

CONNECT FOR HEALTH COLORADO

FISCAL 2017 BUDGET INITIAL DRAFT DISCUSSION

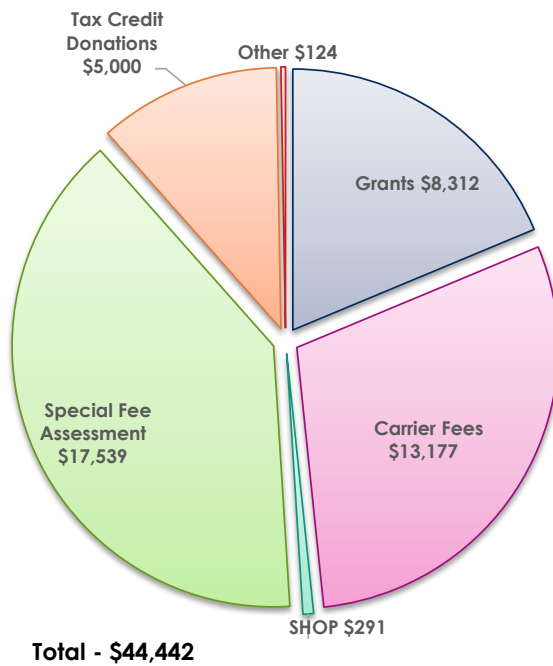
APRIL 25, 2016

Key FY 2017 Budget Assumptions

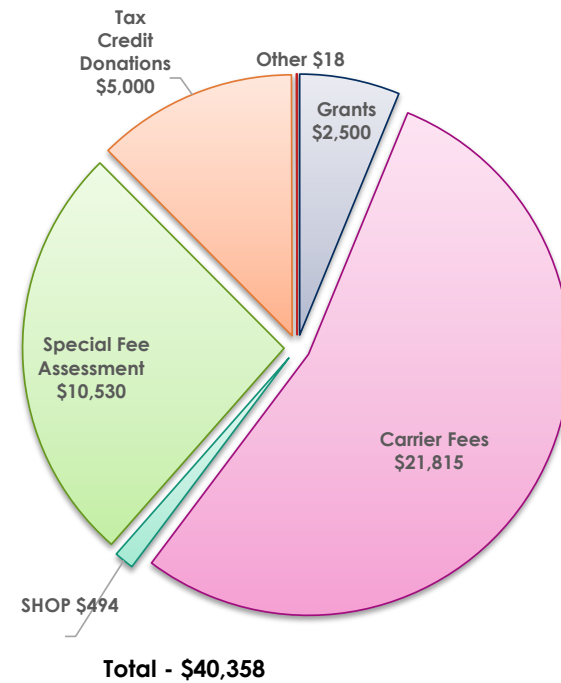
- Carrier fee of 3.5% for entire period,
- Special Fee Assessment of \$1.80 per covered life ends Dec.31, 2016
- Effectuated enrollment averages 120,000 for the period January – December 2016 and grows to 135,000 in March 2017 as the result of open enrollment.
- Average PMPM premium grows by 5%
- Tax credit donations - \$5 million
- Grant funding for Assistant Network continues at current levels
- Modest growth in SHOP
- No new revenue sources
- Capital expenditure reserve establishment

Revenue Comparison – FY 2016 vs FY 2017

Fiscal Year 2016 Projected Revenue

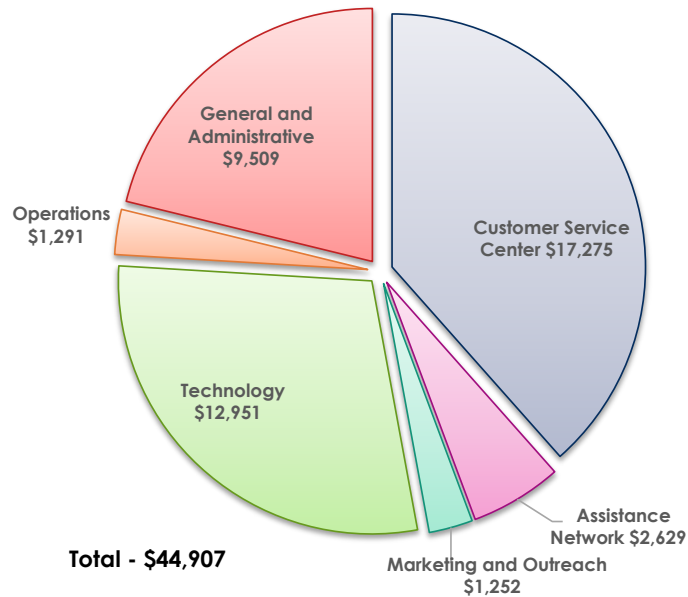


Fiscal Year 2017 Projected Revenue

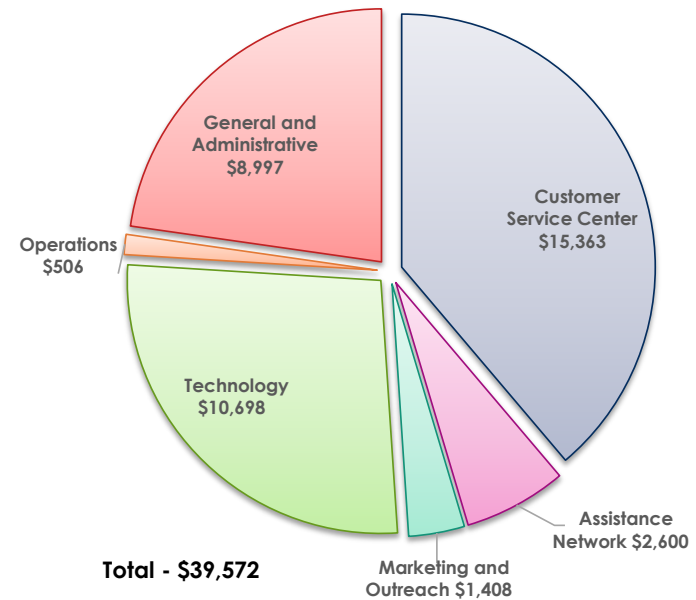


Operating Expense Comparison – FY 2016 vs FY 2017

Fiscal Year 2016 Operating Expenses



Fiscal Year 2017 Operating Expenses



Fiscal Year Financial Comparison

FY 2016, 2017 and 2018

\$'s in 000's	Total FY 2016	Total FY 2017	Total FY 2018	% Change FY 2017	% Change FY 2018
Revenues					
Grants	8,312	2,500	2,500	-69.9%	0.0%
Carrier Fees	13,177	21,815	25,652	65.6%	17.6%
SHOP	291	494	585	70.1%	18.3%
Special Fee Assessment	17,539	10,530	-	-40.0%	-100.0%
Tax Credit Donations	5,000	5,000	5,000	0.0%	0.0%
Other	124	18	18	-85.5%	0.1%
Total Revenues	44,442	40,358	33,755	-9.2%	-16.4%
Operating Expenses					
Customer Service Center	17,275	15,363	13,746	-11.1%	-10.5%
Assistance Network	2,629	2,600	2,600	-1.1%	0.0%
Marketing and Outreach	1,252	1,408	1,408	12.5%	0.0%
Technology	12,951	10,698	9,262	-17.4%	-13.4%
Operations	1,291	506	506	-60.8%	0.0%
General and Administrative	9,509	8,997	8,267	-5.4%	-8.1%
Total Operating Expenses	44,907	39,572	35,789	-11.9%	-9.6%
Income (loss) from Operations	(465)	786	(2,034)		
Cash Flow Adjustments (Receivables/Payables)		4,003	3,068		
Cash Flows From Operations		4,789	1,034		
Beginning Cash For Operations		12,030	12,000		
Net Cash Flow		4,789	1,034		
Capital Reserve Add		4,819	181		
Ending Cash For Operations		12,000	12,852		
Capital Reserve Use		(1,750)			
Ending Capital Reserve		3,069	3,250		
Key Measures					
Average Effectuated Enrollment	115,000	125,000	140,000		
Annual Operating Expenses per Enrollee	390	317	256		
Total Ending Cash (including Reserves)	12,030	15,069	16,102		

Significant Year over Year Changes – Fiscal Year 2017 Revenues

- **Carrier fee Revenue**

FY 2017 Increase of \$8.6MM (66%):

- Change in carrier fee from 1.4% to 3.5% starting January 2016
- Increase in average PMPM premium by 14% (based on open enrollment 3)
- Average effectuated enrollment increase of 8% (based on open enrollment 3)

- **Special Fee Assessment Revenue**

- FY 2017 decrease of \$7 MM (40%) - due to fee ending in December 2016.

- **Grant Revenue**

- FY 2017 decrease due to close out of Federal grant in FY 2016.

Significant Year over Year Changes – Fiscal Year 2017 Expenditures

- Customer Service Center Expenses

FY 2017 Decrease of \$1.9MM (11%):

- Higher service center costs in FY 2016 due to contract transition costs in 1st half of year resulting from prior contractual obligations
- Service center and Medical Assistance Site savings due to technology/process improvements and reduction in facility costs

- Technology Expenses

FY 2017 Decrease of \$2.2MM (17%):

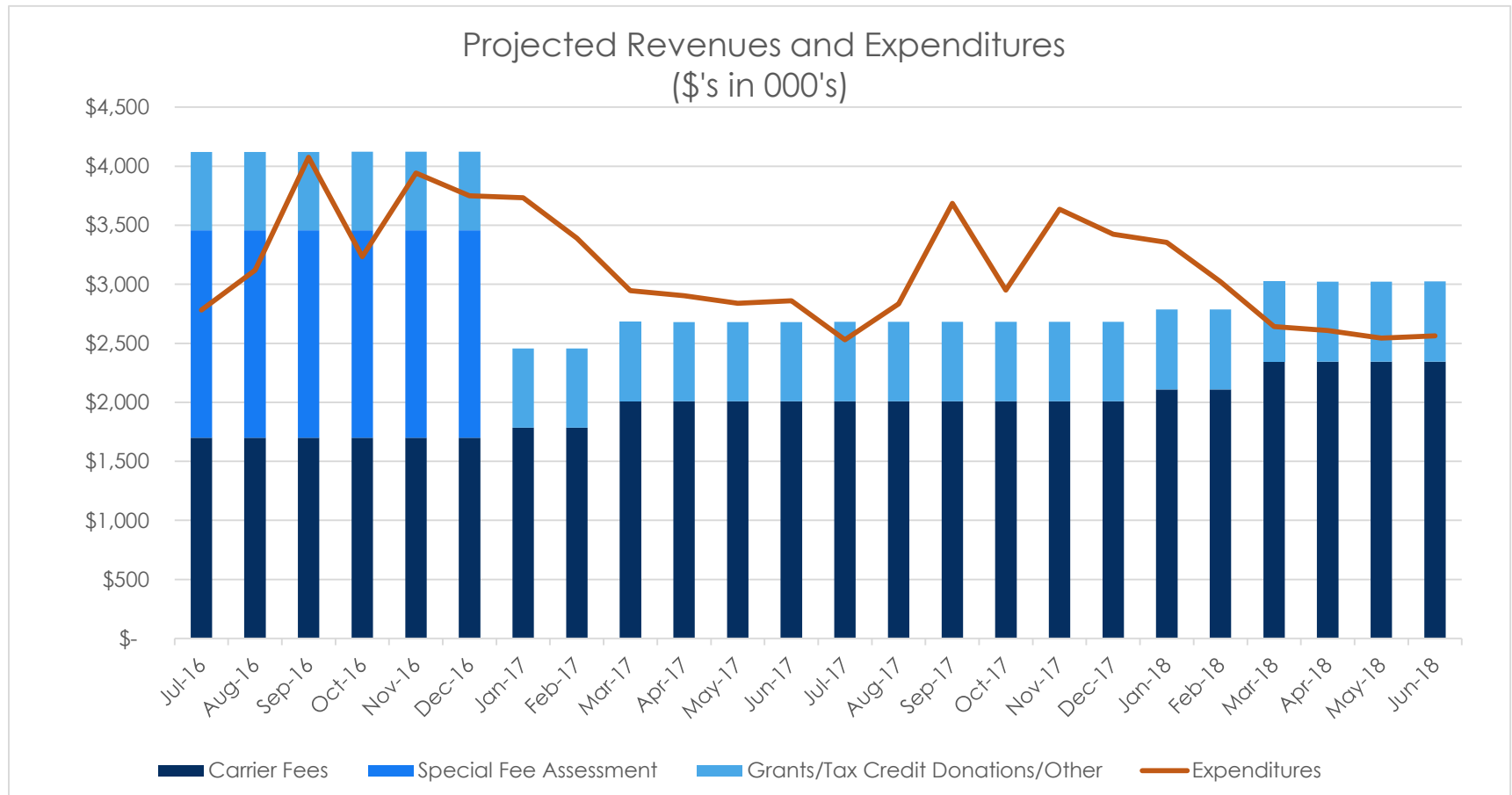
- FY 2016 included \$2 MM of one-time SES costs

- Operations Expenses

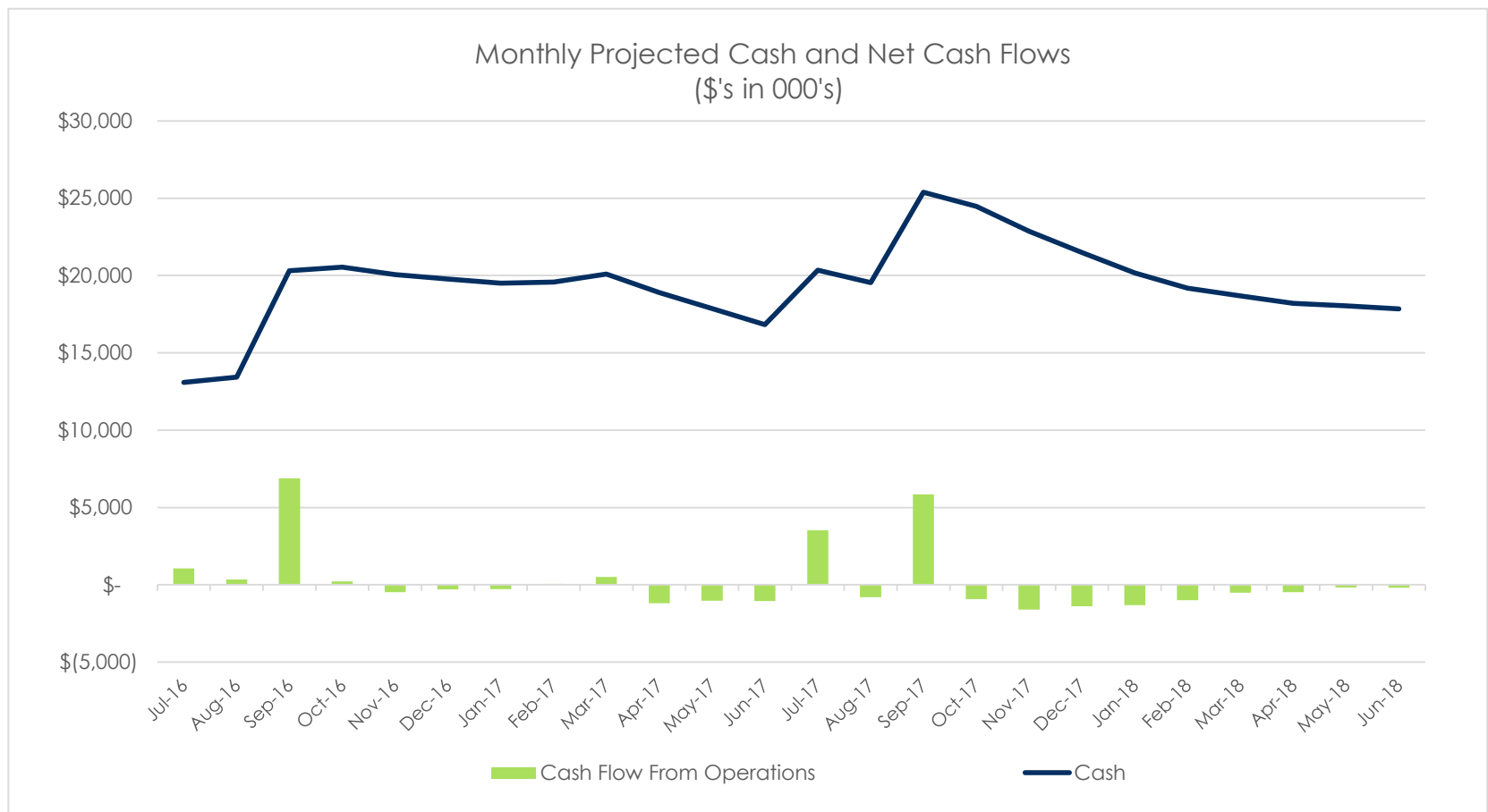
FY 2017 Decrease of \$785,000 (61%):

- FY 2016 included one-time DOI expenses not expected to occur in 2017
- Reduction in use of contractors in FY 2017 (FY 2016 included executive, security and finance consultants as operational expenses)

Projected Revenues and Expenditures – FY 2017 & 18



Projected Cash – FY 2017 & 18

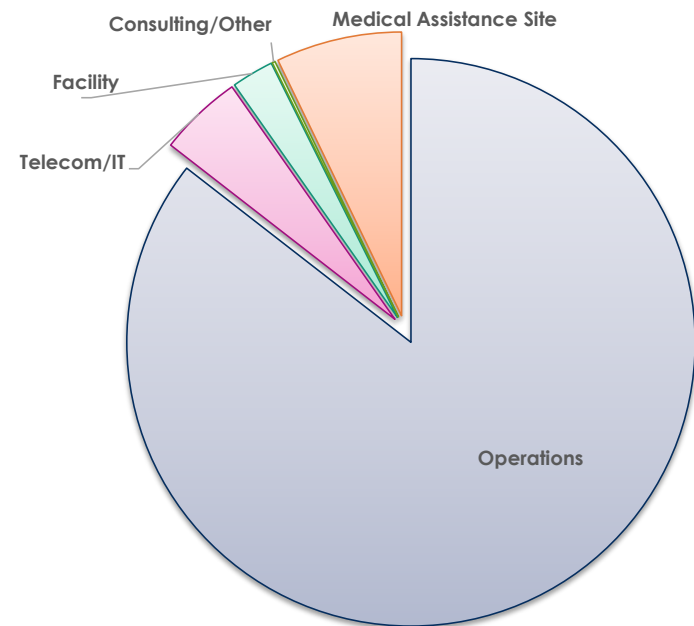


Potential Revenue and Expense Impacts

- Carrier fees – currently reviewing open enrollment for discrepancies with carriers (potential \$1 - \$2 MM benefit)
- Public Benefit Corporation – reviewing financial projections for potential FY 2017 impacts
- Medicaid Cost Allocation – not included in budget – plan in process of being submitted for approval. (potential \$1 - \$5 MM benefit).
- Technology Savings – reductions due to consolidating contracts/removing management inefficiencies, platform enhancements to reduce workarounds (potential \$ impact being analyzed).
- Customer Service Center Savings – reductions due to decreased call volume due to platform enhancements and process improvements (potential \$ impact being analyzed).
- General and Administrative Savings – reductions in contractors, audit costs and facility costs (potential \$ impact being analyzed)

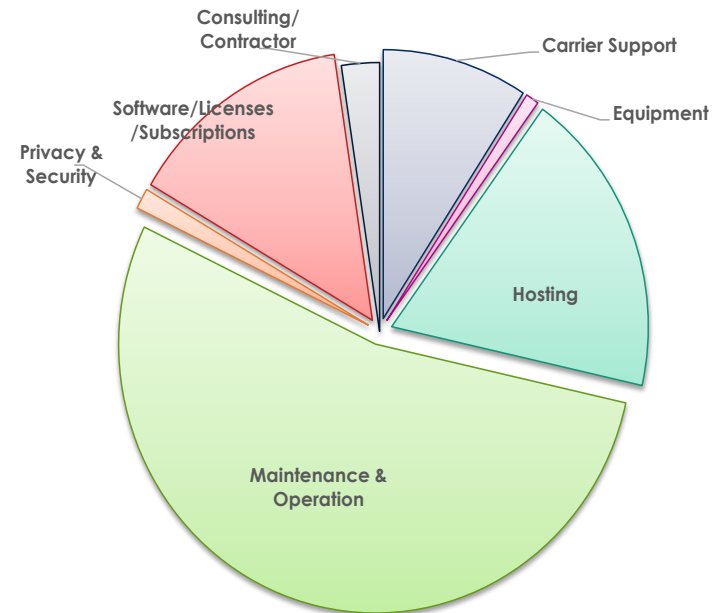
Budget Line Components – Customer Service

- Total FY 2017 Budget - \$15,365,000
- Operating Costs – vendor costs for staffing and management of service center
- Telecom/IT – Telephony, Data and IT support services for CO service Center
- Facility Costs – Rent and Supplies for CO service Center
- Medical Assistance Site Costs – staffing, facility and telecom costs
- Savings Potential – continuous performance improvement, technology enhancements to reduce call volume



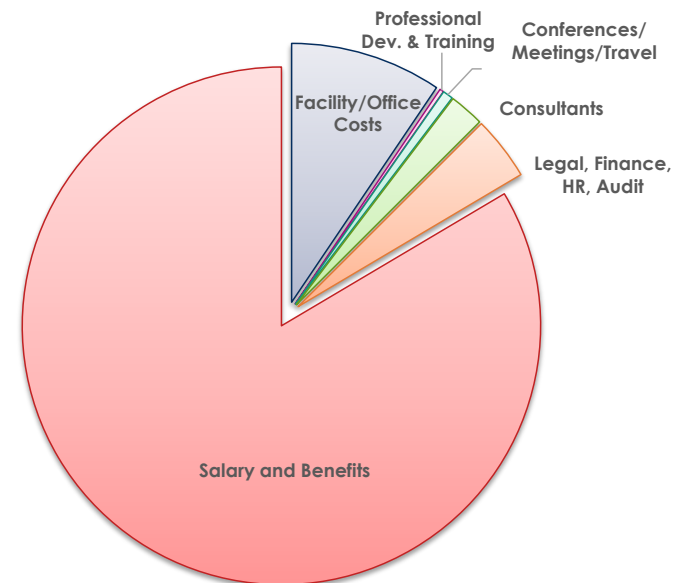
Budget Line Components – Technology

- Total FY 2017 Budget - \$10,698,000
- Hosting – marketplace hosting
- Maintenance and Support – ongoing system maintenance/defect fixes, marketplace, SES, integration, corp systems
- Privacy and Security – consulting support
- Software Licenses/Subscriptions – Oracle, corporate system licenses
- Carrier Support – vendor support of carrier integration/EDI
- Consulting /Contractor – professional consultants, testing
- Savings Potential – redundancy reductions between vendors and C4, system enhancements to reduce maintenance/support costs



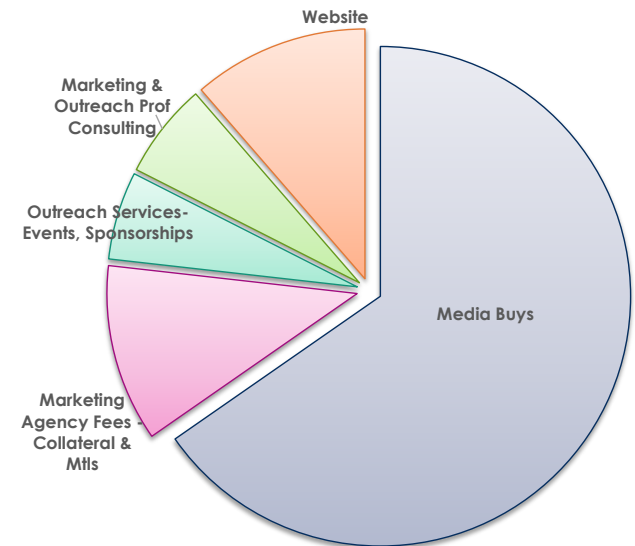
Budget Line Components – General and Administration

- Total FY 2017 Budget - \$8,997,000
- Salary and Benefits – employee salaries and benefits
- Facility/Office Costs – Office rent, supplies, telephone/internet/copiers
- Professional Dev. & Training – internal training
- Legal, Finance, HR, Audit – auditor costs, payroll and accounting system costs, HR, contractors
- Conference, meetings, travel – staff meeting, travel costs
- Consultants – strategy, public affairs consulting



Budget Line Components – Marketing and Outreach

- Total FY 2017 Budget - \$1,408,000
- Website – Support, programming, strategy, updates, URL renewals
- Marketing & Outreach Professional Consulting – surveys, video
- Outreach Services Events, Sponsorships - community meetings and events, broker/HCG meetings and events
- Marketing Agency Fees Collateral and Materials – graphic design, printing, translations, annual report
- Media Buys – paid media, planning, social media boosting



Budget Line Components – Operations

- Total FY 2017 Budget - \$506,000
- Health plan administration / COO – professional consulting, travel
- Broker support – lead tool, quoting
- External training – professional trainers, training system costs

Budget Line Components – Assistance Network

- Total FY 2017 Budget - \$2,600,000
- Grants to assistance sites
- Other network assistance costs are included in G&A and Marketing line items