

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 1ST QUARTER FY 2018
DATE: 10/20/2017

OVERVIEW

| Key Performance Indicators | Status | Actuals (YTD) | Target (YTD) | % of Target |
|--|--------|---------------|--------------|-------------|
| Effectuated Enrollment | (1) | 144,680 | 142,500 | 101.5% |
| Net Operating Income Margin | | -6.1% | -21.0% | |
| Per Member Per Month (PMPM) - Carrier Fees | (2) | \$16.6 | \$16.9 | 98.2% |
| Per Member Per Month (PMPM) - Operating Exp. | | \$19.3 | \$20.6 | 94.0% |
| Days Cash on Hand | (3) | 200.8 | 120.0 | 167.4% |
| Change In Projected 12 Month Cash Flows | | No change | \$0.0 | |
| Number of Complaints | (4) | 4 | | |
| Percent of First Call Resolution | | 79% | 85% | |
| Customer Satisfaction | (5) | 70% | | |

- (1) Monthly average for year
- (2) Does not include other revenue streams
- (3) Based on FY18 budgeted daily operating expenses
- (4) New complaint procedure to be implemented November 2018
- (5) New customer satisfaction survey implemented August 2018

The organization met or exceeded its financial goals for the first quarter of fiscal year 2018. Starting with this fiscal year we have added additional KPI's related to customer service – included in KPI table. Effectuated enrollment was on target which helped us in meeting revenue expectations. In addition, as the result of the approval of the cost allocation plan we included estimated revenues related to Medicaid cost reimbursements (\$700,000) for the quarter. This revenue source was not originally included in the fiscal year budget. Expenditures for the quarter came in slightly lower than budget. Due to timing of certain revenue sources we had budgeted a loss of \$1.5 million for the quarter. Because of higher revenues and lower expenditures we are reporting a loss of \$480,000 (before depreciation).

FINANCIAL RESULTS SUMMARY

| Financial Results (in 000's) | Status | Actuals (YTD) | Budget (YTD) | % of Budget |
|-------------------------------------|---------------|----------------------|---------------------|--------------------|
| <i>Revenues</i> | | | | |
| Program Revenue | | 700 | - | |
| Carrier Fees | | 7,203 | 7,227 | 99.7% |
| Grant/Other Revenue | | 5 | 36 | 13.9% |
| Total Revenue | | 7,908 | 7,263 | 108.9% |
| <i>Expenditures</i> | | | | |
| Technology | | 2,988 | 2,984 | 100.1% |
| Customer Service | | 2,872 | 2,946 | 97.5% |
| Personnel | | 1,666 | 1,713 | 97.3% |
| Marketing and Outreach | | 417 | 633 | 65.9% |
| Facilities | | 223 | 256 | 87.0% |
| Support Services | | 152 | 162 | 93.6% |
| Other | | 71 | 95 | 75.4% |
| Total Expenditures | | 8,388 | 8,788 | 95.5% |
| Earnings Before Depreciation | | (480) | (1,525) | 31.5% |
| Cash Flows | | (983) | (765) | 128.5% |
| Cash | | 20,687 | 18,847 | 109.8% |
| Working Capital | | 23,883 | 20,752 | 115.1% |

Revenue

Revenues came in higher than budget by \$645,000. The higher revenues resulted from estimated revenues associated with Medicaid cost reimbursements that were not originally budgeted. These reimbursements are computed and billed quarterly based on Medicaid program related expenses and an approved allocation methodology. The reimbursement computation and billing process is currently being finalized. We estimated \$700,000 of our costs will be reimbursed for this quarter.

Expenditures

Operating expenses came in under budget by \$400,000. This positive variance resulted primarily from the timing of our marketing and outreach expenditures which includes our payments to our assistant network partners. We anticipate these expenses will be incurred in the next 2 quarters and this positive variance is temporary.

Cash

The cash balance at September 30, 2017 was \$1.8 million higher than budget projections. This positive variance is primarily due to lower than anticipated expenses for the quarter and timing of accounts receivable and payable payments.

24 MONTH PROJECTIONS

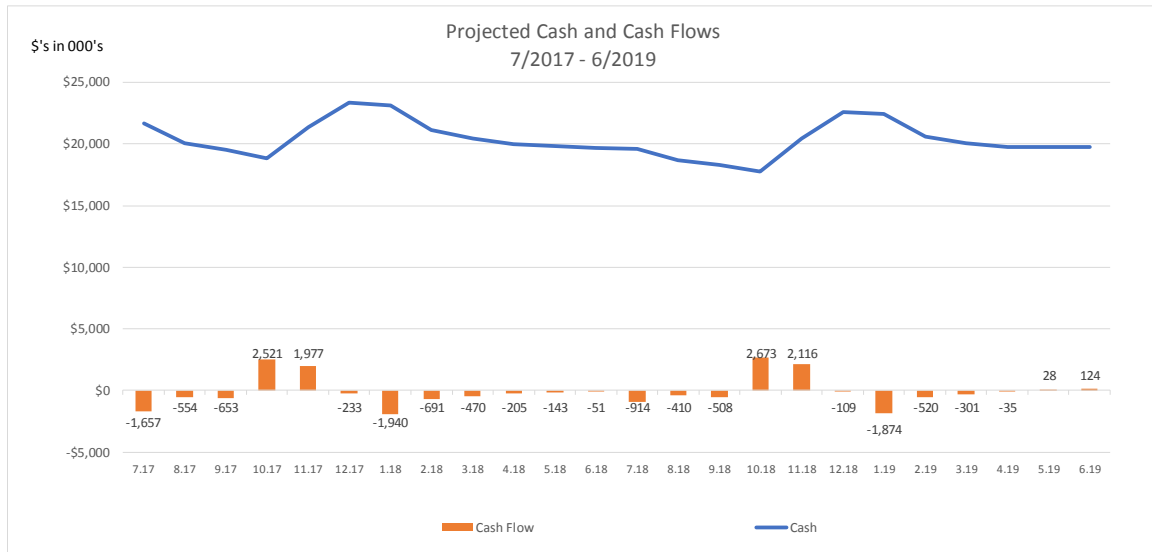
As part of our ongoing monitoring of long-term financial sustainability we are regularly revising our long range financial projections. At this point in the fiscal year there are no indications that our original projections derived through our budgeting process have significantly changed aside from the impact of the new source of funding related to Medicaid cost reimbursements. We will be

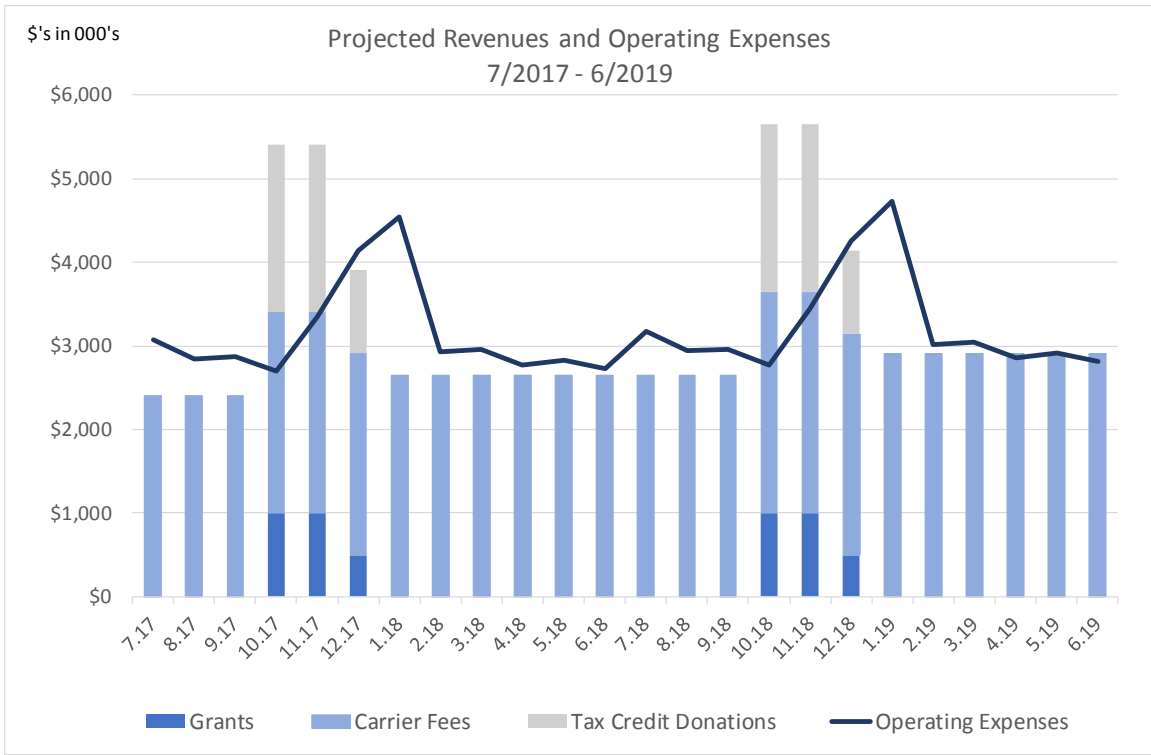
undergoing a supplemental budgeting process this quarter for these additional funds and will revise projections once this supplemental budget has been approved.

For informational purposes we are reporting the projections that were included in the prior quarterly report. The key assumptions made in these projections include:

- No changes in the federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on budgeted effectuation levels that average 145,000 through the 24 month projection period.
- Average medical premiums grow by 10% for next plan year (2018) – 50% of prior years increase.
- Operating expenses are assumed to increase by 3% in fiscal year 2019 over the 2018 fiscal year budgeted expenditures.

As displayed in the following graphs, overall the 24 month projection shows cash balances remaining at an acceptable level (average of \$20MM) to allow for adequate operating and capital/opportunity reserves. Operating income also remains positive over the 24 month period. This projection will serve as our baseline projection for fiscal year 2018. Changes to projections will be reported against this baseline in subsequent quarterly reports to provide an early indicator of any expected changes in financial condition.





Connect for Health Colorado
Income Statement
3 Months Ending 9/30/2017

| Description | Actuals | | Budget | |
|---|--------------------|----------|--------------------|--|
| | 1st Qtr FY 2018 | | 1st Qtr FY 2018 | |
| Revenues | | | | |
| Revenues | | | | |
| Fees for Service | 7,203,407 | | 7,227,150 | |
| Program Revenue | 700,020 | | | |
| Other Grants and Contributions | | | | |
| Interest Income | 5,002 | | 30,000 | |
| Other Income | | | 6,000 | |
| Revenues | 7,908,428 | | 7,263,150 | |
| Expenditures | | | | |
| Personnel | | | | |
| Salaries & Wages - Other | 1,248,810 | | 1,267,565 | |
| Accrued Salaries Expense | 7,854 | | | |
| Accrued PTO | (63,687) | | | |
| Employee Ben - not Pension | 168,068 | | 436,370 | |
| FSA Cafeteria Benefit | 59,575 | | | |
| 403(b) Employer Gift | 70,221 | | | |
| 403(b) Employer Match | 57,717 | | | |
| Payroll Tax, Workers Comp | 116,396 | | 8,750 | |
| Accrued PR Taxes & Benefits | 936 | | | |
| Personnel | 1,665,890 | 0 | 1,712,685 | |
| Customer services | | | | |
| Customer Service Support | 2,742,915 | | 2,577,118 | |
| Telephone/Fax/Internet | 116,076 | | 354,784 | |
| Enrollment Services | 0 | | 3,660 | |
| Utilities | 12,909 | | 9,982 | |
| Customer services | 2,871,900 | 0 | 2,945,544 | |
| Depreciation and amortization | | | | |
| Depreciation/Amortization | 3,617,631 | | 3,429,734 | |
| Depreciation and amortization | 3,617,631 | 0 | 3,429,734 | |
| Technology | | | | |
| Maintenance & Operation | 1,975,518 | | 1,716,412 | |
| SES (Shared Eligibility System) | 39,636 | | 34,954 | |
| Software/Licenses/Subscriptions (Tech) | 121,050 | | 399,103 | |
| Hosting | 463,776 | | 524,012 | |
| DDI (Design, Dev., Implementation) | 323,330 | | 236,709 | |
| Website | 44,004 | | 22,000 | |
| Privacy & Security (Tech) | 0 | | 25,000 | |
| Technology Prof Consulting | 20,333 | | 25,920 | |
| Technology | 2,987,646 | 0 | 2,984,109 | |
| Support Services | | | | |
| Enrollment Services | 0 | | 3,660 | |
| Public Affairs Services | 17,575 | | 30,950 | |
| Finance/Accounting Services | 29,582 | | 18,000 | |
| H/R Services | 14,342 | | 15,925 | |
| Legal Services | 0 | | 15,980 | |
| Audit Services | 22,160 | | 40,000 | |
| General Prof Consulting | 35,823 | | 13,850 | |
| Payroll Fees | 4,177 | | 5,251 | |
| Memberships/Dues/Subscriptions (Non-Tech) | 10,734 | | 8,650 | |
| Professional Dev. & Training | 17,256 | | 9,689 | |
| Support Services | 151,648 | 0 | 161,955 | |
| Marketing and Outreach | | | | |
| Media Buys - Radio/TV/Web | 10,000 | | 43,249 | |
| Advertising Services & Materials | 7,406 | | 5,000 | |
| Marketing Agency Fees - Collateral & Mtls | 752 | | 23,070 | |
| Outreach Services-Events, Sponsorships | 24,317 | | 0 | |
| Technical Writing & Translation Services | 4,503 | | 20,125 | |
| Marketing & Outreach Prof Consulting | 8,424 | | 11,692 | |
| Asst. Network - C4HCO Admin & Oversight | 18,632 | | 10,833 | |
| Asst. Network - Personnel | 218,784 | | 334,159 | |
| Asst. Network - Benefits | 53,424 | | 80,969 | |
| Asst. Network - Travel | 3,299 | | 5,672 | |
| Asst. Network - Supplies & Equipment | 4,312 | | 7,755 | |
| Asst. Network - Other | 15,458 | | 26,629 | |
| Asst. Network - Contractual Svcs | 23,743 | | 25,801 | |
| Asst. Network - Admin Allowance | 23,855 | | 37,766 | |
| Marketing and Outreach | 416,910 | | 632,719 | |
| Facilities | | | | |
| Rent | 161,682 | | 163,499 | |
| Bldg. Oper & Tax Escalation | 30,766 | | 33,531 | |
| Bldg. Repair & Maintenance | 915 | | 5,077 | |
| Parking Fees | 11,680 | | 20,520 | |
| Computer Equipment - NonCapEX | 2,350 | | 12,000 | |
| Supplies & Materials | 3,681 | | 9,980 | |
| Postage/Shipping | 1,734 | | 8,616 | |
| Printing/Copying/Shred | 9,428 | | 2,209 | |
| Office Furniture & Fixtures (< 5K) | 346 | | 300 | |
| Facilities | 222,582 | 0 | 255,731 | |
| Other | | | | |
| Travel/Meals/Lodging | 18,590 | | 35,229 | |
| Conferences/Meetings | 12,293 | | 15,400 | |
| Bank Fees | 2,060 | | 0 | |
| Other - G&A | 7,268 | | 0 | |
| General Liability Insurance | 23,121 | | 24,984 | |
| Cell Phone Allocation | 8,150 | | 19,150 | |
| Other | 71,482 | 0 | 94,763 | |
| Total Expenses | 12,005,688 | 0 | 12,217,239 | |
| Net Operating Income - Before Depreciation | (479,629) | | (1,524,355) | |
| Net Income | (4,097,260) | | (4,954,089) | |

**Connect for Health Colorado
Statement of Financial Position**

As of Date: September 30, 2017

| \$'s in 000's | Actuals 9/30/2017 | Budget 9/30/2017 |
|--------------------------------|------------------------------|-----------------------------|
| <u>Assets</u> | | |
| Cash and Cash Equivalents | 20,686,517 | 18,847,159 |
| Accounts Receivable, Net | 9,071,952 | 4,163,309 |
| Pre-Paid Expenses | 2,556,332 | 2,180,302 |
| Total Current Assets | <u>32,314,800</u> | <u>25,190,771</u> |
| Property & Equipment | 61,762,620 | 62,181,402 |
| Accumulated Depreciation | (46,173,480) | (46,153,865) |
| Other Long-term Assets | 27,609 | |
| Total Long-term Assets | <u>15,616,749</u> | <u>16,027,537</u> |
| Total Assets | <u>47,931,549</u> | <u>41,218,307</u> |
| <u>Liabilities</u> | | |
| Accounts Payable | 3,520,540 | 1,978,515 |
| Accrued Liabilites | 2,403,110 | 280,000 |
| Other Short-term Liabilities | - | - |
| Total Short-term Liabilities | <u>5,923,650</u> | <u>2,258,515</u> |
| Total Liabilities | <u>5,923,650</u> | <u>2,258,515</u> |
| <u>Net Assets</u> | | |
| Unrestricted | <u>42,007,899</u> | <u>38,959,792</u> |
| Total Net Assets | | |
| Total Liabilities & Net Assets | <u>47,931,549</u> | <u>41,218,307</u> |