

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: 1ST QUARTER FY 2016 FINANCIAL REPORT
DATE: 10/22/2015

Net change in assets before depreciation for the quarter ending September 30, 2015 exceeded budget expectations by \$1.5 million, \$713,000 vs (\$743,000) budgeted. Most of the key financial metrics shown below were positive for the quarter compared to budget/targets.

Key Financial Metrics
(\$'s in 000's)

		Actuals	Budget/Target	% of Budget/Target
Financial Results				
<i>Revenues</i>				
Program Revenue	(1)	10,414	11,317	92.0%
Grant Revenue		601	-	
Total Revenue		11,027	11,326	97.4%
<i>Expenditures</i>				
Customer Service		4,105	4,826	85.1%
Technology Operations		3,404	3,946	86.3%
General and Administrative Operations		2,261	2,648	85.4%
Marketing		46	159	28.7%
Total Expenditures		10,314	12,069	85.5%
Earnings Before Depreciation		713	(743)	
Cash Flows	(2)	(11,114)	(2,586)	
General Financial Metrics				
Cash	(2)	22,635	25,861	87.5%
Working Capital		27,144	25,770	105.3%
Avg Effectuated Enrollment		114,241	124,044	92.1%
Monthly Adm Fee Per Enrollee		4.9	4.8	103.4%
Monthly Op Expenses per Enrollee		30.1	32.4	92.8%
Operating Earnings/Program Revenue		7%	-7%	
Program Revenue/Operating Expenses		101%	94%	
Days Admin Fee Outstanding	TBD			

Program revenues (1) were lower than budget (\$3.7 million vs \$4.5 million) due to lower covered lives reported for the special assessment fee. The budget for special assessment revenue was derived from preliminary data that was likely overstated. The covered lives data is self-reported by the carriers – additional analysis is being conducted to confirm reasonableness of what is being reported.

The cash balance (2) and cash flows were lower than targeted levels for the quarter. A significant portion of the variance is due to the tax donation payment being targeted to come through in Sept but the majority (\$4.6 million) is now expected to come through in Oct. Also contributing to the negative cash flow was the timing of payments of year-end expenses being pushed to the 1st quarter. Overall liquidity, as measured by working capital, is better than targeted levels (\$27.1 million vs \$25.8 million) as of September 30.

Detailed financial statements are attached to this memo. Some of the more significant revenue and expense variances for the quarter were:

Revenue

Revenues for the period came in below budget by \$299,000. Aside from the negative special assessment fee variance previously explained there was a positive grant revenue variance of \$601,000. This variance was the result of the carryover of Federal level 2 grant funds being larger than expected in the budget. A thorough review of all FY 2015 Federal expenditures is underway to assure compliance with Federal regulations. Through this review some expenses may be determined to be not allowed under Federal guidelines and will be reclassified to other revenue sources. This may result in additional grant revenue being recorded for FY 2016.

Expenditures

Operating expenses came in \$1.7 million lower than budgeted expenses for the period. The operating expense variance consists of the following significant variances:

- Customer Service Center (\$-161,000) – under budget resulting in part from contractual credits received for the service center.
- Assistance Network (\$-559,000) – under budget resulting from timing – budget assumed higher level of assistance network spending during the period. Actual expenditures were low in the first quarter as the program was ramping up for open enrollment.
- Marketing and Outreach (\$-113,000) – under budget resulting from timing – budget assumed higher level of spending in 1st quarter. Actual expenditures are expected to catch up with budgeted amounts in the remaining months of the calendar year.
- Technology Operations (-\$541,000) – under budget due to timing of vendor contract work, further analysis is being conducted to confirm the original budgeted amounts to determine if savings will be permanent or incurred in future periods
- G&A Salary and Benefit Expenses (-\$414,000) – expenses lower than budget due to postponing some hiring along with budget not accounting for staff attrition.

**Connect for Health Colorado
Statement of Activities - Consolidated
FY 2015 Budget to Actual
Three Months Ending 9/30/15
Accrual Basis**

	Year To Date 09/30/2015		
	Actual	Budget	Budget Diff
Revenue			
Grant Revenue			
Federal Grants	601,168	0	601,168
Health Foundation Grant	0	0	0
Total Grant Revenue	<u>601,168</u>	<u>0</u>	<u>601,168</u>
Program Revenue			
Individual Fees	1,690,226	1,774,500	(84,274)
SHOP Fees	35,541	42,336	(6,795)
Market Assessment Fees	3,688,460	4,500,000	(811,540)
Tax Credit Donations	5,000,000	5,000,000	0
Total Program Revenue	<u>10,414,227</u>	<u>11,316,836</u>	<u>(902,609)</u>
Investment Income	6,724	9,000	(2,276)
Revenue - Other	5,120	0	5,120
Total Revenue	<u>11,027,239</u>	<u>11,325,836</u>	<u>(298,597)</u>
Expenditures			
Direct			
Customer Service			
Customer Service Center			
CSC Labor - Fixed	1,302,750	1,019,275	283,475
CSC Labor - Variable	2,122,581	2,481,050	(358,469)
CSC Technology - Fixed	188,317	246,871	(58,554)
CSC Technology - Variable	35,509	53,000	(17,491)
CSC Operations - Fixed	171,912	179,400	(7,488)
CSC Operations - Variable	130,620	133,100	(2,480)
Total Customer Service Center	<u>3,951,689</u>	<u>4,112,696</u>	<u>(161,007)</u>
Assistance Network	153,715	713,078	(559,363)
Total Customer Service	<u>4,105,404</u>	<u>4,825,774</u>	<u>(720,370)</u>
Marketing			
Marketing Consulting & Research	204	0	204
Media & Customer Interactions	7,777	0	7,777
Public Affairs	0	22,500	(22,500)
Graphic Design	0	116,000	(116,000)
Outreach Coordinator	0	20,000	(20,000)
Outreach Materials	37,570	0	37,570
Total Marketing & Outreach	<u>45,551</u>	<u>158,500</u>	<u>(112,949)</u>
Technology			
Technology Consulting			
PMO	42,360	105,000	(62,640)
Security - Marketplace	30	0	30
Total Technology Consulting	<u>42,390</u>	<u>105,000</u>	<u>(62,610)</u>
Tech Implementation - CGI	772,000	772,000	0
Tech Implementation - Other	65,309	24,475	40,834
CGI Hosting	465,209	489,129	(23,920)
CGI Maint & Support	729,159	782,174	(53,015)
Oracle CX Licensing	155,057	155,057	0
Oracle Platform Maint & Support	461,439	527,601	(66,162)
hCentive Developer License	335,644	408,125	(72,481)
Healthation Support (CGI)	15,946	15,947	(1)
Non-CGI Hosting & Support	92,343	46,103	46,240
Shared Eligibility System	269,776	620,150	(350,374)
Total Technology	<u>3,404,272</u>	<u>3,945,760</u>	<u>(541,488)</u>
Ops, Financial Management & Misc. Direct			
Procurement and Financial Analysis	240	4,500	(4,260)
Operations Consulting	456,539	449,000	7,539
Training	41,200	37,800	3,400
Total Ops, Financial Management & Misc. Direct	<u>497,979</u>	<u>491,300</u>	<u>6,679</u>
Total Direct	<u>8,053,206</u>	<u>9,421,334</u>	<u>(1,368,128)</u>
General and Administrative Expenses			
Salary and Wages	1,295,099	1,625,767	(330,668)
PR Benefits	435,164	518,953	(83,789)
Bad Debt Expenses	0	0	0
Conferences, Conventions, and Meetings	13,395	10,800	2,595
Copying and Printing	7,900	6,600	1,300
Due and Subscriptions	122	600	(478)
Insurance	20,991	24,600	(3,609)
Miscellaneous Expense	978	100	878
Occupancy	120,986	127,250	(6,264)
Office Supplies	26,227	37,000	(10,773)
Professional Fees	258,518	217,328	41,190
Telecommunication	62,036	55,200	6,836
Travel Expenses	19,481	23,600	(4,119)
Total General and Administrative Expenses	<u>2,260,897</u>	<u>2,647,798</u>	<u>(386,901)</u>
Depreciation	2,735,202	2,951,698	(216,496)
Total Expenditures	<u>13,049,305</u>	<u>15,020,830</u>	<u>(1,971,525)</u>
Change In Net Assets	(2,022,066)	(3,694,994)	1,672,928
+ Net Assets - Beginning	69,081,731	69,081,731	69,081,731
Net Assets - Ending	67,059,665	65,386,737	70,754,659

Connect for Health Colorado
Statement of Financial Position
As of 9/30/2015
Accrual Basis

	Year To Date 09/30/2015	Prior Year To Date 09/30/2014	
	Current Year Balance	Prior Year Balance	Net Change
Assets			
Current Assets			
Cash and Cash Equivalents	22,634,967	30,334,616	(7,699,649)
Accounts Receivable, Net	11,263,641	8,432,181	2,831,460
Grants Receivable	0	22,030,119	(22,030,118)
Other Current Assets			
Pre-Paid Expenses			
Prepaid Ins Rent & Misc	117,216	47,317	69,898
Prepaid Software & Support	5,643,784	7,563,902	(1,920,118)
Prepaid Network Grantee Advances	0	59,479	(59,480)
Total Pre-Paid Expenses	5,761,000	7,670,698	(1,909,700)
Total Other Current Assets	5,761,000	7,670,698	(1,909,700)
Total Current Assets	39,659,608	68,467,614	(28,808,007)
Long-term Assets			
Property & Equipment			
Furniture & Fixtures	833,775	774,623	59,152
Equipment	1,130,900	1,080,848	50,053
Software Licenses	13,356,446	13,349,816	6,630
Marketplace Development	34,641,436	27,558,491	7,082,945
Informational Website	200,268	165,193	35,075
Ptarmigan Tenant Improvements	125,435	106,421	19,014
CSC Tenant Improvements	1,818,207	1,818,206	0
Total Property & Equipment	52,106,467	44,853,598	7,252,869
Accumulated Depreciation			
Accum Depr - Furniture & Fixtures	(238,353)	(120,799)	(117,553)
Accum Depr - Equipment	(426,220)	(210,429)	(215,792)
Accum Amort - Software License	(5,898,221)	(3,296,268)	(2,601,952)
Accum Depr - Marketplace Developmer	(10,864,620)	(3,731,240)	(7,133,380)
Accum Depr - Informational Website	(68,849)	(28,030)	(40,819)
Accum Depr - Ptarmigan Tenant Impro	(48,501)	(20,096)	(28,405)
Accum Depr - CSC Tenant Improvermer	(538,442)	(278,151)	(260,291)
Total Accumulated Depreciation	(18,083,206)	(7,685,013)	(10,398,192)
Other Long-term Assets	172,624	18,719	153,905
Total Long-term Assets	34,195,885	37,187,304	(2,991,418)
Total Assets	73,855,493	105,654,918	(31,799,425)
Liabilities			
Liabilities			
Short-term Liabilities			
Accounts Payable	5,309,817	13,173,903	(7,864,086)
Accrued Liabilities			
Accrued Payroll, PR Tax & Benefits	260,198	189,330	70,868
Accrued Liabilities - Vendor	793,760	7,420,064	(6,626,304)
Accrued CGI Hosting	388,003	610,892	(222,889)
Total Accrued Liabilites	1,441,961	8,220,286	(6,778,325)
Deferred Revenue	0	3,434,769	(3,434,769)
Other Short-term Liabilities	2,831	2,823	8
Total Short-term Liabilities	6,754,609	24,831,781	(18,077,172)
Long Term Liabilities			
Other Long-term Liabilities	41,219	26,119	15,099
Total Long Term Liabilities	41,219	26,119	15,099
Deferred Long Term Revenue	0	4,235,929	(4,235,928)
Total Liabilities	6,795,828	29,093,829	(22,298,001)
Net Assets			
Unrestricted	67,059,665	76,561,089	(9,501,424)
Total Net Assets	67,059,665	76,561,089	(9,501,424)
Total Liabilities & Net Assets	73,855,493	105,654,918	(31,799,425)