

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: PRELIMINARY FY 2016 FINANCIAL REPORT
DATE: 7/21/2016

Key Metrics

KPI	Actual	Baseline	
Enrollment Plan Selection (Cumulative Covered Lives) (Plan Year 2016 to date)	183,851	217,306	Baseline based on 6/8/15 Strategic Plan
Average Effectuated Enrollment (Fiscal Year 2016)	120,980	139,776	
Enrollments by Channel (Effectuated - Plan Year 2016 to date)	Broker - 54.1% Non-Broker (HCG, Customer Service Center, Self-Service) - 45.9%	Broker - 50.0% Non-Broker (HCG, Customer Service Center, Self-Service) - 50%	
Percentage of Calls Answered in 300 seconds (Qtr/Plan Year 2016 to date)	83%/76%	80%	Positive trend - last 6 months
Average Number of Hours System is Down per Month (Qtr/Plan Year to Date*)	15/16 Minutes	1 Hr 26 Minutes	
Net Operating Ratio (Revenue-Expense)/Revenue (6 months ending 12/31/15)	-4.8%	3.4%	See financial variance analysis below
Per Member Per Month (PMPM) - Carrier Fee (Fiscal Year 2016)	\$9.80	\$8.80	Reflects 1/2 of year at lower fee %
Per Member Per Month (PMPM) - Operating Expenses (Fiscal Year 2016)	\$30.60	\$28.90	FY17 Budget reduces PMPM to \$24.20
Months of Cash (based on projected average burn rate)	17	12	

Financial Overview

The net change in assets before depreciation for the 12 months ending June 30, 2016 was below budget expectations by \$3.2 MM (\$1.8 MM loss vs \$1.5 MM gain budgeted).

Program revenues were significantly lower than budget (\$36.6 million vs \$44.6 million) for the year, contributing significantly to the overall negative budget variance. The negative revenue variance was primarily due to lower covered lives for the special assessment fee than what was initially budgeted and not receiving any Medicaid cost recovery funding at the end of the fiscal year as anticipated in the budget. The large special assessment revenue variance (\$4.8 MM) existed for the entire year and was the result of overestimating the covered lives based on preliminary data at the time of preparing the FY16 budget. There were no Medicaid cost recovery funds received during the

year as anticipate in the budget. The cost allocation plan is currently being processed by CMS and Connect for Health is working closely with the State in attaining final approval.

The table below summarizes the financial results for the fiscal year. Detailed financial statements are attached to this memo.

		Actuals (YTD)	Budget/Target (YTD)	% of Budget/Target
Financial Results				
<i>Revenues</i>				
Program Revenue		36,639	44,655	82.0%
Grant Revenue		3,064	2,500	122.6%
Total Revenue		45,178	52,526	86.0%
<i>Expenditures</i>				
Customer Service		19,921	21,903	90.9%
Technology Operations		15,068	15,318	98.4%
General and Administrative		9,433	10,973	86.0%
Operations		1,469	1,471	99.9%
Marketing		1,050	1,364	76.9%
Total Expenditures		46,940	51,030	92.0%
Earnings Before Depreciation		(1,762)	1,496	
Cash Flows		(21,538)	(14,500)	
Cash		12,203	14,000	87.2%
Working Capital		23,874		

Some of the more significant revenue and expense variances for the year were:

Revenue

Revenue for the year came in below budget by \$7.3 million for the year. Aside from the negative special assessment fee variance mentioned above of \$4.8 MM and the \$2.5 MM budgeted Medicaid cost recover not realized, there was a positive grant variance of \$564,000 used to fund special projects including assisting in the transition of HealthOp customers. Offsetting this was a small budget deficit in carrier administration fee revenue of \$465,000. This is the result of effectuated enrollment coming in lower than budget (121,000 vs 140,000) for the 12 months. This was offset some by higher per member premiums for the same period. 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.

Expenditures

Operating expenses came in at \$4.0 million lower than budget expenses for the period, excluding depreciation expense. The operating expense variance consists of the following significant variances:

- Customer Service Center (-\$2 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 (-\$300,000) - under budget resulting from lower spend on some marketing campaigns, budget assumed higher level of spending in the 1st & 2nd quarter.

- Technology Operations (-\$250,000) – savings achieved through using fewer contractors and doing more work with existing in-house staff

- G&A Salary and Benefit Expenses (-\$1.5 million) - expenses lower than budget due primarily to postponing some hiring along with the budget not accounting for staff attrition.

Cash

The cash balance at June 30, 2016 was \$1.8 million lower than budget projections. Cash decreased by \$21.5 million during the year, which was greater than budget expectations. In addition to the impact of the operating loss on cash, one of the contributors to the higher decrease in cash for the period related to large vendor liabilities incurred in the prior fiscal year (and anticipated in the budget to be paid in the prior year) were paid in the current year (\$3.4 million). Also contributing to the overall decrease in cash was \$4.3 million in marketplace software enhancements during the period along with non-cash revenue recognized due to the Federal revenue from the prior year (\$5 million). Due to lower payables at the end of the fiscal year and a considerable receivable balance, working capital was a healthy \$24 MM. Initiatives are in process to reduce the receivable collection period to industry norms.

**Connect for Health Colorado
Statement of Activities - Consolidated
Fiscal Year Ending June 30, 2016
Budget to Actual**

	Year To Date 06/30/2016		
	Actual	Budget	Budget Diff
Revenue			
Grant Revenue			
Federal Grants	5,346,701	5,346,701	0
Health Foundation Grant	3,063,800	2,500,000	563,800
Total Grant Revenue	8,410,501	7,846,701	563,800
Program Revenue			
Individual Fees	14,215,840	14,681,660	(465,821)
SHOP Fees	322,417	512,974	(190,557)
Market Assessment Fees	17,100,267	21,960,000	(4,859,734)
Medicaid Reimbursement	0	2,500,000	(2,500,000)
Tax Credit Donations	5,000,000	5,000,000	0
Total Program Revenue	36,638,523	44,654,634	(8,016,111)
Investment Income	22,950	25,000	(2,050)
Revenue - Other	106,499	0	106,499
Total Revenue	45,178,473	52,526,335	(7,347,862)
Expenditures			
Total Customer Service Center	16,907,345	18,873,085	(1,965,740)
Assistance Network	3,013,430	3,030,000	(16,570)
Total Customer Service	19,920,775	21,903,085	(1,982,310)
Total Marketing & Outreach	1,049,536	1,364,000	(314,464)
Technology			
Technology Consulting			
PMO	240,735	420,000	(179,265)
Business Intelligence/DW	11,520	0	11,520
Security - Marketplace	30	175,000	(174,970)
Total Technology Consulting	252,285	595,000	(342,715)
Tech Implementation - CGI	1,093,342	826,200	267,142
Tech Implementation - Other	307,356	139,267	168,089
CGI Hosting	1,837,335	1,956,516	(119,181)
CGI Maint & Support	2,916,636	3,362,636	(446,000)
Oracle CX Licensing	620,228	620,227	1
Oracle Platform Maint & Support	1,854,848	1,854,849	(1)
hCentive Developer License	1,876,608	1,658,197	218,411
Healthation Support (CGI)	53,155	31,893	21,262
Non-CGI Hosting & Support	292,007	254,413	37,595
Shared Eligibility System	2,557,785	2,623,600	(65,815)
Carrier Support	1,406,656	1,395,520	11,136
Total Technology	15,068,241	15,318,318	(250,077)
Ops, Financial Management & Misc. Direct			
Procurement and Financial Analysis	240	18,000	(17,760)
Operations Consulting	1,333,666	1,373,000	(39,334)
Training	135,242	80,200	55,042
Total Ops, Financial Management & Misc. Direct	1,469,148	1,471,200	(2,052)
Total Direct	37,507,700	40,056,603	(2,548,903)
General and Administrative Expenses			
Salary and Wages	5,509,564	6,854,234	(1,344,670)
PR Benefits	1,852,344	2,201,356	(349,012)
Conferences, Conventions, and Meetings	99,336	43,200	56,136
Copying and Printing	28,902	26,400	2,502
Due and Subscriptions	53,379	2,400	50,979
Insurance	96,593	98,400	(1,807)
Miscellaneous Expense	4,088	400	3,688
Occupancy	496,385	509,000	(12,615)
Office Supplies	110,665	82,000	28,665
Professional Fees	823,245	840,710	(17,465)
Telecommunication	295,744	220,800	74,944
Travel Expenses	62,326	94,400	(32,074)
Total General and Administrative Expenses	9,432,571	10,973,300	(1,540,729)
Depreciation	12,152,369	12,175,000	(22,631)
Total Expenditures	59,092,640	63,204,903	(4,112,263)
Change In Net Assets	(13,914,167)	(10,678,568)	(3,235,599)
+ Net Assets - Beginning	69,534,321	69,534,321	69,534,321
Net Assets - Ending	55,620,154	58,855,753	66,298,722

Connect for Health Colorado
Statement of Financial Position
June 30, 2016

	Year To Date 06/30/2016	Prior Year To Date 06/30/2015	
	Current Year Balance	Prior Year Balance	Net Change
Assets			
Current Assets			
Cash and Cash Equivalents	12,202,926	33,741,071	(21,538,145)
Accounts Receivable, Net	12,618,134	6,136,214	6,481,920
Other Current Assets			
Pre-Paid Expenses			
Prepaid Ins Rent & Misc	115,579	135,754	(20,174)
Prepaid Software & Support	3,899,981	5,773,595	(1,873,615)
Total Pre-Paid Expenses	4,015,560	5,909,349	(1,893,789)
Total Other Current Assets	4,015,560	5,909,349	(1,893,789)
Total Current Assets	28,836,620	45,786,634	(16,950,014)
Long-term Assets			
Property & Equipment			
Furniture & Fixtures	833,775	833,775	0
Equipment	1,117,696	1,083,698	33,998
Software Licenses	13,356,446	13,356,446	0
Marketplace Development	39,636,475	35,340,327	4,296,148
Informational Website	200,268	200,268	0
Ptarmigan Tenant Improvements	125,435	125,435	0
CSC Tenant Improvements	1,818,207	1,818,207	0
Total Property & Equipment	57,088,302	52,758,156	4,330,146
Total Accumulated Depreciation	(27,669,442)	(15,517,074)	(12,152,369)
Other Long-term Assets	189,613	18,720	170,894
Total Long-term Assets	29,608,473	37,259,802	(7,651,329)
Total Assets	58,445,093	83,046,436	(24,601,343)
Liabilities			
Liabilities			
Short-term Liabilities			
Accounts Payable	1,827,997	7,564,318	(5,736,321)
Accrued Liabilities			
Accrued Payroll, PR Tax & Benefits	330,370	220,109	110,261
Accrued Liabilities - Vendor	449,000	5,452,430	(5,003,430)
Accrued CGI Hosting	167,533	234,546	(67,013)
Total Accrued Liabilities	946,903	5,907,085	(4,960,182)
Other Short-term Liabilities	2,165	2,334	(169)
Total Short-term Liabilities	2,777,065	13,473,737	(10,696,672)
Long Term Liabilities			
Other Long-term Liabilities	47,874	38,378	9,496
Total Long Term Liabilities	47,874	38,378	9,496
Total Liabilities	2,824,939	13,512,115	(10,687,176)
Net Assets			
Unrestricted	55,620,154	69,534,321	(13,914,167)
Total Net Assets	55,620,154	69,534,321	(13,914,167)
Total Liabilities & Net Assets	58,445,093	83,046,436	(24,601,343)

Connect For Health Colorado
Statement of Cash Flows
Fiscal Year Ending June 30, 2016

Cash flows from operating activities:

Change in Net Assets (13,916,167)

Change in Cash from Operating Activities

Depreciation 12,152,369

A/R (6,481,920)

Grants A/R -

Deferred Revenue 9,496

Prepaid Expenses 1,893,789

Other Assets (170,894)

A/P (10,694,672)

Other Liabilities -

Net cash used by Operating Activities (3,291,832)

Cash flow from investing activities

Capital Expenditures (4,330,146)

Net cash used by Investing Activities (4,330,146)

Cash flow from financing activities

Net cash used by Financing Activities -

Increase (Decrease) in Cash

(21,538,145)

Cash, Beginning Period 33,741,071

Cash, End of Period 12,202,926