

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT – 3RD QUARTER FY 2017
DATE: 4/20/2017

OVERVIEW

Key Performance Indicators	Status	Actuals (YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	136,673	126,444	108.1%
Net Operating Income Margin		28.7%	20.1%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$14.4	\$14.6	98.7%
Per Member Per Month (PMPM) - Operating Exp.		\$23.7	\$26.0	91.3%
Days Cash on Hand	(3)	201.2	120.0	167.7%

- (1) Monthly average for 9 months
- (2) Does not include other revenue streams
- (3) Based on FY17 budgeted daily operating expenses

Effectuated enrollment continued to exceed the target for the year by over 8%, resulting in revenues exceeding budgeted expectations. With expenditure's slightly lower than budget, combined with higher fee revenues, net operating income is 40% higher than expectations for the first 9 months of the fiscal year coming in at \$4.3 million versus the target of \$3.1 million. The positive financial results have allowed for the sustaining of a sufficient cash reserve to serve as a buffer for possible future turbulence in the industry.

FINANCIAL RESULTS SUMMARY

Financial Results	Status	Actuals (YTD)	Budget (YTD)	% of Budget
<i>Revenues</i>				
Program Revenue		15,125	15,425	98.1%
Carrier Fees		17,733	16,616	106.7%
Grant/Other Revenue		2,603	2,510	103.7%
Total Revenue		35,461	34,550	102.6%
<i>Expenditures</i>				
Customer Service		10,569	10,019	105.5%
Technology Operations		9,319	10,032	92.9%
General and Administrative		6,145	6,337	97.0%
Facilities		911	1,053	86.5%
Marketing and Outreach		4,177	4,011	104.1%
Total Expenditures		31,120	31,453	98.9%
Earnings Before Depreciation		4,341	3,097	140.1%
Cash Flows		9,386	7,172	130.9%
Cash		22,132	19,431	113.9%
Working Capital		24,026	24,691	97.3%

Revenue

Higher revenues were primarily the result of higher carrier fees driven by higher than expected effectuated enrollment from open enrollment 3. Also contributing, the level of effectuated enrollment remained relatively flat during 2016 with a slight drop off in the fourth quarter of plan year 2016. Normally we see a gradual decline of effectuated enrollment during the plan year. Based on current open enrollment 4 data we should continue to exceed fee revenue expectations for the second half of the fiscal year. December 31, 2016 was the last month of the broad market assessment.

Expenditures

The operating expense variance consists of the following notable variances:

- Marketing and Outreach (\$166,000) – over budget primarily resulting from higher open enrollment marketing due in part to the EBNE (eligible but not enrolled) outreach effort along with the timing of marketing and assistant network expenditures. The budget spread costs out into the final quarter of the fiscal year. We are expecting to be below budgeted costs in the final quarter.
- Customer Service (\$550,000) – 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.
- G&A/Salary and Benefit Expenses (-\$192,000) – positive variance due to lower than anticipated corporate consulting, audit and professional training costs. Some of these expenses were deferred to the final quarter of the fiscal year.
- Technology Operations (-\$714,000) – positive variance due in part to timing (deferral) of SES maintenance payment (contract in process) and the modification of technology contracts during the year resulting in additional savings.

Cash

The cash balance at March 31, 2017 was \$2.7 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 PROJECTIONS

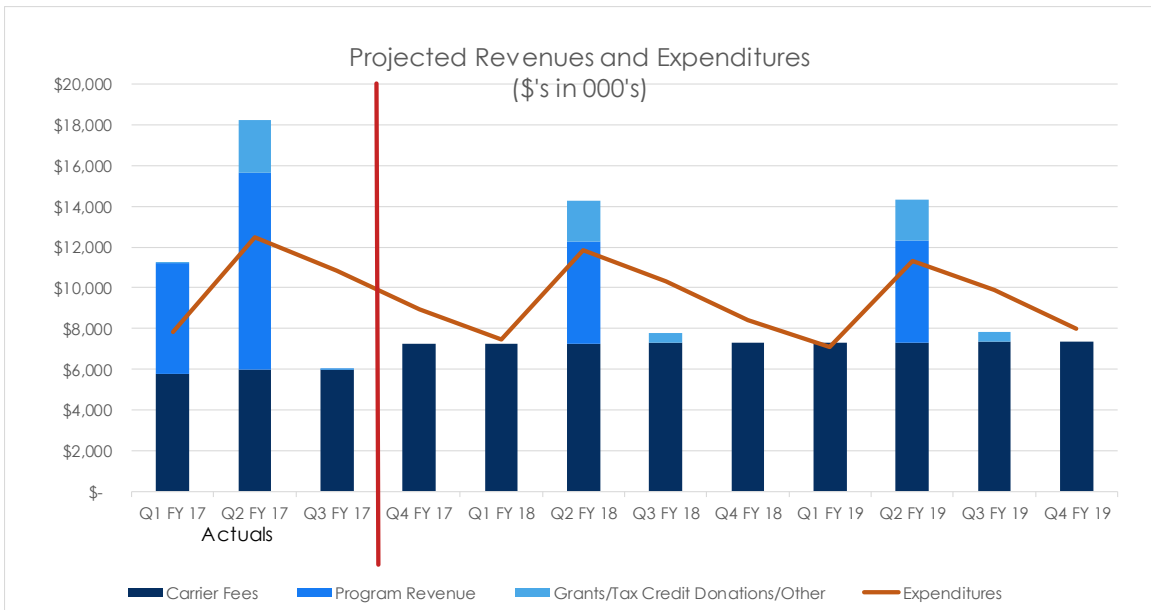
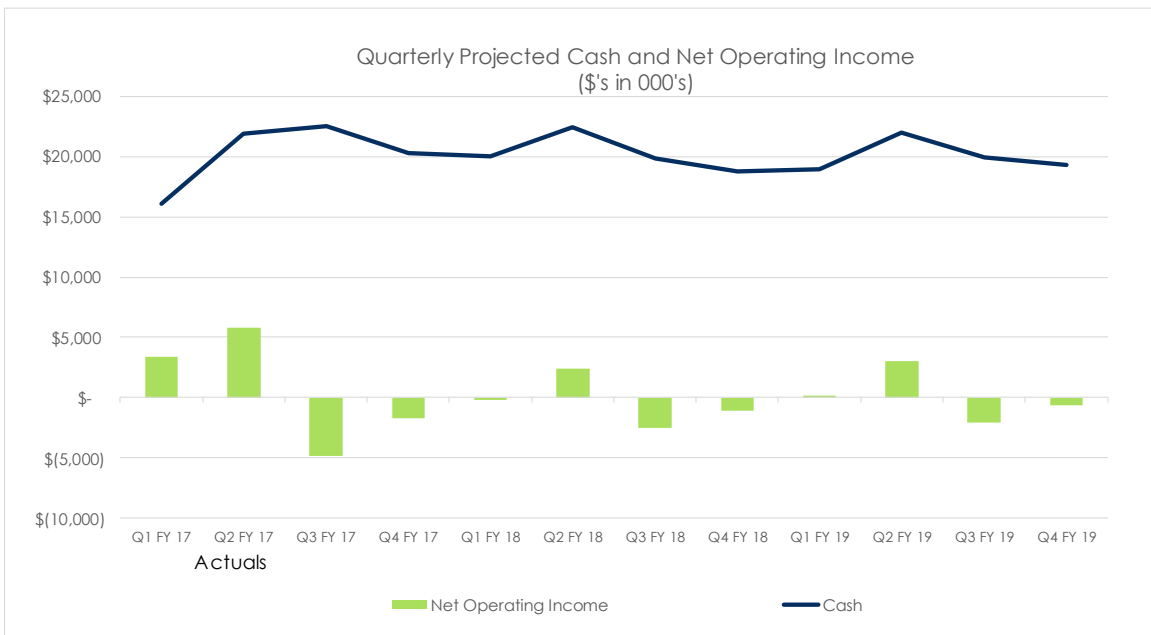
As part of our ongoing monitoring of long-term financial sustainability we are regularly revising our long range financial projections. This is becoming increasingly important due to the complicated business environment in which the exchange operates.

Based on the results of the first 9 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 effectuation levels for March 2017 resulting from open enrollment.
- 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.

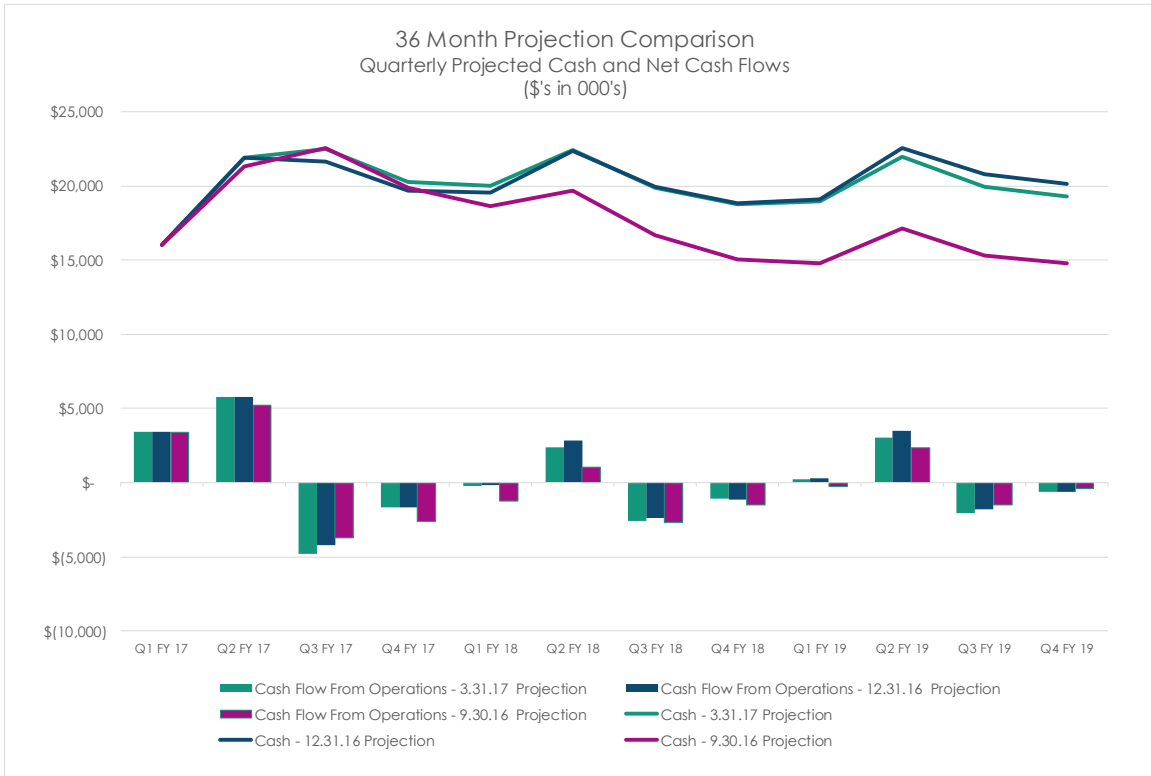
Based on these assumptions the revised projection results in overall positive cash flow over the plan period. The ending cash level decreased from the previous projection by \$300,000 (\$20.1 MM to \$19.8MM) due to the refining of effectuated enrollment data to more accurately reflect the results of the last open enrollment. Further evaluation of projections will be conducted as part of the fiscal year 2018 budget process.

An important consideration in the budgeting process will be the financial management of the transition to being funded by health plan fees. Starting in January 2017 this will be the primary revenue source for the organization. This transition will require modest expense reductions over the next 2 years in addition to the significant reductions that have been made in the last year. The next fiscal year's budget will continue the implementation of the plan for organizational sustainability. A necessary component of the plan for sustainability includes providing for an adequate cash reserve for possible capital investments to address strategic initiatives. This projection provides sufficient cash balances to meet sustainability and strategic goals.



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 are tracking 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 2 quarters.



**Connect for Health Colorado
Income Statement
Nine Months Ending March 31, 2017**

Budget Classification & Budget Account	Actuals YTD Q3 FY16-17	Budget YTD Q3 FY16-17	Actual vs Budget		Total Budget FY16-17
			\$	%	
Funding Source (Accrual Based)					
Federal Grants		\$ -	\$ -	0.0%	\$ -
Other grants and contributions	2,590,000	2,500,000	90,000	103.6%	2,500,000
Program Revenue	15,124,752	15,424,700	(299,948)	98.1%	15,424,700
Fees for service	17,733,381	16,615,711	1,117,670	106.7%	22,855,147
Medicaid	-	-	-	0.0%	-
Interest income	4,735	10,000	(5,265)	47.3%	10,000
Other revenue	7,984	-	7,984	0.0%	-
Total Funding Source	\$ 35,460,852	\$ 34,550,411	\$ 910,441	8.1%	\$ 40,789,847
Salaries & Benefits					
Salary - Full Time	4,206,202	4,009,544	196,658	104.9%	5,346,059
Benefits	1,330,585	1,463,484	(132,899)	90.9%	1,951,312
Total Salaries & Benefits	\$ 5,536,787	\$ 5,473,028	\$ 63,759	3.6%	\$ 7,297,371
Operations					
Customer Service Support	10,523,223	9,923,658	599,565	106.0%	12,947,564
Enrollment Services	-	17,840	(17,840)	0.0%	17,840
Appeal Services	-	-	-	0.0%	-
Public Affairs Services	46,200	60,000	(13,800)	77.0%	80,000
Operational Prof Consulting	-	18,000	(18,000)	0.0%	24,000
Total Operations	\$ 10,569,423	\$ 10,019,498	\$ 549,925	21.0%	\$ 13,069,404
Marketing & Outreach					
Media Buys - Radio/TV/Web	887,897	900,500	(12,603)	98.6%	900,500
Advertising Services & Materials	146,459	15,000	131,459	976.4%	20,000
Marketing Agency Fees	51,135	155,000	(103,865)	33.0%	158,125
Outreach Services, Rentals & Materials	84,000	60,200	23,800	139.5%	78,500
CACs (Certified Application Counselor)	-	-	-	0.0%	-
Navigators/In Person Assistors	-	-	-	0.0%	-
Technical Writing & Translation Services	63,914	12,600	51,314	507.3%	16,800
Marketing & Outreach Prof Consulting	38,464	60,000	(21,536)	64.1%	85,000
(MA) Medical Assistance Services	912,427	886,189	26,238	103.0%	1,083,990
Asst. Network - C4HCO Admin & Oversight	6,350	46,429	(40,079)	13.7%	61,906
Asst. Network - Personnel	1,288,351	1,227,165	61,186	105.0%	1,636,220
Asst. Network - Benefits	289,974	284,162	5,812	102.0%	378,882
Asst. Network - Travel	33,011	19,907	13,104	165.8%	26,542
Asst. Network - Supplies & Equipment	27,355	27,217	138	100.5%	36,289
Asst. Network - Other	79,386	93,452	(14,066)	84.9%	124,603
Asst. Network - Contractual	140,556	90,552	50,004	155.2%	120,736
Asst. Network - Admin Allowance	127,294	132,546	(5,252)	96.0%	176,727
Total Marketing & Outreach	\$ 4,176,573	\$ 4,010,918	\$ 165,655	29.2%	\$ 4,904,821
Technology					
Maintainance & Operation	6,634,555	7,085,770	(451,215)	93.6%	8,744,148
SES (Shared Eligibility System)	144,388	368,908	(224,520)	39.1%	408,544
Testing	21,048	100,000	(78,953)	21.0%	100,000
Carrier Support	-	-	-	0.0%	-
Software/Licenses/Subscriptions (Tech)	718,091	468,735	249,356	153.2%	564,485
Computer Equipment - NonCapEX	16,409	59,400	(42,991)	27.6%	79,200
Hosting	1,473,007	1,422,387	50,620	103.6%	1,896,516
DDI (Design, Dev., Implementation)	60,000	48,000	12,000	125.0%	48,000
Website	89,092	178,750	(89,658)	49.8%	211,500
PMO (Project Management Office)	-	-	-	0.0%	-
IV&V (Independent Verification & Validation)	-	-	-	0.0%	-
Privacy & Security	103,910	148,000	(44,090)	70.2%	148,000
Technology Prof Consulting	58,000	152,375	(94,375)	38.1%	152,500
Total Technology	\$ 9,318,500	\$ 10,032,325	\$ (713,825)	-29.8%	\$ 12,352,893
General & Administration					
Supplies & Materials	20,155	43,485	(23,330)	46.3%	57,980
Postage/Shipping	5,647	9,178	(3,531)	61.5%	11,388
Printing/Copying/Shred	53	4,050	(3,997)	1.3%	5,350
Travel/Meals/Lodging	69,341	55,879	13,462	124.1%	74,505
Cell Phone	23,706	17,250	6,456	137.4%	23,000
Professional Dev. & Training	4,510	117,187	(112,677)	3.8%	156,249
Conferences/Meetings	36,548	60,665	(24,117)	60.2%	78,876
Finance/Accounting Services	114,941	70,500	44,441	163.0%	94,000
H/R Services	70,759	45,473	25,287	155.6%	61,000
Actuarial Services	-	-	-	0.0%	-
BoD Services	500	-	500	0.0%	-
Legal Services	105,860	79,500	26,360	133.2%	106,000
Audit Services	47,830	123,750	(75,920)	38.7%	130,000
Payroll Fees	22,641	13,250	9,391	170.9%	16,000
Memberships/Dues/Subscriptions (Non-Tech)	29,398	15,000	14,398	194.0%	17,100
Bank Fees	2,070	-	2,070	0.0%	-
General Prof Consulting	53,030	209,175	(156,145)	25.4%	278,900
Bad Debt Expense	-	-	-	0.0%	-
Interest Expense	-	-	-	0.0%	-
Other - G&A	1,272	-	1,272	0.0%	-
Total General & Administration	\$ 608,261	\$ 864,341	\$ (256,080)	-131.4%	\$ 1,110,348
Facility/Insurance/Other					
Rent	493,291	551,550	(58,259)	89.4%	726,817
Oper & Tax Escalation	85,054	80,906	4,148	105.1%	107,488
Repair & Maintenance	9,313	15,830	(6,517)	58.8%	21,106
Utilities	35,306	26,096	9,209	135.3%	34,795
Parking Fees	41,185	48,518	(7,333)	84.9%	64,690
Copier Leases	26,479	22,500	3,979	117.7%	30,000
Telephone/Fax/Internet	145,064	177,955	(32,891)	81.5%	236,140
General Liability Insurance	74,518	126,015	(51,497)	59.1%	132,315
Office Furniture & Fixtures (≤ \$5K)	520	3,750	(3,230)	13.9%	5,000
Other - Facility/Insurance	-	-	-	0.0%	-
Total Facility/Insurance/Other	\$ 910,728	\$ 1,053,119	\$ (142,391)	-46.5%	\$ 1,358,351
Total Department Expenditures	\$ 31,120,272	\$ 31,453,229	\$ (332,957)	-4.3%	\$ 40,093,187
Inc (Dec) in Net Position: CASH BASIS	\$ 4,340,580	\$ 3,097,181	\$ 1,243,398	36.5%	\$ 696,660

Connect for Health Colorado
Statement of Financial Position
31-Mar-17

	Actual 3/31/2017	Budget 3/31/2017
Assets		
Current Assets		
Cash and Cash Equivalents	22,131,674	19,431,057
Accounts Receivable, Net	5,459,075	8,431,847
Grants Receivable		
Other Current Assets		
Pre-Paid Expenses		
Prepaid Ins Rent & Misc	44,764	41,006
Prepaid Software & Support	3,681,988	2,199,581
Prepaid Network Grantee Advances		0
Total Pre-Paid Expenses	<u>3,726,752</u>	<u>2,240,587</u>
Total Other Current Assets	3,726,752	2,240,587
Total Current Assets	<u>31,317,500</u>	<u>30,103,490</u>
Long-term Assets		
Property & Equipment		
Furniture & Fixtures	722,573	833,775
Equipment	1,117,696	1,117,696
Software Licenses	9,732,374	13,356,446
Marketplace Development	43,368,904	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>57,196,659</u>	<u>56,681,401</u>
Accumulated Depreciation		
Accum Depr - Furniture & Fixtures	(417,019)	(398,635)
Accum Depr - Equipment	(758,080)	(718,156)
Accum Amort - Software License	(6,111,269)	(9,660,353)
Accum Depr - Marketplace Development	(26,077,585)	(23,672,497)
Accum Depr - Informational Website	(131,685)	(120,155)
Accum Depr - Ptarmigan Tenant Improvements	(92,349)	(84,459)
Accum Depr - CSC Tenant Improvements	(928,877)	(894,644)
Total Accumulated Depreciation	<u>(34,516,864)</u>	<u>(35,548,900)</u>
Other Long-term Assets	29,609	110,000
Total Long-term Assets	<u>22,709,403</u>	<u>21,242,501</u>
Total Assets	<u>54,026,904</u>	<u>51,345,991</u>
Liabilities		
Liabilities		
Short-term Liabilities		
Accounts Payable	3,208,908	2,838,706
Accrued Liabilities	0	0
Accrued Payroll, PR Tax & Benefits	356,312	330,735
Total Accrued Liabilities	<u>356,312</u>	<u>330,735</u>
Deferred Revenue	0	0
Other Short-term Liabilities	0	2,750
Total Short-term Liabilities	<u>3,565,220</u>	<u>3,172,191</u>
Long Term Liabilities		
Other Long-term Liabilities	49,248	45,656
Total Long Term Liabilities	<u>49,248</u>	<u>45,656</u>
Total Liabilities	<u>3,614,468</u>	<u>3,217,847</u>
Net Assets		
Unrestricted	56,208,268	48,128,144
Current Year Earnings	(5,795,832)	0
Total Net Assets	<u>50,412,436</u>	<u>48,128,144</u>
Total Liabilities & Net Assets	<u>54,026,904</u>	<u>51,345,992</u>