



SHOP FINANCIAL REVIEW

September 25, 2017

SHOP Marketplace - Options

Previous options discussed:

- Option 1 – Status Quo
 - We will continue to fund the maintenance of the system without sufficient revenue to cover costs
- Option 2 – Identify a More Advantageous Model
 - Connect for Health Colorado can provide new functionality for shopping and quoting, employer application/account set-up, and employee enrollment.
- Option 3 – Provide Steerage Elsewhere
 - Potential customers would be directed through C4HCO's web portal to a carrier, managing general agent, broker, or other entity
- Option 4 – Create a Private Exchange
 - Same model as Option 2, but is beneficial if CMS eliminates tax credit entirely, or provides credit to everyone off exchange, or no carriers participate on exchange

SHOP Priorities

- Continue to renew existing customers and process new enrollments
- Continue to provide current level of service to customers
- Reduce administrative costs without reduction in service level
- Work with existing SHOP carriers to find efficiencies and streamline processes
- Work collaboratively with stakeholders to address the challenges of small businesses in providing health benefits to employees
- Continue to fulfill State and Federal SHOP obligations

Cost Reduction Strategies

- Consolidation of SHOP administrative and customer service operations
- Leverage existing financial and data systems and staff
- Reduction in management overhead, leverage existing management capacity
- Work with existing SHOP carriers to find efficiencies and streamline processes
- Clarify and communicate SHOP policies to reduce exception processing
- Simplify treasury processes and relationships
- Reduction in volume of trouble tickets and related processing costs

SHOP 2018 Financial Projections

	Current Cost Structure		With Cost Reductions*	
	Current Enrollment Level	Reduced Enrollment Level	Current Enrollment Level	Reduced Enrollment Level
<i>\$'s in 000's</i>				
Groups	440	200	440	200
Revenue	\$475	\$216	\$475	\$216
Expenses	\$1,603	\$1,309	\$1,040	\$464
Net Income (Loss)	(\$1,128)	(\$1,093)	(\$565)	(\$248)
PMPM				
Revenue	\$13.2	\$13.2	\$13.2	\$13.2
Expenses	\$44.5	\$80.0	\$28.9	\$28.3

* Continuing to determine additional cost reductions to achieve breakeven including reductions in trouble tickets and related processing (makes up 50% of remaining SHOP costs).