

**TO:** CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE  
**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER  
**SUBJECT:** QUARTERLY FINANCIAL REPORT – 2ND QUARTER FY 2017  
**DATE:** 2/8/2017

**Key Metrics**

KPI	Actual	Baseline	
<b>Enrollment</b>			
Plan Selection (Cumulative Covered Lives) (Plan Year 2016 to date*)	205,003	217,306	Baseline based on 6/8/15 Strategic Plan
Average Effectuated Enrollment (3 months ending 12/31/16))	137,225	125,000	
<b>Enrollments by Channel</b> (Effectuated - Plan Year 2016 to date*)	Broker - 46%	Broker - 50.0%	
	Non-Broker (HCG, Customer Service Center, Self-Service) - 54%	Non-Broker (HCG, Customer Service Center, Self-Service) - 50%	
<b>Percentage of Calls Answered in 300 seconds</b> (Qtr/Plan Year 2016 to date*)	81%/81%	80%	
<b>Average Number of Hours System is Down per Month</b> (Qtr/Plan Year to Date*)	29/49 Minutes	1 Hr 26 Minutes	
<b>Net Operating Ratio</b> (Revenue-Expense)/Revenue (6 months ending 12/31/16)	60.6%	51.5%	
<b>Per Member Per Month (PMPM) - Carrier Fee</b> (6 months ending 12/31/16)	\$14.10	\$14.35	
<b>Per Member Per Month (PMPM) - Operating Expenses</b> (6 months ending 12/31/16)	\$24.37	\$27.67	

**Financial Overview**

For the six months ending December 31, 2016, earnings before depreciation exceeded budget expectations by \$1.2 million. Revenues came in \$775,000 higher than budget and expenses were \$459,000 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
<b>Financial Results</b>			
<i>Revenues</i>			
Program Revenue	15,123	15,425	98.0%
Carrier Fees	11,744	10,761	109.1%
Grant/Other Revenue	2,600	2,507	
Total Revenue	29,467	28,693	102.7%
<i>Expenditures</i>			
Customer Service	6,595	6,299	104.7%
Technology Operations	6,738	6,650	101.3%
General and Administrative	4,036	4,193	96.3%
Facilities	670	707	94.8%
Marketing and Outreach	2,258	2,908	77.7%
Total Expenditures	20,297	20,756	97.8%
Earnings Before Depreciation	9,170	7,936	115.5%
Cash Flows	8,597	7,172	119.9%
Cash	21,342	19,057	112.0%
Working Capital	29,692	27,320	108.7%
<b>General Financial Metrics</b>			
Avg Effectuated Enrollment	138,829	125,000	111.1%
PMPM - Carrier Fees	14.1	14.3	98.3%
PMPM - Operating Expenses	24.4	27.7	88.0%
Operating Earnings/Program Revenue	60.6%	51.5%	

### **Revenue**

Higher revenues were primarily the result of higher than expected effectuated enrollment (139,000 vs 125,000) due to lower initial enrollment estimates based on preliminary enrollment data from open enrollment 3. These figures were revised subsequent to the budget preparation. In addition, the level of effectuated enrollment has remained relatively flat during 2017 with a slight drop off in the fourth quarter of 2017. Normally we see a gradual decline of effectuated enrollment during the plan year. We expect a positive variance to continue related to fees from health plans through this fiscal year. The 2<sup>nd</sup> half of the fiscal year enrollment levels will be determined by the success of open enrollment 4. At this point in open enrollment, based on plan selections and expected effectuation rates, we should hit the budgeted enrollment targets for plan year 2017 and exceed the average premium per member that was assumed in the budget.

### **Expenditures**

The operating expense variance consists of the following notable variances:

- Marketing and Outreach (-\$650,000) - under budget resulting primarily from timing of assistant network partner payments and media buy expenditures. Expect this variance will be used up in the next 2 quarters.
- Customer Service (\$296,000) – higher than expected call volumes driven in part by higher plan selections/enrollments resulted in added service rep resources needed during open enrollment and resulting higher costs. May see this continue into January.
- G&A/Salary and Benefit Expenses (-\$157,000) – positive variance due to lower than anticipated training costs along with lower staff cost resulting in unfilled vacant positions during the 6 months.

## Cash

The cash balance at December 31, 2016 was \$2.3 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 9 months.

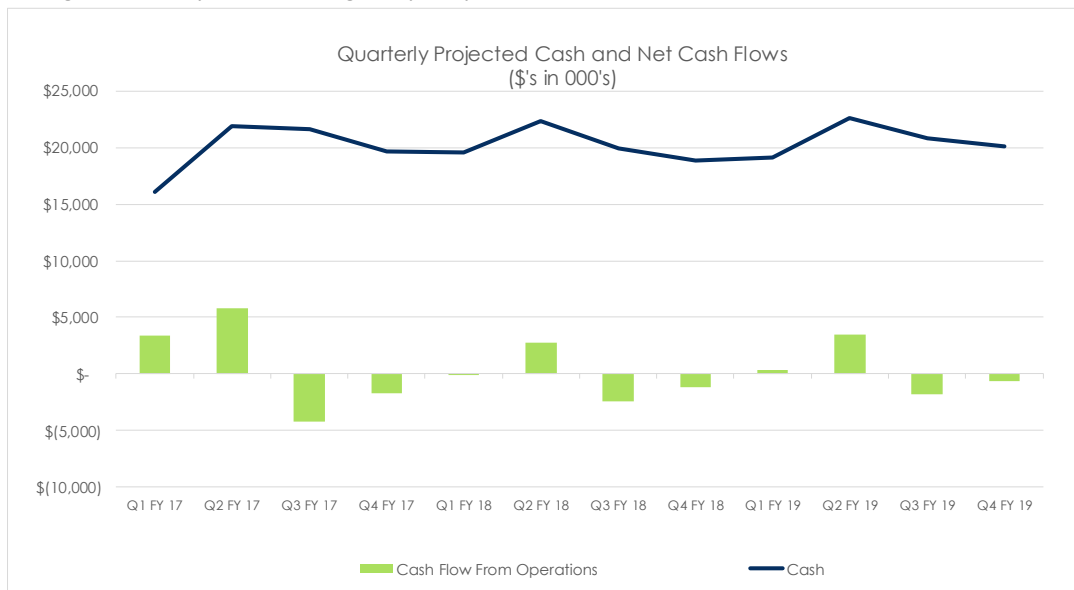
## 36 Month Financial Projections

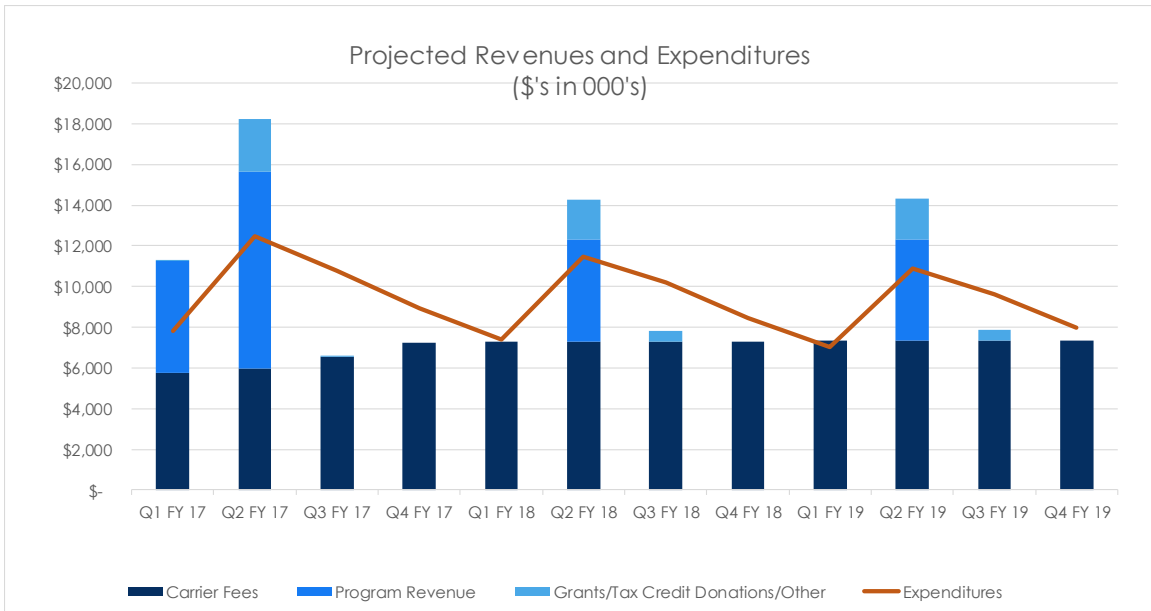
As part of our ongoing monitoring of long-term financial sustainability we are regularly revising our long range financial projections. This is becoming increasingly important due to the complicated business environment in which the exchange operates.

Based on the results of the first 6 months of the year and more clarity regarding enrollment for the 2017 plan year, the financial projections were revised for the 36 months ending June 30, 2019. The key assumptions made in the revised projections include:

- No changes in the federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on current levels of plan selections in open enrollment 4 and assumes effectuation rates will be consistent with the last open enrollment period.
- Enrollment and average premium per member for the projected months (Jan 2017 – June 2019) is assumed to remain flat (no annual increases).
- Operating expenses are assumed to be reduced annually by 5% for fiscal year 2018 and 2019. This is in line with prior projections.

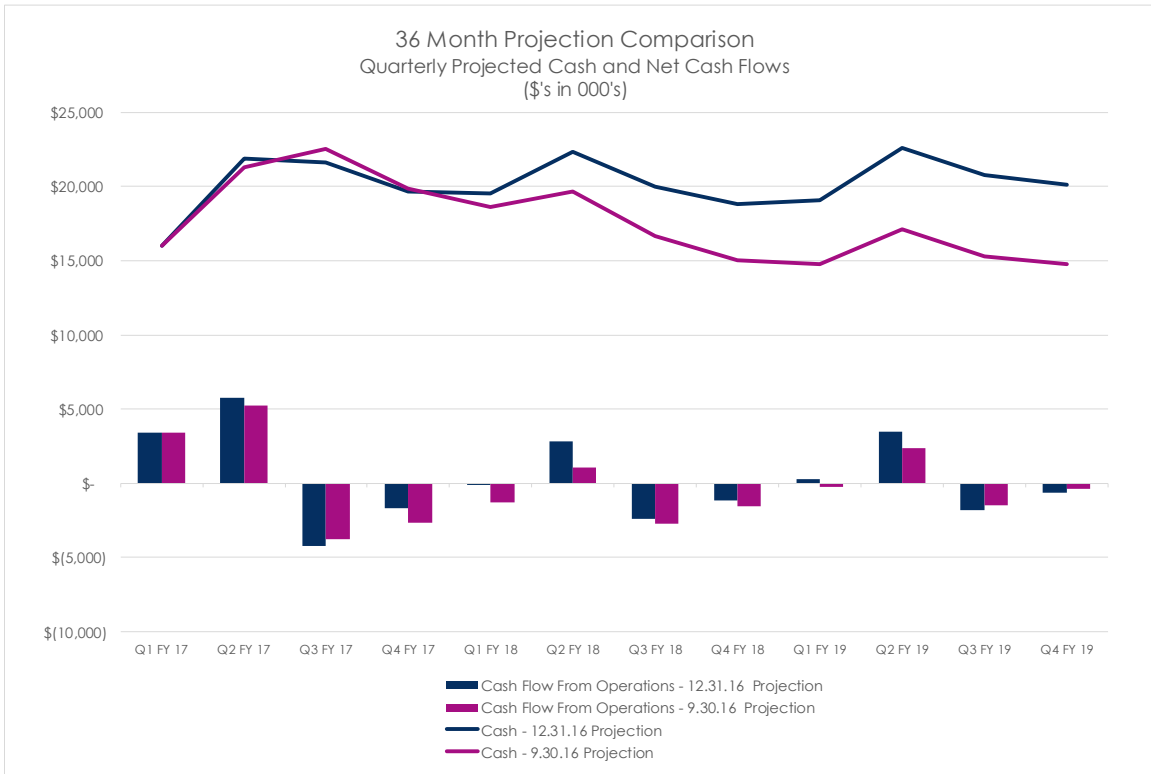
Based on these assumptions the revised projection results in overall positive cash flow over the plan period. An important consideration in the projections is to financially manage the transition to being funded primarily by health plan fees that are derived from enrolling members through the exchange. Starting in January 2017 this will be the primary revenue source for the organization. This transition requires some modest expense reductions over the next 2 years in addition to the significant reductions that have been made in the last year. Due in part to these initiatives we project adequate cash balances through the plan period for operating and maintaining the exchange and also provide the funds needed for capital investment to improve the infrastructure and continue to deliver on the mission of the organization. This capital reserve will be important in addressing the changes that may occur during the plan period.





While these projections are relatively conservative based on the current environment, there are long-term risks and opportunities to the organization that we will be monitoring. As more information becomes available we will be updating our projections in order to provide enough lead time for management and the governing bodies to take the proper actions to continue to serve our mission and maintain sustainability.

For reference purposes we will track our projections against previous projections to provide transparency and additional insights to changes in our long term expectations. The graph below compares the current projection with the projection provided last quarter. Overall the long range projection has improved due primarily to better than expected enrollment and premiums based on open enrollment 4 and its forecasted impacts on revenues.



**Connect for Health Colorado**  
**Income Statement**  
**Six Months Ending December 31, 2016**

Budget Classification & Budget Account	Actuals YTD Q2 FY16-17	Budget YTD Q2 FY16-17	Actual vs Budget		Total Budget FY16-17
			\$	%	
<b>Funding Source (Accrual Based)</b>					
Federal Grants		\$ -	\$ -	0.0%	\$ -
Other grants and contributions	2,590,000	2,500,000	90,000	103.6%	2,500,000
Program Revenue	15,123,300	15,424,700	(301,400)	98.0%	15,424,700
Fees for service	11,743,694	10,760,875	982,819	109.1%	22,855,147
Medicaid	-	-	-	0.0%	-
Interest income	3,525	7,000	(3,475)	50.4%	10,000
Other revenue	6,644	-	6,644	0.0%	-
<b>Total Funding Source</b>	<b>\$ 29,467,163</b>	<b>\$ 28,692,575</b>	<b>\$ 774,587</b>	<b>6.9%</b>	<b>\$ 40,789,847</b>
<b>Salaries &amp; Benefits</b>					
Salary - Full Time	2,695,727	2,673,030	22,698	100.8%	5,346,059
Benefits	889,525	975,656	(86,131)	91.2%	1,951,312
	-	-	-	0.0%	-
<b>Total Salaries &amp; Benefits</b>	<b>\$ 3,585,252</b>	<b>\$ 3,648,685</b>	<b>\$ (63,433)</b>	<b>-3.6%</b>	<b>\$ 7,297,371</b>
<b>Operations</b>					
Customer Service Support	6,564,489	6,229,103	335,387	105.4%	12,947,564
Enrollment Services	-	17,840	(17,840)	0.0%	17,840
Public Affairs Services	30,800	40,000	(9,200)	77.0%	80,000
Operational Prof Consulting	-	12,000	(12,000)	0.0%	24,000
<b>Total Operations</b>	<b>\$ 6,595,289</b>	<b>\$ 6,298,943</b>	<b>\$ 296,347</b>	<b>11.3%</b>	<b>\$ 13,069,404</b>
<b>Marketing &amp; Outreach</b>					
Media Buys - Radio/TV/Web	573,627	790,000	(216,373)	72.6%	900,500
Advertising Services & Materials	143,676	10,000	133,676	1436.8%	20,000
Marketing Agency Fees	50,313	130,000	(79,687)	38.7%	158,125
Outreach Services, Rentals & Materials	58,601	39,500	19,101	148.4%	78,500
Technical Writing & Translation Services	35,643	8,400	27,243	424.3%	16,800
Marketing & Outreach Prof Consulting	18,418	35,000	(16,582)	52.6%	85,000
(MA) Medical Assistance Services	499,411	613,750	(114,339)	81.4%	1,083,990
Asst. Network - C4HCO Admin & Oversight	-	30,953	(30,953)	0.0%	61,906
Asst. Network - Personnel	-	818,110	(818,110)	0.0%	1,636,220
Asst. Network - Benefits	-	189,441	(189,441)	0.0%	378,882
Asst. Network - Travel	-	13,271	(13,271)	0.0%	26,542
Asst. Network - Supplies & Equipment	-	18,145	(18,145)	0.0%	36,289
Asst. Network - Other	878,223	62,302	815,921	1409.6%	124,603
Asst. Network - Contractual	-	60,368	(60,368)	0.0%	120,736
Asst. Network - Admin Allowance	-	88,364	(88,364)	0.0%	176,727
	-	-	-	0.0%	-
<b>Total Marketing &amp; Outreach</b>	<b>\$ 2,257,912</b>	<b>\$ 2,907,603</b>	<b>\$ (649,691)</b>	<b>-114.4%</b>	<b>\$ 4,904,821</b>
<b>Technology</b>					
Maintainance & Operation	4,601,596	3,997,831	603,764	115.1%	7,653,688
SES (Shared Eligibility System)	104,752	79,272	25,480	132.1%	408,544
Testing	20,368	100,000	(79,633)	20.4%	100,000
Carrier Support	148,210	672,640	(524,430)	22.0%	1,090,460
Software/Licenses/Subscriptions (Tech)	370,610	378,949	(8,339)	97.8%	564,485
Computer Equipment - NonCapEX	12,790	39,600	(26,810)	32.3%	79,200
Hosting	1,011,575	948,258	63,317	106.7%	1,896,516
DDI (Design, Dev., Implementation)	301,763	48,000	253,763	628.7%	48,000
Website	62,777	135,000	(72,223)	46.5%	211,500
Privacy & Security	60,480	148,000	(87,520)	40.9%	148,000
Technology Prof Consulting	43,000	102,250	(59,250)	42.1%	152,500
<b>Total Technology</b>	<b>\$ 6,737,920</b>	<b>\$ 6,649,800</b>	<b>\$ 88,119</b>	<b>3.7%</b>	<b>\$ 12,352,893</b>
<b>General &amp; Administration</b>					
Supplies & Materials	16,015	28,990	(12,975)	55.2%	57,980
Postage/Shipping	3,301	6,968	(3,667)	47.4%	11,388
Printing/Copying/Shred	-	2,750	(2,750)	0.0%	5,350
Travel/Meals/Lodging	54,195	37,253	16,942	145.5%	74,505
Cell Phone	400	11,500	(11,100)	3.5%	23,000
Professional Dev. & Training	1,106	78,125	(77,018)	1.4%	156,249
Conferences/Meetings	19,196	39,810	(20,614)	48.2%	78,876
Finance/Accounting Services	72,755	47,000	25,755	154.8%	94,000
H/R Services	59,541	31,055	28,487	191.7%	61,000
Legal Services	10,860	53,000	(42,140)	20.5%	106,000
Audit Services	47,830	45,500	2,330	105.1%	130,000
Payroll Fees	13,505	10,500	3,005	128.6%	16,000
Memberships/Dues/Subscriptions (Non-Tech)	19,092	12,650	6,442	150.9%	17,100
Bank Fees	2,050	-	2,050	0.0%	-
General Prof Consulting	131,218	139,450	(8,233)	94.1%	278,900
<b>Total General &amp; Administration</b>	<b>\$ 451,063</b>	<b>\$ 544,550</b>	<b>\$ (93,486)</b>	<b>-48.0%</b>	<b>\$ 1,110,348</b>
<b>Facility/Insurance/Other</b>					
Rent	331,609	369,283	(37,675)	89.8%	726,817
Oper & Tax Escalation	54,054	54,324	(270)	99.5%	107,488
Repair & Maintenance	9,343	10,553	(1,210)	88.5%	21,106
Utilities	22,369	17,398	4,971	128.6%	34,795
Parking Fees	26,655	32,345	(5,690)	82.4%	64,690
Copier Leases	16,719	15,000	1,719	111.5%	30,000
Telephone/Fax/Internet	123,356	119,770	3,586	103.0%	236,140
General Liability Insurance	85,494	85,400	93	100.1%	132,315
Office Furniture & Fixtures (≤ \$5K)	-	2,500	(2,500)	0.0%	5,000
<b>Total Facility/Insurance/Other</b>	<b>\$ 669,599</b>	<b>\$ 706,573</b>	<b>\$ (36,975)</b>	<b>-12.1%</b>	<b>\$ 1,358,351</b>
<b>Total Department Expenditures</b>	<b>\$ 20,297,035</b>	<b>\$ 20,756,154</b>	<b>\$ (459,119)</b>	<b>-5.9%</b>	<b>\$ 40,093,187</b>
<b>Inc (Dec) in Net Position: Modified Accrual</b>	<b>\$ 9,170,128</b>	<b>\$ 7,936,421</b>	<b>\$ 1,233,706</b>	<b>36.2%</b>	<b>\$ 696,660</b>

**Connect for Health Colorado**  
**Statement of Financial Position**  
**31-Dec-16**

	Actual	Budget
	12/31/2016	12/31/2016
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	21,342,499	19,056,758
Accounts Receivable, Net	12,947,076	13,145,385
Grants Receivable		
<b>Other Current Assets</b>		
<b>Pre-Paid Expenses</b>		
Prepaid Ins Rent & Misc	93,679	41,006
Prepaid Software & Support	3,192,428	3,761,392
Prepaid Network Grantee Advances		0
<b>Total Pre-Paid Expenses</b>	<b>3,286,107</b>	<b>3,802,398</b>
<b>Total Other Current Assets</b>	<b>3,286,107</b>	<b>3,802,398</b>
<b>Total Current Assets</b>	<b>37,575,682</b>	<b>36,004,541</b>
<b>Long-term Assets</b>		
<b>Property &amp; Equipment</b>		
Furniture & Fixtures	722,573	833,775
Equipment	1,117,696	1,117,696
Software Licenses	9,732,374	13,356,446
Marketplace Development	42,946,012	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
<b>Total Property &amp; Equipment</b>	<b>56,773,767</b>	<b>56,681,401</b>
<b>Accumulated Depreciation</b>		
Accum Depr - Furniture & Fixtures	(387,241)	(398,635)
Accum Depr - Equipment	(702,733)	(718,156)
Accum Amort - Software License	(5,429,160)	(9,660,353)
Accum Depr - Marketplace Development	(23,515,326)	(20,910,933)
Accum Depr - Informational Website	(121,212)	(120,155)
Accum Depr - Ptarmigan Tenant Improvements	(85,041)	(84,459)
Accum Depr - CSC Tenant Improvements	(863,805)	(894,644)
<b>Total Accumulated Depreciation</b>	<b>(31,104,519)</b>	<b>(32,787,336)</b>
<b>Other Long-term Assets</b>	<b>19,545</b>	<b>125,000</b>
<b>Total Long-term Assets</b>	<b>25,688,793</b>	<b>24,019,065</b>
<b>Total Assets</b>	<b>63,264,475</b>	<b>60,023,606</b>
<b>Liabilities</b>		
<b>Liabilities</b>		
<b>Short-term Liabilities</b>		
Accounts Payable	4,387,539	4,548,440
Accrued Liabilities	0	0
Accrued Payroll, PR Tax & Benefits	209,935	330,735
<b>Total Accrued Liabilities</b>	<b>209,935</b>	<b>330,735</b>
Deferred Revenue	0	0
Other Short-term Liabilities	0	2,750
<b>Total Short-term Liabilities</b>	<b>4,597,474</b>	<b>4,881,925</b>
<b>Long Term Liabilities</b>		
Other Long-term Liabilities	49,010	45,656
<b>Total Long Term Liabilities</b>	<b>49,010</b>	<b>45,656</b>
<b>Total Liabilities</b>	<b>4,646,484</b>	<b>4,927,581</b>
<b>Net Assets</b>		
Unrestricted	56,208,268	55,096,025
Current Year Earnings	2,409,722	0
<b>Total Net Assets</b>	<b>58,617,991</b>	<b>55,096,025</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>63,264,475</b>	<b>60,023,606</b>