
MEMORANDUM

TO: FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN
SUBJECT: FINANCE REPORT - AUGUST 31, 2015
DATE: 9/24/2015

Findings and future actions in bold italics

Net change in assets for the 2 month period ending August 31, 2015 exceeded budget expectations by \$666,000 on an accrual basis. Cash balance at the end of the period was \$26.1 million compared to a forecasted balance of \$22.3 million. ***Budget to actual reporting is on an accrual basis. The original approved budget was on a cash basis. Finance is developing a cash basis tracking and forecasting model in order to report against the original budget and cash forecasts.***

Summary of Revenues and Expenses

	Year To Date 08/31/2015		
	Actual	Budget	Budget Diff
Revenue			
Grant Revenue	694,172	616,667	77,505
Program Revenue	4,010,139	4,209,824	(199,685)
Investment Income	4,780	6,000	(1,220)
Revenue - Other	5,120	0	5,120
Total Revenue	4,714,211	4,832,491	(118,280)
Expenditures			
Customer Service Center	2,932,635	2,403,886	528,749
Assistance Network	44,406	540,000	(495,594)
Marketing & Outreach	3,751	200,000	(196,249)
Technology	1,706,782	2,074,487	(367,705)
Ops, Financial Management & Misc. Direct	589,209	550,800	38,409
General and Administrative Expenses	1,443,511	1,735,467	(291,956)
Depreciation	1,801,689	1,801,689	0
Total Expenditures	8,521,983	9,306,329	(784,346)
Change In Net Assets	(3,807,772)	(4,473,839)	666,067

Revenue

Revenues for the period came in under budget by \$118,000. The revenue variance was made up of the following significant variances:

- Federal Grants (+\$450,000) – carryover of Federal funds was larger than what was anticipated in the budget. ***A thorough review of all FY 2015 Federal expenditures is underway to assure compliance with Federal regulations. Through this review some expenses could be determined to be not allowed under Federal guidelines and will be reclassified to other revenue sources. This will result in additional revenue for FY 2016.***
- Colorado Health Foundation Grant (-\$372,000) – due to timing of use of grant funds. The budget assumed equal proration of the \$2.5MM grant over the year. Actual grant expenditures during the period were lower than the prorated amount. This variance will disappear as the year progresses.
- Market Assessment Fees (-\$536,000) – budgeted fees were based on preliminary self-reported covered lives for the first quarter. The initial self-reported lives were overstated due to prescription drug plans reporting lives that are not subject to the fees. ***This negative variance will most likely continue for the fiscal year. Analysis of the self-reported lives is underway to assure all carriers are reporting lives and the level of lives being reported is reasonable.***
- Tax Credit Donations (+\$367,000) – the entire \$5 MM credit was budgeted to come through in September. Actuals reflect actual credits received during the reporting period. Remainder is expected to come through in September to equal the budgeted amount.

Expenditures

Operating expenses came in \$784,000 lower than budgeted expenses for the period. The operating expense variance was made up of the following significant variances:

- Customer Service Center Labor (+\$620,000) – over budget on fixed labor costs (+\$215,000) and variable labor costs (+\$405,000). Actual fixed costs match with the new contract pricing. ***Reviewing original budget assumptions in comparison with new CGI contract to verify appropriate expenditure levels were budgeted for the fiscal year.***
- Assistance Network (\$-496,000) – under budget resulting from timing – budget assumed higher level of assistance network spending during the period. Actual expenditures were low in July and August but are expected to increase significantly during fall and open enrollment to match the total budgeted expenditures.
- Media and Customer Interactions (\$-197,000) – under budget resulting from timing – budget assumed higher level of spending in July-August. Actual expenditures are expected to catch up with budgeted amounts in the remaining months of the calendar year.
- Oracle Platform Maintenance and Support (\$-484,000) – under budget due in part to difference between cash based budget and accrual based actuals. Total cash expenditure for the year budgeted in August – actual accrual based expenses spread across the year. ***Budgeted cash expenses are being reviewed to make them comparable with actual accrual based expenses. Biggest difference results from the prepayment of expenses.***

- G&A Salary and Benefit Expenses (-\$234,000) – expenses lower than budget due to postponing some hiring along with budget not accounting for staff attrition.

Based on the budget to actual variance analysis for the first 2 months of the fiscal year, further analysis is being undertaken for some of the larger variances to determine if they are expected to be recurring variances or will be self-correcting due to timing differences between budget and actuals. Part of this analysis will include reforecasting of cash position during the year along with sensitivity analysis of potential variances in fee revenue assuming different levels of enrollment. Appropriate steps will be taken if re-forecasted cash positions fall below budgeted expectations.

Additional projects currently underway to improve expense management include department level budget to actual reporting for management purposes and contract level expense tracking to provide alerts to management and the Board when there is a risk of contract overages.