

TO: CONNECT FOR HEALTH COLORADO BOARD POLICY COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: FEE REVENUE PROJECTIONS
DATE: 10/21/2015

In response to the request of the Policy Committee, various scenarios were computed to reflect the revenue impact of different carrier administration fee and special assessment fee assumptions over the next 3 fiscal years. The following are the assumptions made for each of the scenario projections:

Scenario 1 –Expected Baseline, Budgeted fees (special fee assessment through CY 2016 at \$1.80, carrier admin fee at 3.5% beyond CY 2015)

Scenario 2 –Status Quo, Revised budgeted fees (reduced for lower SFA covered lives)

Scenario 3 – One-year extension of special fee assessment @ \$1.80 through CY 2017

Scenario 4 – Permanent extension of special fee assessment @ \$1.80

Scenario 5 – Special fee assessment increased from \$1.80 to \$3.79 (Cover Colorado rate) for CY 2017

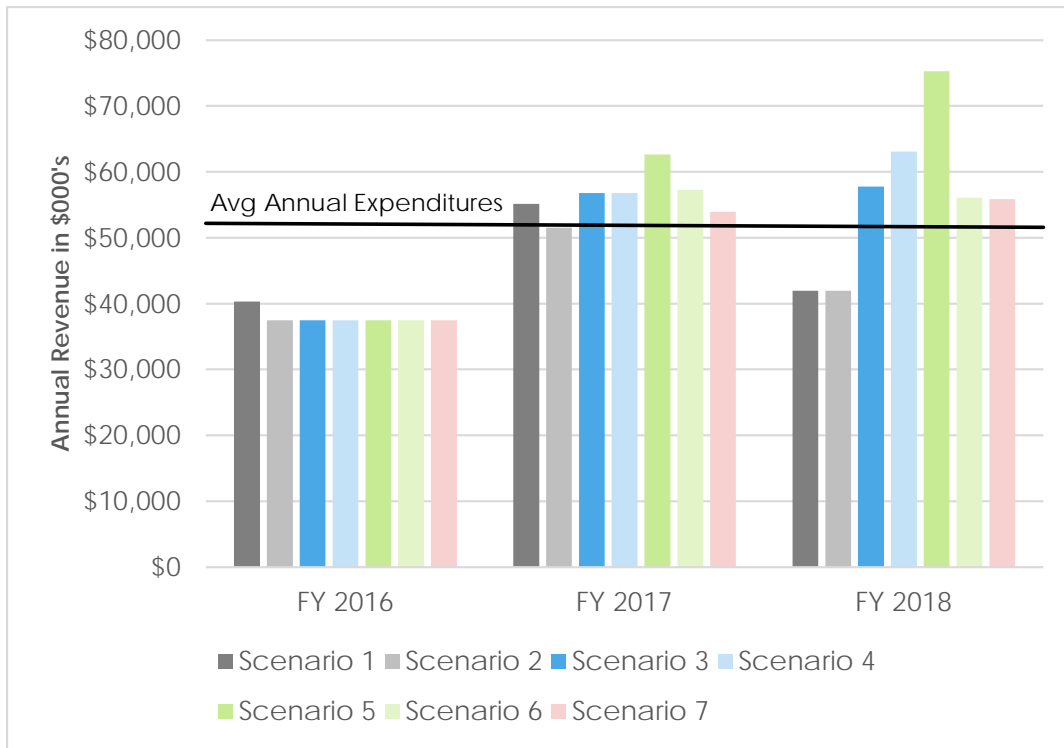
Scenario 6 –Special fee assessment increased from \$1.80 to \$3.79 for CY 2017 and beyond, carrier admin fee ends after CY 2016

Scenario 7 – Special fee assessment ends CY 2016, carrier admin fee increased from 3.5% to 5.0% beyond CY 2016

Summary of Scenario Fee Assumptions by Calendar Year

| | CY 2015 | | CY 2016 | | CY 2017 | | CY 2018 and beyond | |
|------------|-----------------|------------------------|-----------------|------------------------|-----------------|------------------------|--------------------|------------------------|
| | Carrier Adm Fee | Special Fee Assessment | Carrier Adm Fee | Special Fee Assessment | Carrier Adm Fee | Special Fee Assessment | Carrier Adm Fee | Special Fee Assessment |
| Scenario 1 | 1.4% | \$1.25 | 3.5% | \$1.80 | 3.5% | | 3.5% | |
| Scenario 2 | 1.4% | \$1.25 | 3.5% | \$1.80 | 3.5% | | 3.5% | |
| Scenario 3 | 1.4% | \$1.25 | 3.5% | \$1.80 | 3.5% | \$1.80 | 3.5% | |
| Scenario 4 | 1.4% | \$1.25 | 3.5% | \$1.80 | 3.5% | \$1.80 | 3.5% | \$1.80 |
| Scenario 5 | 1.4% | \$1.25 | 3.5% | \$1.80 | 3.5% | \$3.79 | 3.5% | |
| Scenario 6 | 1.4% | \$1.25 | 3.5% | \$1.80 | | \$3.79 | | \$3.79 |
| Scenario 7 | 1.4% | \$1.25 | 3.5% | \$1.80 | 5.0% | | 5.0% | |

Based on these rate assumptions, the following graph depicts the expected revenues over the next 3 fiscal years (July 1 thru June 30) compared to the expected average annual expenditures as reported in the strategic plan presented to the Board on June 6, 2015. All scenarios assumed the same level of non-fee revenues consisting of tax credit donations (\$5 million annually), Health Foundation assistant network grants (\$2.5 million annually) and Medicaid cost recovery (\$2 million annually). Assumptions for enrollment were from the strategic plan and the same for all scenarios (22% annual growth rate).

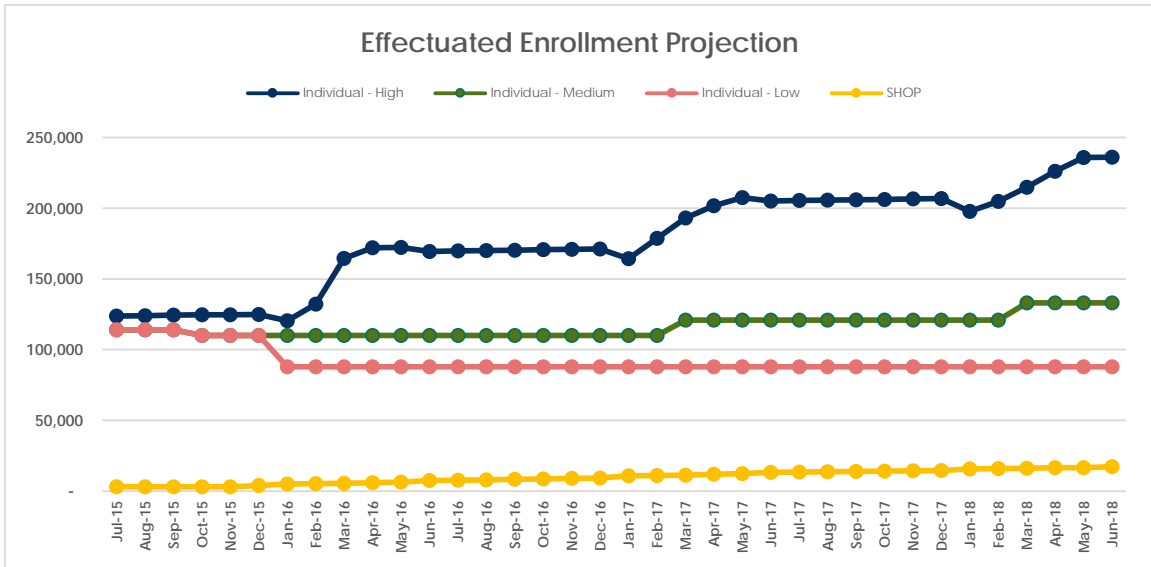


Scenario 1 and 2 reflect the budgeted/strategic plan expectations and result in a funding shortfall in fiscal year 2018. All other scenarios result in funding exceeding expenditures in fiscal year 2018. Since fee structures are “locked in” for FY 2016, all scenarios project a funding shortfall for the current fiscal year. This shortfall was expected in the budget/strategic plan for fiscal year 2016.

Enrollment Scenarios

The assumption in the scenario projections assumed enrollment growth in accordance with the approved budget and strategic plan. For planning purposes, it is useful to look at a number of enrollment scenarios. For this analysis, we assumed two other individual enrollment levels below the current budgeted enrollment. These scenarios are classified as low, medium and high:

- Low – enrollment drops 20% in OE3 and remains at that level for all 3 years of the plan
- Medium – enrollment is assumed to remain flat for OE3 and increase 10% in future enrollment periods (5% CAGR over 3 years)
- High – enrollment levels used in the approved budget and strategic plan (24% CAGR over 3 years)



To show the impact on revenues of the low, medium and high enrollment scenarios the fee revenue projection scenarios were broken into three levels of revenue for each of the enrollment levels as depicted below.

