

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT – 1ST QUARTER FY 2017
DATE: 10/20/2016

Key Metrics

KPI	Actual	Baseline	
Enrollment			
Plan Selection (Cumulative Covered Lives) (Plan Year 2016 to date*)	199,408	217,306	Baseline based on 6/8/15 Strategic Plan
Average Effectuated Enrollment (Fiscal Year 2016)	141,034	125,000	
Enrollments by Channel (Effectuated - Plan Year 2016 to date*)	Broker - 58%	Broker - 50.0%	
	Non-Broker (HCG, Customer Service Center, Self-Service) - 42%	Non-Broker (HCG, Customer Service Center, Self-Service) - 50%	
Percentage of Calls Answered in 300 seconds (Qtr/Plan Year 2016 to date*)	80%/74%	80%	
Average Number of Hours System is Down per Month (Qtr/Plan Year to Date*)	15/18 Minutes	1 Hr 26 Minutes	
Net Operating Ratio (Revenue-Expense)/Revenue (3 months ending 9/30/16)	62.5%	36.3%	
Per Member Per Month (PMPM) - Carrier Fee (3 months ending 9/30/16)	\$13.82	\$14.34	
Per Member Per Month (PMPM) - Operating Expenses (3 months ending 9/30/16)	\$18.71	\$23.19	

Financial Overview

For the three months ending September 30, 2016, earnings before depreciation exceeded budget expectations by \$1.5. Revenues came in \$650,000 higher than budget and expenses were \$850,000 below budget. Further budget to actual variances are summarized in the table on page 2 with more detailed financials provided at the end of this memo.

	Actuals (YTD)	Budget/Target (YTD)	% of Budget/Target
Financial Results			
<i>Revenues</i>			
Program Revenue	5,455	5,212	104.7%
Carrier Fees	5,784	5,377	107.6%
Grant/Other Revenue	3	4	
Total Revenue	11,242	10,594	106.1%
<i>Expenditures</i>			
Customer Service	2,616	2,658	98.4%
Technology Operations	2,397	2,681	89.4%
General and Administrative	1,944	2,081	93.4%
Facilities	306	309	99.2%
Marketing	568	968	58.7%
Total Expenditures	7,831	8,696	90.0%
Earnings Before Depreciation	3,411	1,898	179.8%
Cash Flows	3,291	896	367.3%
Cash	16,037	12,781	125.5%
Working Capital	24,546	20,291	121.0%

Revenue

Higher revenues were primarily the result of higher than expected effectuated enrollment (141,000 vs 125,000) due to lower initial enrollment estimates based on preliminary enrollment data from open enrollment 3. These figures were revised subsequently to the budget preparation. In addition, the level of effectuated enrollment has remained relatively flat during 2017. Normally we see a gradual decline of effectuated enrollment during the plan year. We expect this positive variance to continue for the 2nd quarter. The 2nd half of the year enrollment levels will be determined by the success of open enrollment 4. The positive program revenue variance is due to the early collection of tax credit donations (\$200,000). This will correct itself in October.

Expenditures

The operating expense variance consists of the following notable variances:

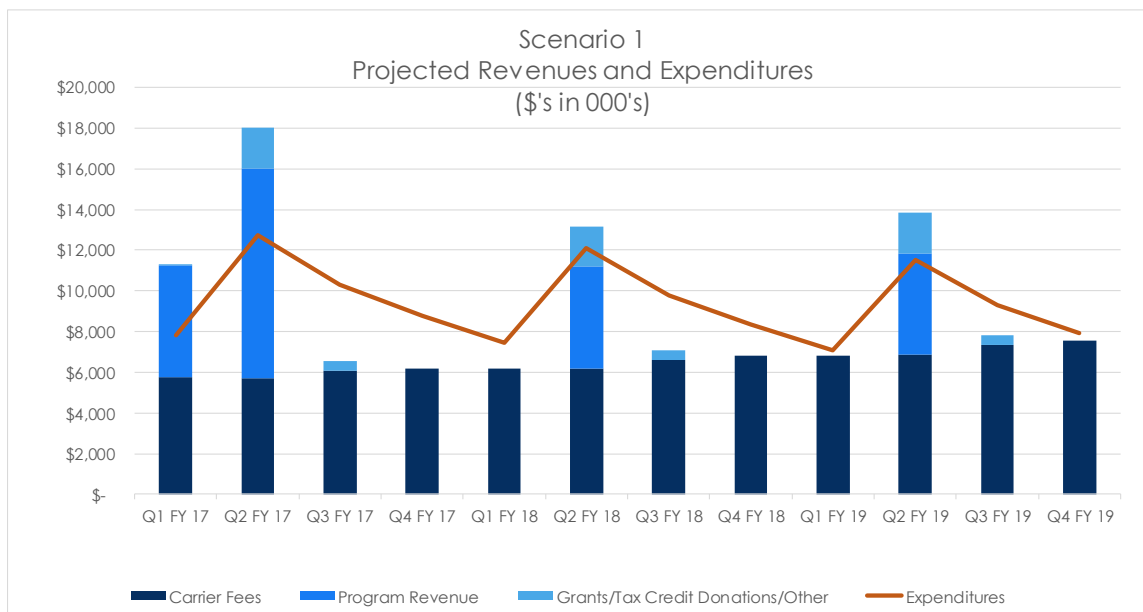
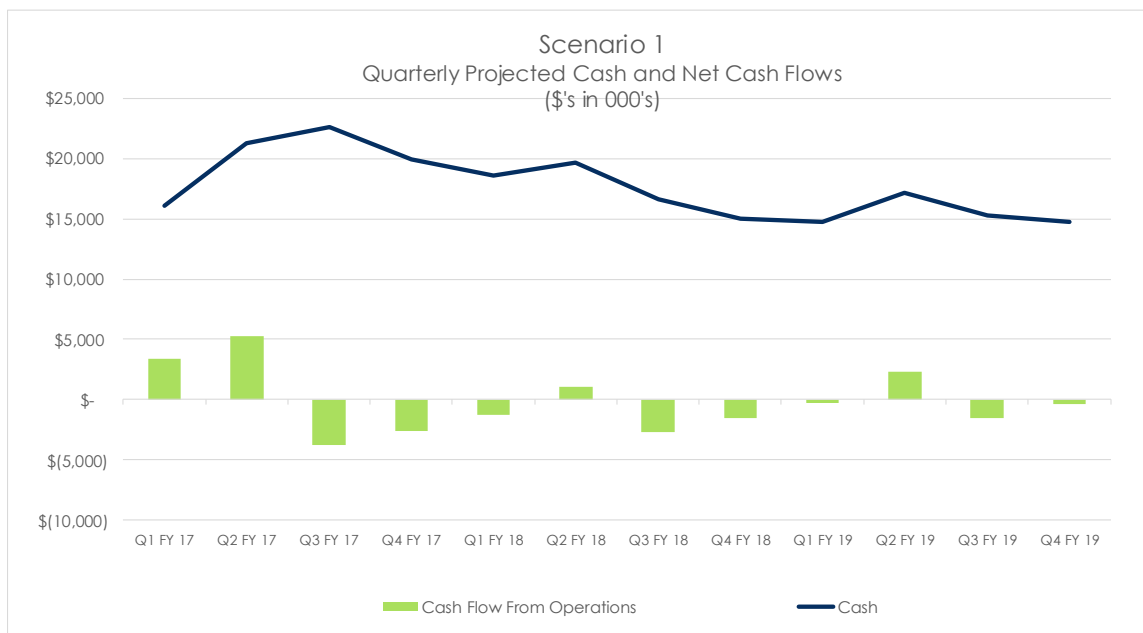
- Marketing and Outreach (-\$400,000) - under budget resulting primarily from timing of assistant network partner payments. Expect this variance to be used up in the next 2 quarters.
- Technology Operations (-\$284,000) – savings from changes in contracting M&O with vendors resulting in different spending pattern. Some of this variance will be used up in future quarters.
- G&A Salary and Benefit Expenses (-\$137,000) – positive variance due to lower than anticipated consultant spending, this is primarily the result of timing and expect more consultant expenditures over the next 2 quarters.

Cash

The cash balance at June 30, 2016 was \$3.2 million higher than budget projections. This was due in part to higher earnings for the quarter as explained above along with the acceleration of the accounts receivable collection period over the last 6 months.

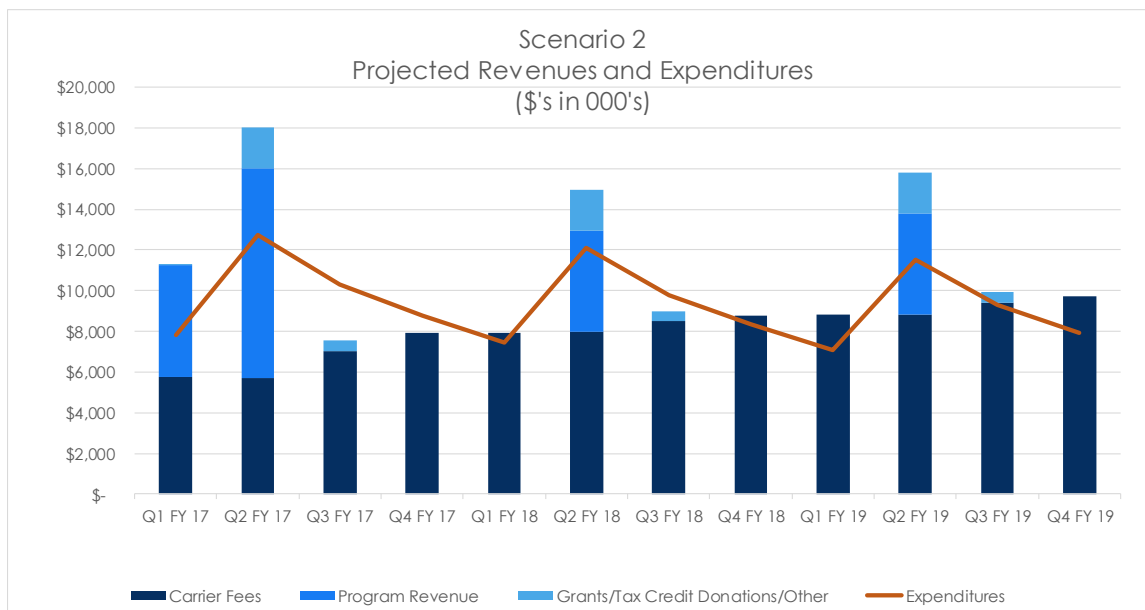
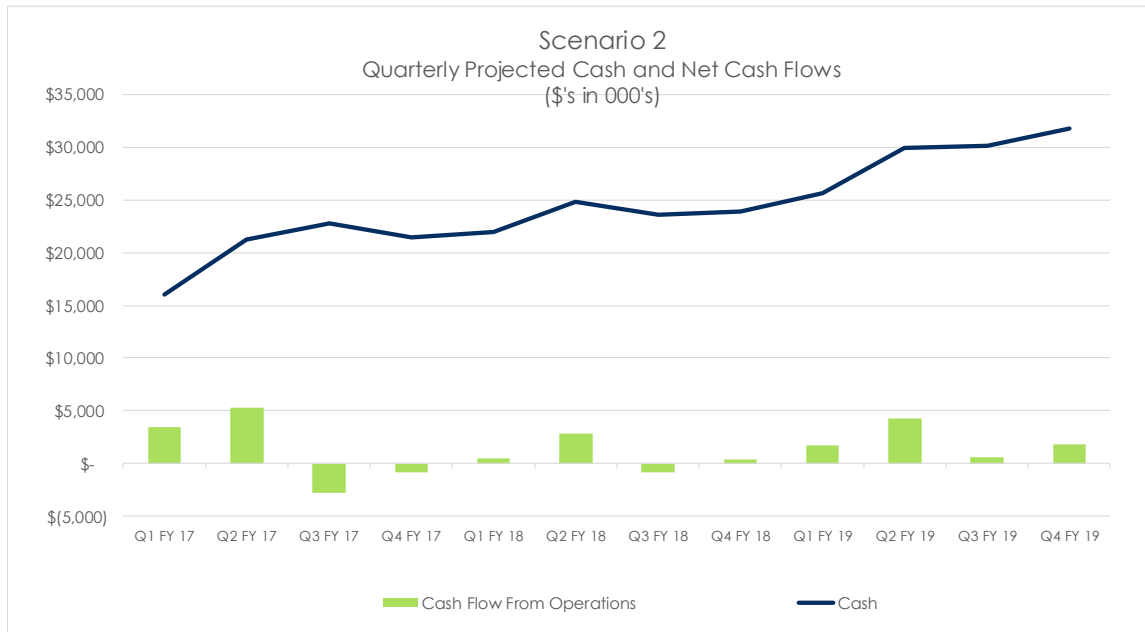
36 Month Financial Projections

Based on the results of the first 3 months of the year, financial projections were revised for the next 36 months as part of our ongoing monitoring of long-term financial sustainability. For these projections, we assumed 2 different scenarios for the next 3 years. Scenario 1 is a conservative projection based on the current expense budget for fiscal year 2017, enrollment staying flat with current levels for the next plan year (2017), a small 5% annual increase in average premium per member, 10% enrollment growth in years 2 and 3 and continued expense savings/reductions of 5% annually in years 2 and 3. This scenario results in reaching a stabilized cash balance of \$15 million and sustainable cash flow in year 3.



An additional projection was generated (Scenario 2), based on current enrollment levels with an increase of 25,000 members for the next plan year (2017) as the result of the EBNE (eligible but not enrolled) population

outreach. In addition, a 15% increase in average member premium for the next plan year based on the published premiums for 2017 was assumed. For this scenario, we also assumed a 5% per year expenditure reduction similar to Scenario 1 and 5% increases in premium levels and enrollment in years 2 and 3. Due to the acceleration of enrollment resulting from the EBNE initiative and higher premium levels there is a significant impact in years 2 and 3 on cash flows and the resulting cash balance is forecasted to reach over \$30 million before capital investments.



Both scenarios result in reaching ongoing sustainability by year 3 and maintain healthy cash balances during the entire 3 year period. Scenario 2 provides the means to develop reserves for future capital expenditures. Scenario 1 provides for a small capital expenditure reserve but would require more expense management or additional funding in order to free up funds for any significant capital projects. Neither scenario assumes any cost reimbursements from Medicaid for activities related to Medicaid enrollment.

Connect for Health Colorado
1st Quarter FY2016-2017

Budget Classification & Budget Account	Actuals Q1 FY16-17	Budget Q1 FY16-17	Actual vs Budget		Total Budget FY16-17
			\$	%	
Funding Source (Accrual Based)					
Federal Grants	-	\$ -	\$ -	0.0%	\$ -
Other grants and contributions	-	-	-	0.0%	2,500,000
Program Revenue	5,455,321	5,212,350	242,971	104.7%	15,424,700
Fees for service	5,783,680	5,377,394	406,286	107.6%	22,855,147
Medicaid	-	-	-	0.0%	-
Interest income	1,971	4,000	(2,029)	49.3%	10,000
Other revenue	700	-	700	0.0%	-
Total Funding Source	\$ 11,241,672	\$ 10,593,744	\$ 647,928	5.8%	\$ 40,789,847
Salaries & Benefits					
Salary - Full Time	1,328,174	\$ 1,336,515	\$ (8,341)	99.4%	\$ 5,346,059
Benefits	420,683	487,828	(67,145)	86.2%	1,951,312
Total Salaries & Benefits	\$ 1,748,856	\$ 1,824,343	\$ (75,486)	-4.3%	\$ 7,297,371
Operations					
Customer Service Support	2,538,222	\$ 2,622,902	\$ (84,679)	96.8%	\$ 12,947,564
Enrollment Services	65,500	8,920	56,580	734.3%	17,840
Appeal Services	-	-	-	0.0%	-
Public Affairs Services	12,067	20,000	(7,933)	60.3%	80,000
Operational Prof Consulting	-	6,000	(6,000)	0.0%	24,000
	-	-	-	0.0%	-
	-	-	-	0.0%	-
Total Operations	\$ 2,615,789	\$ 2,657,822	\$ (42,033)	-1.6%	\$ 13,069,404
Marketing & Outreach					
Media Buys - Radio/TV/Web	-	\$ 15,000	\$ (15,000)	0.0%	\$ 900,500
Advertising Services & Materials	44,586	5,000	39,586	891.7%	20,000
Marketing Agency Fees	11,505	40,000	(28,495)	28.8%	158,125
Outreach Services, Rentals & Materials	18,765	12,500	6,265	150.1%	78,500
CACs (Certified Application Counselor)	-	-	-	0.0%	-
Navigators/In Person Assisters	-	-	-	0.0%	-
Technical Writing & Translation Services	9,760	4,200	5,560	232.4%	16,800
Marketing & Outreach Prof Consulting	12,444	25,000	(12,556)	49.8%	85,000
(MA) Medical Assistance Services	36,402	225,377	(188,975)	16.2%	1,083,990
Asst. Network - C4HCO Admin & Oversight	-	15,476	(15,476)	0.0%	61,906
Asst. Network - Personnel	-	409,055	(409,055)	0.0%	1,636,220
Asst. Network - Benefits	-	94,721	(94,721)	0.0%	378,882
Asst. Network - Travel	-	6,636	(6,636)	0.0%	26,542
Asst. Network - Supplies & Equipment	-	9,072	(9,072)	0.0%	36,289
Asst. Network - Other	434,477	31,151	403,327	1394.8%	124,603
Asst. Network - Contractual	-	30,184	(30,184)	0.0%	120,736
Asst. Network - Admin Allowance	-	44,182	(44,182)	0.0%	176,727
	-	-	-	0.0%	-
Total Marketing & Outreach	\$ 567,940	\$ 967,554	\$ (399,614)	-70.4%	\$ 4,904,821
Technology					
Maintainance & Operation	1,571,523	\$ 1,589,899	\$ (18,376)	98.8%	\$ 7,653,688
SES (Shared Eligibility System)	26,424	39,636	(13,212)	66.7%	408,544
Testing	7,919	50,000	(42,082)	15.8%	100,000
Carrier Support	181,165	256,640	(75,475)	70.6%	1,090,460
Software/Licenses/Subscriptions (Tech)	27,711	24,639	3,072	112.5%	564,485
Computer Equipment - NonCapEX	3,060	19,800	(16,740)	15.5%	79,200
Hosting	462,376	474,129	(11,753)	97.5%	1,896,516
DDI (Design, Dev., Implementation)	12,415	24,000	(11,585)	51.7%	48,000
Website	28,129	61,250	(33,121)	45.9%	211,500
PMO (Project Management Office)	-	-	-	0.0%	-
IV&V (Independent Verification & Validation)	-	-	-	0.0%	-
Privacy & Security	11,520	88,800	(77,280)	13.0%	148,000
Technology Prof Consulting	64,670	52,125	12,545	124.1%	152,500
	-	-	-	0.0%	-
Total Technology	\$ 2,396,911	\$ 2,680,918	\$ (284,007)	-11.8%	\$ 12,352,893
General & Administration					
Supplies & Materials	3,251	\$ 14,495	\$ (11,244)	22.4%	\$ 57,980
Postage/Shipping	1,832	4,758	(2,926)	38.5%	11,388
Printing/Copying/Shred	7,799	1,300	6,499	599.9%	5,350
Travel/Meals/Lodging	32,705	18,626	14,079	175.6%	74,505
Cell Phone	150	5,750	(5,600)	2.6%	23,000
Professional Dev. & Training	1,106	39,062	(37,956)	2.8%	156,249
Conferences/Meetings	7,993	18,655	(10,662)	42.8%	78,876
Finance/Accounting Services	27,652	23,500	4,152	117.7%	94,000
H/R Services	15,137	14,418	719	105.0%	61,000
Actuarial Services	-	-	-	0.0%	-
BoD Services	-	-	-	0.0%	-
Legal Services	10,005	26,500	(16,496)	37.8%	106,000
Audit Services	9,080	9,250	(170)	98.2%	130,000
Payroll Fees	4,479	2,750	1,729	162.9%	16,000
Memberships/Dues/Subscriptions (Non-Tech)	16,308	8,050	8,258	202.6%	17,100
Bank Fees	2,010	-	2,010	0.0%	-
General Prof Consulting	55,383	69,725	(14,342)	79.4%	278,900
Bad Debt Expense	-	-	-	0.0%	-
Interest Expense	-	-	-	0.0%	-
Other - G&A	-	-	-	0.0%	-
	-	-	-	0.0%	-
Total General & Administration	\$ 194,890	\$ 256,840	\$ (61,950)	-31.8%	\$ 1,110,348
Facility/Insurance/Other					
Rent	169,927	\$ 175,267	\$ (5,340)	97.0%	\$ 726,817
Oper & Tax Escalation	23,126	26,582	(3,456)	87.0%	107,488
Repair & Maintenance	5,017	5,277	(260)	95.1%	21,106
Utilities	10,955	8,699	2,256	125.9%	34,795
Parking Fees	12,810	16,173	(3,363)	79.2%	64,690
Copier Leases	-	7,500	(7,500)	0.0%	30,000
Telephone/Fax/Internet	60,386	61,585	(1,199)	98.1%	236,140
General Liability Insurance	23,960	6,300	17,660	380.3%	132,315
Office Furniture & Fixtures (≤ \$5K)	-	1,250	(1,250)	0.0%	5,000
Other - Facility/Insurance	-	-	-	0.0%	-
	-	-	-	0.0%	-
Total Facility/Insurance/Other	\$ 306,180	\$ 308,631	\$ (2,452)	-0.8%	\$ 1,358,351
Total Expenditures	\$ 7,830,566	\$ 8,696,107	\$ (865,541)	-11.1%	\$ 40,093,187
Inc (Dec) in Net Position: CASH BASIS	\$ 3,411,106	\$ 1,897,637	\$ 1,513,470	44.4%	\$ 696,660

Connect for Health Colorado
Statement of Financial Position
30-Sep-16

	Actual	Budget
	9/30/2016	9/30/2016
Assets		
Current Assets		
Cash and Cash Equivalents	16,037,127	12,781,318
Accounts Receivable, Net	12,804,775	13,093,989
Grants Receivable		
Other Current Assets		
Pre-Paid Expenses		
Prepaid Ins Rent & Misc	88,450	41,006
Prepaid Software & Support	3,246,270	4,526,048
Prepaid Network Grantee Advances		0
Total Pre-Paid Expenses	<u>3,334,720</u>	<u>4,567,054</u>
Total Other Current Assets	3,334,720	4,567,054
Total Current Assets	<u>32,176,622</u>	<u>30,442,361</u>
Long-term Assets		
Property & Equipment		
Furniture & Fixtures	722,573	833,775
Equipment	1,117,696	1,117,696
Software Licenses	9,592,374	13,356,446
Marketplace Development	41,916,692	39,229,575
Informational Website	200,268	200,268
Ptarmigan Tenant Improvements	236,637	125,435
CSC Tenant Improvements	1,818,207	1,818,206
Total Property & Equipment	<u>55,604,447</u>	<u>56,681,401</u>
Accumulated Depreciation		
Accum Depr - Furniture & Fixtures	(357,464)	(365,059)
Accum Depr - Equipment	(647,387)	(657,669)
Accum Amort - Software License	(4,747,051)	(8,846,695)
Accum Depr - Marketplace Development	(20,953,065)	(19,149,678)
Accum Depr - Informational Website	(110,740)	(110,034)
Accum Depr - Ptarmigan Tenant Improvements	(77,733)	(77,345)
Accum Depr - CSC Tenant Improvements	(798,732)	(819,292)
Total Accumulated Depreciation	<u>(27,692,172)</u>	<u>(30,025,773)</u>
Other Long-term Assets	19,545	145,000
Total Long-term Assets	<u>27,931,820</u>	<u>26,800,628</u>
Total Assets	<u>60,108,442</u>	<u>57,242,989</u>
Liabilities		
Liabilities		
Short-term Liabilities		
Accounts Payable	4,002,597	5,251,320
Accrued Liabilities	0	0
Accrued Payroll, PR Tax & Benefits	293,392	330,735
Accrued Liabilities - Vendor		0
Accrued CGI Hosting		0
Accrued Retainage Payable		0
Total Accrued Liabilities	<u>293,392</u>	<u>330,735</u>
Deferred Revenue	0	0
Other Short-term Liabilities	0	2,750
Total Short-term Liabilities	<u>4,295,989</u>	<u>5,584,805</u>
Long Term Liabilities		
Other Long-term Liabilities	48,772	45,656
Total Long Term Liabilities	<u>48,772</u>	<u>45,656</u>
Total Liabilities	<u>4,344,761</u>	<u>5,630,461</u>
Net Assets		
Unrestricted	56,186,972	57,912,529
Current Year Earnings	(423,291)	(6,300,000)
Total Net Assets	<u>55,763,681</u>	<u>51,612,529</u>
Total Liabilities & Net Assets	<u>60,108,442</u>	<u>57,242,989</u>