

TO: CONNECT FOR HEALTH COLORADO BOARD OF DIRECTORS
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: 2ND QUARTER FY 2016 FINANCIAL REPORT
DATE: 2/3/2016

The net change in assets before depreciation for the 6 months ending December 31, 2015 exceeded budget expectations by \$220,000 (\$2.4 MM loss vs \$2.62 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)	14,751	17,644	83.6%
Grant Revenue		3,064	2,500	122.6%
Total Revenue	(1)	22,826	25,147	90.8%
<i>Expenditures</i>				
Customer Service		10,012	11,637	86.0%
Technology Operations		8,959	9,083	98.6%
General and Administrative		4,634	5,388	86.0%
Operations		829	753	110.0%
Marketing		791	906	87.3%
Total Expenditures		25,225	27,767	90.8%
Earnings Before Depreciation		(2,399)	(2,620)	
Cash Flows		(10,807)	(12,500)	
General Financial Metrics				
Cash		21,661	16,000	135.4%
Working Capital		21,941	20,011	109.6%
Avg Effectuated Enrollment		112,466	124,388	90.4%
Avg Monthly Adm Fee Per Enrollee	(2)	22.3	28.6	78.1%
Operating Expenses per Enrollee		224.3	223.2	100.5%
Operating Earnings/Program Revenue		-16%	-15%	

Program revenues (1) were lower than budget (\$14.8 million vs \$17.6 million) primarily due to the combination of lower covered lives reported for the special assessment fee than what was initially budgeted. The budget for special assessment revenue was derived from preliminary covered lives data that was overstated. 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.

Also contributing to the negative program revenue variance is the reserving of \$1 million in HealthOp fee revenue due to uncertainty of payment. Most of this reserve was set against the administration fee revenue resulting in a lower administration fee per enrollee (2).

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

Revenue

Revenues for the period came in below budget by \$2.3 million for the 6 months. Aside from the negative special assessment fee variance and reserving of HealthOp revenues previously explained, there was a positive private grant revenue 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 underway to assure compliance with Federal regulations. This may result in additional Federal grant revenue recorded for FY 2016.

Expenditures

Operating expenses came in \$2.5 million lower than budgeted expenses for the period. The operating expense variance consists of the following significant variances:

- Customer Service Center (\$-1.6 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 (\$-115,000) – under budget resulting from timing of marketing campaigns – budget assumed higher level of spending in 1st quarter. Actual expenditures are expected to catch up/exceed budgeted amounts in the 3rd quarter as the result of increased marketing related to the HealthOp transition.
- Technology Operations (-\$123,000) – under budget due to timing of vendor contract work, savings are not expected to continue in future quarters.
- G&A Salary and Benefit Expenses (-\$755,000) – 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 December 31, 2015 was \$5.7 million higher than budget projections. This difference is primarily due to starting the fiscal year at a higher cash balance than anticipated in the budget. Cash decreased by \$10.8 million during the six months ending December 31, 2015, which was slightly better than budget expectations. In addition to the impact of the current periods operating loss on cash, one of the contributors to the decrease in cash for the period 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 million in marketplace software enhancements during the period along with non-cash revenue recognized due to the deferral of Federal revenue from the prior year (\$5 million).

Connect for Health Colorado
Statement of Activities - Consolidated
FY 2015 Budget to Actual
Six Months Ending December 31, 2015
 Accrual Basis

	Year To Date 12/31/2015			Annual
	Actual	Budget	Budget Diff	Budget
Revenue				
Grant Revenue				
Federal Grants	4,985,362	4,985,362	0	4,985,362
Health Foundation Grant	3,063,800	2,500,000	563,800	2,500,000
Total Grant Revenue	8,049,162	7,485,362	563,800	7,485,362
Program Revenue				
Individual Fees	2,510,453	3,554,600	(1,044,147)	14,681,660
SHOP Fees	71,716	89,474	(17,758)	512,974
Market Assessment Fees	7,168,715	9,000,000	(1,831,285)	21,960,000
Tax Credit Donations	5,000,000	5,000,000	0	5,000,000
Total Program Revenue	14,750,884	17,644,074	(2,893,190)	42,154,634
Investment Income	13,158	18,000	(4,842)	25,000
Revenue - Other	12,320	0	12,320	0
Total Revenue	22,825,524	25,147,436	(2,321,912)	49,664,996
Expenditures				
Customer Service				
Customer Service Center	8,461,507	10,075,826	(1,614,319)	18,873,085
Assistance Network	1,550,698	1,561,148	(10,450)	3,030,000
Total Customer Service	10,012,205	11,636,974	(1,624,769)	21,903,085
Marketing				
Total Marketing & Outreach	790,848	905,750	(114,902)	1,364,000
Technology				
Technology Consulting				
PMO	240,735	210,000	30,735	420,000
Security - Marketplace	30	0	30	175,000
Total Technology Consulting	240,765	210,000	30,765	595,000
Tech Implementation - CGI	566,125	663,150	(97,025)	826,200
Tech Implementation - Other	136,144	65,617	70,527	139,267
CGI Hosting	922,584	978,258	(55,674)	1,956,516
CGI Maint & Support	1,458,318	1,456,318	2,000	3,362,636
Oracle CX Licensing	310,114	310,114	0	620,227
Oracle Platform Maint & Support	925,909	925,909	0	1,854,849
hCentive Developer License	815,450	844,099	(28,649)	1,658,197
Healthation Support (CGI)	31,893	31,893	0	31,893
Non-CGI Hosting & Support	184,314	167,558	16,757	254,413
Shared Eligibility System	2,468,513	2,451,933	16,580	2,623,600
Carrier Support	899,136	977,700	(78,564)	1,395,520
Total Technology	8,959,265	9,082,548	(123,283)	15,318,318
Ops, Financial Management & Misc. Direct				
Procurement and Financial Analysis	240	9,000	(8,760)	18,000
Operations Consulting	710,996	684,000	26,996	1,373,000
Training	117,770	60,400	57,370	80,200
Total Ops, Financial Management & Misc. Direct	829,006	753,400	75,606	1,471,200
Total Direct	20,591,324	22,378,672	(1,787,348)	40,056,603
General and Administrative Expenses				
Salary and Wages	2,694,118	3,317,457	(623,339)	6,854,234
PR Benefits	903,238	1,062,306	(159,068)	2,201,356
Conferences, Conventions, and Meetings	42,749	21,600	21,149	43,200
Copying and Printing	15,420	13,200	2,220	26,400
Due and Subscriptions	16,789	1,200	15,589	2,400
Insurance	49,053	49,200	(147)	98,400
Miscellaneous Expense	603	200	403	400
Occupancy	246,161	254,500	(8,339)	509,000
Office Supplies	70,108	60,000	10,108	82,000
Professional Fees	389,144	451,237	(62,093)	840,710
Telecommunication	174,204	110,400	63,804	220,800
Travel Expenses	32,018	47,200	(15,182)	94,400
Total General and Administrative Expenses	4,633,605	5,388,500	(754,895)	10,973,300
Depreciation	5,592,672	5,700,000	(107,328)	11,400,000
Total Expenditures	30,817,601	33,467,172	(2,649,571)	62,429,903
Change In Net Assets	(7,992,077)	(8,319,736)	327,659	(12,764,907)
+ Net Assets - Beginning	67,926,163	67,926,163	67,926,163	67,926,163
Net Assets - Ending	59,934,086	59,606,427	68,253,822	55,161,256

**Connect for Health Colorado
Statement of Financial Position
As of 12/31/2015
Accrual Basis**

	Year To Date 12/31/2015	Prior Year To Date 12/31/2014	
	Current Year Balance	Prior Year Balance	Net Change
Assets			
Current Assets			
Cash and Cash Equivalents	21,660,562	37,702,038	(16,041,476)
Accounts Receivable, Net	5,325,172	7,690,414	(2,365,242)
Grants Receivable	53,714	13,518,423	(13,464,709)
Other Current Assets			
Pre-Paid Expenses			
Prepaid Ins Rent & Misc	172,214	164,812	7,402
Prepaid Software & Support	4,819,616	6,605,942	(1,786,326)
Prepaid Network Grantee Advances	0	8,416	(8,416)
Total Pre-Paid Expenses	4,991,830	6,779,170	(1,787,340)
Total Other Current Assets	4,991,830	6,779,170	(1,787,340)
Total Current Assets	32,031,278	65,690,045	(33,658,767)
Long-term Assets			
Property & Equipment			
Furniture & Fixtures	833,775	824,991	8,783
Equipment	1,117,696	1,080,611	37,086
Software Licenses	13,356,446	13,356,447	0
Marketplace Development	36,310,727	33,161,246	3,149,480
Informational Website	200,268	200,268	0
Ptarmigan Tenant Improvements	125,435	125,435	0
CSC Tenant Improvements	1,818,206	1,818,207	0
Total Property & Equipment	53,762,553	50,567,205	3,195,349
Accumulated Depreciation			
Accum Depr - Furniture & Fixtures	(268,130)	(149,109)	(119,023)
Accum Depr - Equipment	(481,347)	(263,926)	(217,420)
Accum Amort - Software License	(6,565,218)	(3,948,578)	(2,616,641)
Accum Depr - Marketplace Development	(12,890,643)	(5,268,364)	(7,622,278)
Accum Depr - Informational Website	(79,322)	(37,432)	(41,890)
Accum Depr - Ptarmigan Tenant Improvements	(55,809)	(26,577)	(29,232)
Accum Depr - CSC Tenant Improvements	(603,514)	(343,223)	(260,291)
Total Accumulated Depreciation	(20,943,983)	(10,037,209)	(10,906,775)
Other Long-term Assets	172,624	20,719	151,904
Total Long-term Assets	32,991,194	40,550,715	(7,559,522)
Total Assets	65,022,472	106,240,760	(41,218,289)
Liabilities			
Liabilities			
Short-term Liabilities			
Accounts Payable	3,376,850	13,906,039	(10,529,189)
Accrued Liabilities			
Accrued Payroll, PR Tax & Benefits	320,894	236,663	84,231
Accrued Liabilities - Vendor	1,144,000	5,484,628	(4,340,628)
Accrued CGI Hosting	201,040	431,096	(230,056)
Accrued Retainage Payable	0	481,000	(481,000)
Total Accrued Liabilities	1,665,934	6,633,387	(4,967,453)
Deferred Revenue	0	8,416	(8,416)
Other Short-term Liabilities	2,165	5,015	(2,850)
Total Short-term Liabilities	5,044,949	20,552,857	(15,507,908)
Long Term Liabilities			
Other Long-term Liabilities	43,437	30,205	13,232
Total Long Term Liabilities	43,437	30,205	13,232
Total Liabilities	5,088,386	20,583,062	(15,494,676)
Net Assets			
Unrestricted	59,934,086	85,657,698	(25,723,613)
Total Net Assets	59,934,086	85,657,698	(25,723,613)
Total Liabilities & Net Assets	65,022,472	106,240,760	(41,218,289)