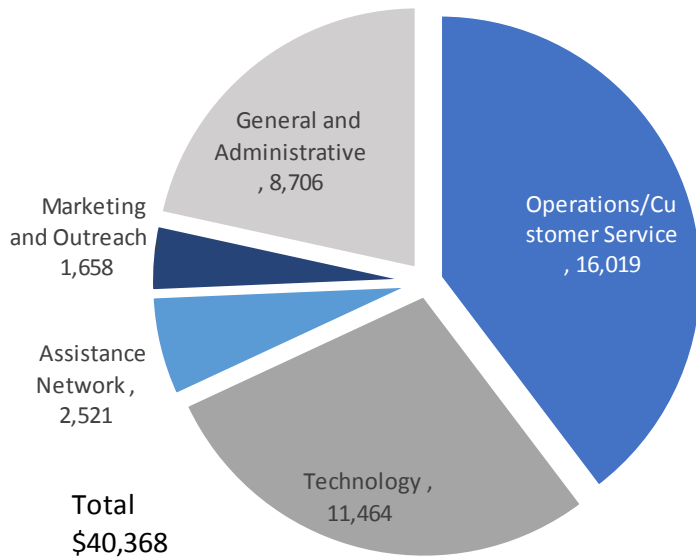
*Overall reduction in revenues of \$4.8MM (11%)*

- Carrier fee Revenue
  - FY 2018 Increase of \$5.9MM (25%):
    - Full year of higher enrollment/premiums for FY 18
    - Increase in average premium by 10% ( 50% of open enrollment 4 increase) for 2<sup>nd</sup> half of fiscal year
- Special Fee Assessment Revenue
  - Fee expired December 31, 2016.
- Grant Revenue
  - No change expected from FY 2017.

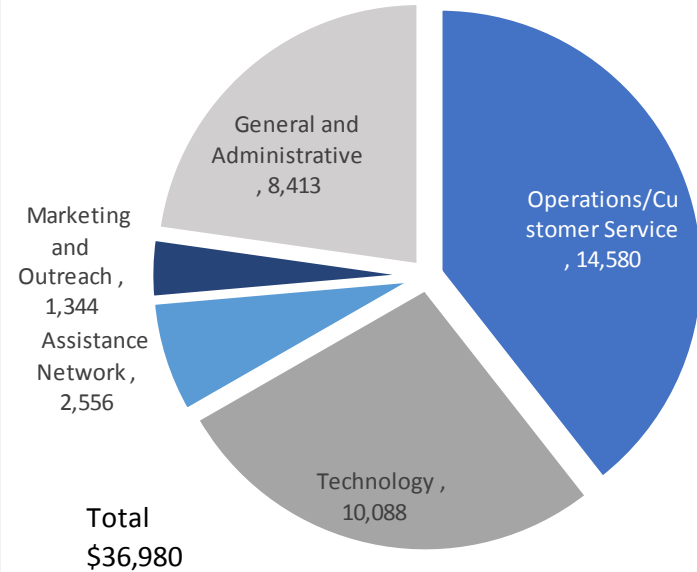


# Operating Expense Comparison – FY 2017 vs FY 2018

### Fiscal Year 2017 Projected Expenses



### Fiscal Year 2018 Budgeted Expenses



\$'s in 000's

# Significant Year over Year Changes – Fiscal Year 2018 Expenditures

*Overall reduction in expenditures of \$3.4MM (8%)*

- **Customer Service Operations Expenses**

FY 2018 Net Decrease of \$1.4MM (9%):

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

- **Technology Expenses**

FY 2018 Net Decrease of \$1.5MM (12%):

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

- **General and Administrative Expenses**

FY 2018 Net Decrease of \$292,000 (3%):

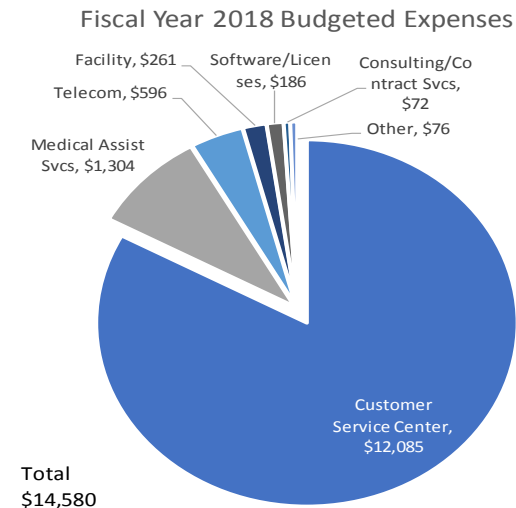
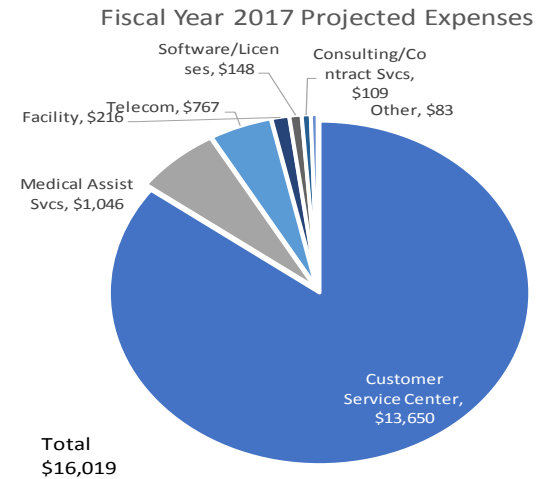
- Staffing flat with current levels
- Reduction in consultant expenses

# 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 consolidating contracts/removing management inefficiencies, platform enhancements/upgrades to reduce workarounds.
- 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 additional concentration on eligible but not enrolled population and public groups. 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.

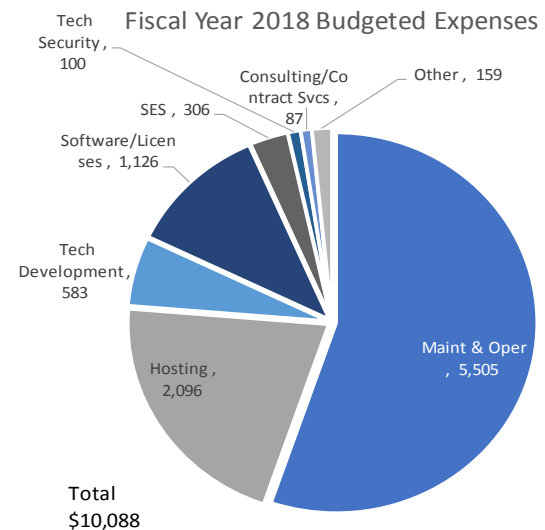
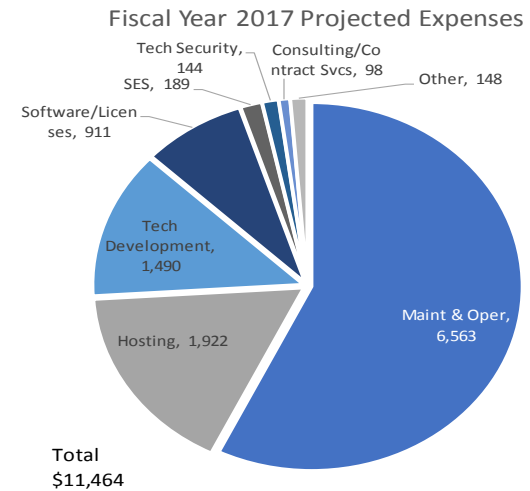
# Budget Line Components – Operations/Customer Service

- Total FY 2018 Budget - \$14,580,000 (9% 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

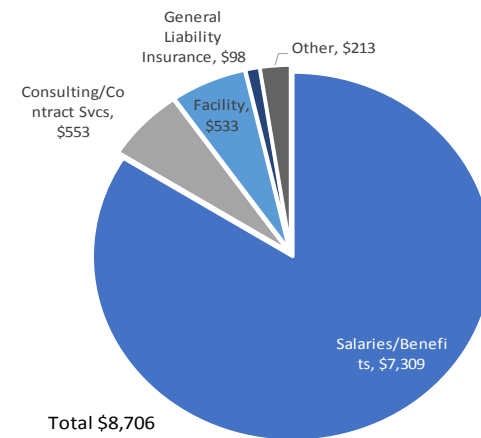
- Total FY 2018 Budget - \$10,088,000 (12% decrease)
- Hosting – marketplace hosting
- Maintenance and Support and Tech Development – ongoing system maintenance/defect fixes, marketplace, SES, integration, corporate system support
- Tech Security – consulting support
- Software Licenses/Subscriptions – 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



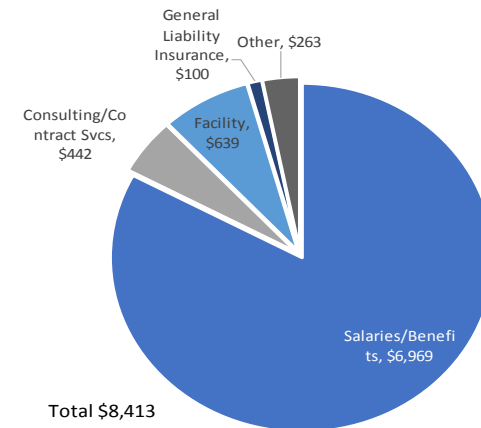
# Budget Line Components – General and Administration

- Total FY 2018 Budget - \$8,413,000 (3% 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



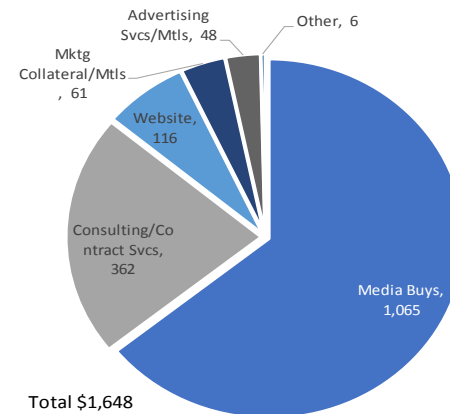
Fiscal Year 2018 Budgeted Expenses



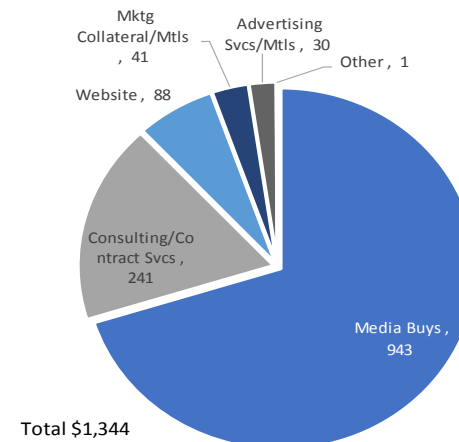
# Budget Line Components – Marketing and Outreach

- Total FY 2018 Budget - \$1,344,000 (19% 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

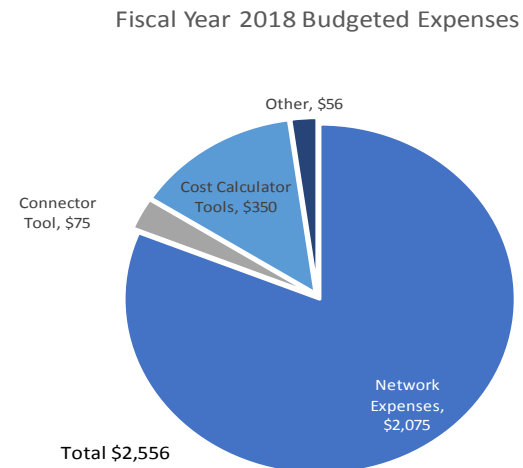
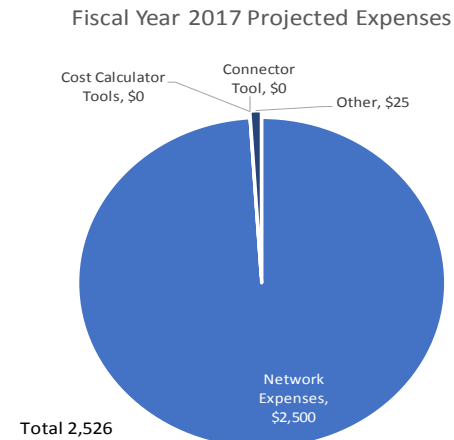


Fiscal Year 2018 Budgeted Expenses



# 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



\$'s in 000's