

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: FEBRUARY FY 2016 INTERIM FINANCIAL REPORT
DATE: 3/24/2016

The net change in assets before depreciation for the 8 months ending February 29, 2016 was better than budget expectations by \$230,000 (\$3.5 MM loss vs \$3.8 MM loss budgeted).

Key Financial Metrics
YTD Through 12/31/2015
(\$'s in 000's)

		Actuals (YTD)	Budget/Target (YTD)	% of Budget/Target
Financial Results				
<i>Revenues</i>				
Program Revenue	(1)	21,591	25,095	86.0%
Grant Revenue		3,064	2,500	122.6%
Total Revenue	(1)	30,019	32,862	91.3%
<i>Expenditures</i>				
Customer Service		14,382	16,051	89.6%
Technology Operations		10,802	11,145	96.9%
General and Administrative		6,195	7,251	85.4%
Operations		1,149	1,010	113.7%
Marketing		1,038	1,185	87.7%
Total Expenditures		33,567	36,642	91.6%
Earnings Before Depreciation		(3,548)	(3,780)	
Cash Flows		(14,795)	(11,700)	
General Financial Metrics				
Cash		17,686	16,800	105.3%
Working Capital		20,381	16,791	121.4%
Avg Effectuated Medical Enrollment	(2)	110,129	124,890	88.2%
Avg Monthly Adm Fee Per Enrollee		6.5	6.6	99.1%
Operating Expenses per Enrollee		38.1	36.7	103.9%
Operating Earnings/Program Revenue		-16%	-15%	

Program revenues (1) were lower than budget (\$21.6 million vs \$25.1 million) primarily due to the combination of lower covered lives reported for the special assessment fee than what was initially budgeted and lower administration fees. The budget for special assessment revenue was derived from preliminary covered lives data that was overstated resulting in revenues coming in at \$2.6 MM below budget for the year. The covered lives data is self-reported by the carriers and the initial counts used for the budget included some non-medical plan lives resulting in an overstatement of budgeted revenues. The average monthly administration fee per enrollee has improved since last reported due to the full collection of the HealthOp fees, however, due to overall effectuated

enrollment (2) at 88% of budget, administration fees are below budget expectations by \$828,000 for the year.

Detailed financial statements are attached to this memo. Some of the more significant revenue and expense variances for the eight months were:

Revenue

Revenue for the period came in below budget by \$2.8 million for the 8 months. Aside from the negative special assessment fee variance, there was a positive grant variance of \$564,000 used to fund special projects including assisting in the transition of HealthOp customers. Not included in the revenue variance is the recognition of Federal grant funds in this fiscal year due to prior audit findings disallowing certain prepaid expenditures made prior to the current fiscal year. A thorough review of prior year Federal expenditures is under way to assure compliance with Federal regulations. This may result in additional Federal grant revenue recorded for FY2016.

Expenditures

Operating expenses came in at \$3.1 million lower than budget expenses for the period, excluding depreciation expense. The operating expense variance consists of the following significant variances:

- Customer Service Center (-\$1.5 million) - the positive variance is the result of contract changes that were not fully incorporated into the original budget. These changes provided for a more predictable expenditure level and shifted some of the risk to the contractor for variability in call volumes.
- Marketing and Outreach (-\$146,000) - under budget resulting from timing of marketing campaigns, budget assumed higher level of spending in the 1st quarter. Actual expenditures are expected to catch up/exceed budgeted amounts in the 3rd & 4th quarter as the result of increased marketing related to the HealthOp transition.
- Technology Operations (-\$343,000) - under budget due to timing of vendor contract work, savings are not expected to continue in future quarters.
- G&A Salary and Benefit Expenses (-\$1.1 million) - expenses lower than budget due primarily to postponing some hiring along with budget not accounting for staff attrition. Savings are expected to continue but at a smaller differential from the budget.

Cash

The cash balance at February 29, 2016 was \$886,000 higher than budget projections. Cash decreased by \$16 million during the eight months ending February 29, 2016. In addition to the impact of the current periods operating loss on cash, one of the contributors to the decrease in cash not accounted for in the budget related to large vendor liabilities incurred in the prior fiscal year and paid in the current year (\$3.4 million). Also contributing to the decrease in cash was \$3.1 million in marketplace software enhancements during the period along with non-cash revenue recognized due to the Federal revenue from the prior year of \$5.2 million. Working capital (cash plus accounts receivable less current liabilities) is \$3.6 MM better than anticipated in the budget as of February 29, 2016.

Connect for Health Colorado
Statement of Activities - Consolidated
FY 2015 Budget to Actual
Eight Months Ending February 29, 2016
Accrual Basis

	Year To Date 02/29/2016		Annual Budget	
	Actual	Budget	Budget Diff	Budget
Revenue				
Grant Revenue				
Federal Grants	5,245,911	5,245,911	0	5,245,911
Health Foundation Grant	3,063,800	2,500,000	563,800	2,500,000
Total Grant Revenue	8,309,711	7,745,911	563,800	7,745,911
Program Revenue				
Individual Fees	5,736,532	6,564,600	(828,068)	14,681,660
SHOP Fees	140,864	210,644	(69,780)	512,974
Market Assessment Fees	10,714,083	13,320,000	(2,605,917)	21,960,000
Medicaid Reimbursement	0	0	0	2,500,000
Tax Credit Donations	5,000,000	5,000,000	0	5,000,000
Total Program Revenue	21,591,479	25,095,244	(3,503,765)	44,654,634
Investment Income	18,618	21,000	(2,382)	25,000
Revenue - Other	98,853	0	98,853	0
Total Revenue	30,018,661	32,862,155	(2,843,494)	52,425,545
Expenditures				
Customer Service				
Customer Service Center	12,410,013	13,926,646	(1,516,633)	18,873,085
Assistance Network	1,972,017	2,124,593	(152,576)	3,030,000
Total Customer Service	14,382,030	16,051,239	(1,669,209)	21,903,085
Marketing				
Total Marketing & Outreach	1,038,430	1,184,500	(146,070)	1,364,000
Technology				
Technology Consulting				
PMO	240,735	280,000	(39,265)	420,000
Security - Marketplace	30	0	30	175,000
Total Technology Consulting	240,765	280,000	(39,235)	595,000
Tech Implementation - CGI	593,035	734,183	(141,148)	826,200
Tech Implementation - Other	241,966	90,267	151,699	139,267
CGI Hosting	1,227,501	1,304,344	(76,843)	1,956,516
CGI Maint & Support	1,944,424	2,091,757	(147,333)	3,362,636
Oracle CX Licensing	413,485	413,485	0	620,227
Oracle Platform Maint & Support	1,235,556	1,235,555	1	1,854,849
hCentive Developer License	1,089,140	1,115,465	(26,325)	1,658,197
Healthation Support (CGI)	31,893	31,893	0	31,893
Non-CGI Hosting & Support	211,785	203,511	8,274	254,413
Shared Eligibility System	2,494,937	2,509,156	(14,219)	2,623,600
Carrier Support	1,077,756	1,135,607	(57,851)	1,395,520
Total Technology	10,802,243	11,145,223	(342,980)	15,318,318
Ops, Financial Management & Misc. Direct				
Procurement and Financial Analysis	240	12,000	(11,760)	18,000
Operations Consulting	1,030,834	931,000	99,834	1,373,000
Training	117,770	67,000	50,770	80,200
Total Ops, Financial Management & Misc. Direct	1,148,844	1,010,000	138,844	1,471,200
Total Direct	27,371,547	29,390,962	(2,019,415)	40,056,603
General and Administrative Expenses				
Salary and Wages	3,597,774	4,494,574	(896,800)	6,854,234
PR Benefits	1,224,059	1,441,434	(217,375)	2,201,356
Conferences, Conventions, and Meetings	52,953	28,800	24,153	43,200
Copying and Printing	19,905	17,600	2,305	26,400
Due and Subscriptions	25,122	1,600	23,522	2,400
Insurance	64,645	65,600	(955)	98,400
Miscellaneous Expense	4,077	267	3,810	400
Occupancy	332,648	339,333	(6,685)	509,000
Office Supplies	81,710	67,333	14,377	82,000
Professional Fees	539,549	584,250	(44,701)	840,710
Telecommunication	212,727	147,200	65,527	220,800
Travel Expenses	40,215	62,933	(22,718)	94,400
Total General and Administrative Expenses	6,195,384	7,250,925	(1,055,541)	10,973,300
Depreciation	7,364,170	7,560,000	(195,830)	11,340,000
Total Expenditures	40,931,101	44,201,887	(3,270,786)	62,369,903
Change in Net Assets	(10,912,440)	(11,339,732)	427,292	(9,944,358)

**Connect for Health Colorado
Statement of Financial Position
As of February 29, 2016
Accrual Basis**

	Year To Date 02/29/2016	Prior Year To Date 02/28/2015	
	Current Year Balance	Prior Year Balance	Net Change
Assets			
Current Assets			
Cash and Cash Equivalents	17,686,161	39,657,064	(21,970,903)
Accounts Receivable, Net	8,628,943	4,405,833	4,223,110
Grants Receivable	119,836	3,420,973	(3,301,137)
Other Current Assets			
Pre-Paid Expenses			
Prepaid Ins Rent & Misc	145,907	115,971	29,936
Prepaid Software & Support	4,938,927	6,752,620	(1,813,693)
Prepaid Network Grantee Advances	0	13,199	(13,199)
Total Pre-Paid Expenses	5,084,834	6,881,790	(1,796,956)
Total Other Current Assets	5,084,834	6,881,790	(1,796,956)
Total Current Assets	31,519,774	54,365,660	(22,845,886)
Long-term Assets			
Property & Equipment			
Furniture & Fixtures	833,775	830,728	3,048
Equipment	1,117,696	1,083,698	33,997
Software Licenses	13,356,447	13,356,446	0
Marketplace Development	35,484,027	32,410,984	3,073,044
Informational Website	200,267	200,268	(1)
Ptarmigan Tenant Improvements	125,435	125,435	0
CSC Tenant Improvements	1,818,207	1,818,206	0
Total Property & Equipment	52,935,854	49,825,765	3,110,088
Accumulated Depreciation			
Accum Depr - Furniture & Fixtures	(287,983)	(168,829)	(119,153)
Accum Depr - Equipment	(518,244)	(300,098)	(218,146)
Accum Amort - Software License	(7,001,326)	(4,384,685)	(2,616,641)
Accum Depr - Marketplace Development	(13,955,542)	(6,379,552)	(7,575,990)
Accum Depr - Informational Website	(86,304)	(44,448)	(41,856)
Accum Depr - Ptarmigan Tenant Improvements	(60,681)	(31,450)	(29,232)
Accum Depr - CSC Tenant Improvements	(646,896)	(386,604)	(260,291)
Total Accumulated Depreciation	(22,556,976)	(11,695,666)	(10,861,309)
Other Long-term Assets	172,623	20,719	151,904
Total Long-term Assets	30,551,501	38,150,818	(7,599,317)
Total Assets	62,071,275	92,516,478	(30,445,203)
Liabilities			
Short-term Liabilities			
Accounts Payable	5,019,212	12,775,311	(7,756,100)
Accrued Liabilities			
Accrued Payroll, PR Tax & Benefits	300,390	220,792	79,599
Accrued Liabilities - Vendor	422,000	2,490,840	(2,068,840)
Accrued CGI Hosting	189,871	419,928	(230,056)
Accrued Retainage Payable	0	481,000	(481,000)
Total Accrued Liabilities	912,261	3,612,560	(2,700,297)
Deferred Revenue	0	13,200	(13,200)
Other Short-term Liabilities	2,286	2,664	(379)
Total Short-term Liabilities	5,933,759	16,403,735	(10,469,976)
Long Term Liabilities			
Other Long-term Liabilities	44,916	32,930	11,986
Total Long Term Liabilities	44,916	32,930	11,986
Total Liabilities	5,978,675	16,436,665	(10,457,990)
Net Assets			
Unrestricted	56,092,600	76,079,813	(19,987,213)
Total Net Assets	56,092,600	76,079,813	(19,987,213)
Total Liabilities & Net Assets	62,071,275	92,516,478	(30,445,203)