

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 3RD QUARTER FY 2018
DATE: 4/19/2018

OVERVIEW (9 months ending 3/31/18)

Key Performance Indicators	Status	Actuals (YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	141,247	145,000	97.4%
Net Operating Income Margin		8.3%	2.0%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$17.9	\$17.2	104.0%
Per Member Per Month (PMPM) - Operating Exp.		\$23.3	\$22.5	103.5%
Days Cash on Hand	(3)	241.2	120.0	201.0%
Change In Projected 12 Month Cash Flows		No significant change		

- (1) Monthly average - year to date
- (2) Does not include other revenue streams
- (3) Based on FY18 budgeted daily operating expenses

FINANCIAL RESULTS SUMMARY (9 months ending 3/31/18)

Financial Results (in 000's)	Status	Actuals (YTD)	Budget (YTD)	% of Budget
<i>Revenues</i>				
Program Revenue		7,100	5,000	142.0%
Carrier Fees		22,692	22,407	101.3%
Grant/Other Revenue		2,540	2,590	98.1%
Total Revenue		32,332	29,997	107.8%
<i>Expenditures</i>				
Technology		8,690	8,391	103.6%
Customer Service		11,928	11,756	101.5%
Personnel		5,181	5,359	96.7%
Marketing and Outreach		2,831	2,722	104.0%
Facilities		423	501	84.5%
Support Services		375	424	88.2%
Other		210	248	84.7%
Total Expenditures		29,639	29,402	100.8%
Earnings Before Depreciation		2,693	596	452.1%
Cash Flows		3,170	(1,700)	
Cash		24,840	20,011	124.1%
Working Capital		25,622	22,308	114.9%

The organization continued to exceed its financial goals through the 3rd quarter of the fiscal year. With 9 months under our belt we are tracking \$2 million ahead of budgeted net income before depreciation. This positive variance is primarily due to the addition of reimbursements for Medicaid related expenses that were not anticipated in the original budget. Effectuated enrollment for the period came in slightly below budget expectations. This had a minimal impact on revenues. Detailed

financial statements are attached to this memo. The following are high level explanations of budget to actual variances.

Revenue

Revenues came in higher than budget by \$2.3 million. As previously mentioned, the higher revenues primarily resulted from estimated revenues associated with Medicaid cost reimbursements that were not originally budgeted. These reimbursements are computed and billed quarterly based on Medicaid program related expenses and an approved allocation methodology. Carrier fee revenues were also slightly ahead of budget expectations. Effectuated enrollments for the 2018 plan year are tracking close to budget expectations. We usually see some fluctuation in effectuated enrollments figures the first portion of the year but should be firmed up for the final quarter report for the year.

Expenditures

Operating expenses are running over budget by \$237,000 for the first 9 months of the year. This negative variance is the result of an uptick in both technology and customer expenses in the quarter. The technology increases are primarily tied to work on the new eligibility (NES) project previously discussed with the Board. Customer service expenses are running slightly over due to call volumes exceeding expectation during open enrollment. Since the close of open enrollment call volumes appear to be moderating and are now more in line with expectations.

Cash

The cash balance at December 31, 2017 was \$4.8 million higher than budget projections. This higher level of cash than budget can be partially attributed to the receipt of Medicaid reimbursements during the quarter that were not originally anticipated in the budget. Our cash metric of days cash on hand exceeds our target (240 days vs 120 days) and allows for sufficient reserves for future expected capital expenditures.

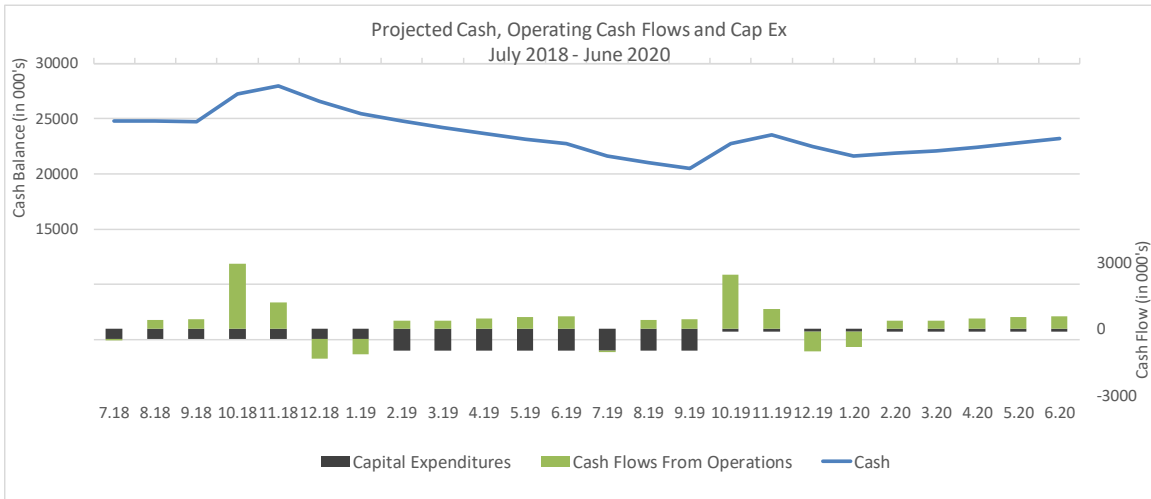
24 MONTH PROJECTIONS

As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long range financial projections. Based on the current FY19 budgeting process we have revised the projections based on expected levels of enrollment, average expected premium levels and expenditures. The projections now include estimates of Medicaid cost reimbursements that had not historically been included.

Other key assumptions in the projections include:

- No changes in the federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on effectuated **enrollment staying the same** over the projection period (2018-2020) as the 2017 plan year (average of 142,000)
- No assumption for increases in medical premiums for the projection period. This is a conservative assumption given recent years premium increases.
- Operating expenses are assumed to remain flat for the projection period. Initiatives are underway to look at ways to reduce both technology and customer service costs but it is too soon to assume any savings at this point.

Also included in the new cash projections are assumptions for capital investments over the projection period. These investments are primarily related to replacements/improvements to the eligibility, marketplace and customer service technology platforms and total over \$12 MM. The chart below shows the resulting cash balance (line) and monthly cash flows/capital investments (bars).



Even with the estimated capital investments over the next 2 years, the organization maintains a cash balance in excess of \$20MM during the period which provides a reserve for additional capital investments along with an operating reserve that is in line with industry standards.

Connect for Health Colorado
Statement of Revenues, Expenses, and Changes in Net Position

Reporting Book:
As of 3/31/2018

ACCRUAL

	FY 2018		
	9 months ending 3/31/2018		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	22,377,128	22,050,788	326,341
Carrier Fee SHOP	306,910	338,625	(31,715)
Carrier Fee Vision	7,900	18,000	(10,100)
Grants	2,500,000	2,500,000	-
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	2,100,000	-	2,100,000
Interest Income	38,874	90,000	(51,126)
Other revenue	1,113	-	1,113
Total Revenue	32,331,925	29,997,413	2,334,513
EXPENSES			
Technology			
Maintenance & Operation	5,052,145	5,064,731	(12,586)
Software/Licenses/Subscriptions (Tech)	1,087,919	1,085,750	2,170
Hosting	1,533,910	1,572,035	(38,125)
DDI (Design, Dev., Implementation)	1,016,245	668,547	347,698
Total Technology	8,690,219	8,391,062	299,156
Customer Service			
Customer Service Support	10,026,951	9,781,029	245,921
Customer Service Infrastructure/Facility	992,143	946,168	45,975
Medical Assistance	909,360	1,028,740	(119,380)
Total Customer Service	11,928,454	11,755,937	172,517
Personnel			
Salaries & Wages - Other	3,868,346	3,936,972	(68,626)
Taxes and Benefits	1,313,119	1,422,271	(109,152)
Total Personnel	5,181,465	5,359,243	(177,777)
Marketing and Outreach			
Media Buys - Radio/TV/Web	981,334	954,747	26,587
Outreach Services-Events, Sponsorships	76,786	30,000	46,786
Marketing Services	123,935	148,923	(24,988)
Assistance Network	1,649,068	1,588,749	60,319
Total Marketing and Outreach	2,831,122	2,722,419	108,703
Facilities			
Occupancy	310,487	356,981	(46,494)
Supplies & Materials	12,787	29,340	(16,553)
Postage/Shipping	4,827	18,648	(13,821)
Printing/Copying/Shred	26,984	29,307	(2,323)
Phone/Internet	39,367	29,769	9,598
Equipment/Furniture and Fixture	28,676	36,900	(8,224)
Total Facilities	423,128	500,945	(77,817)
Support services			
Public Affairs Services	57,708	92,850	(35,142)
Professional Services	109,334	99,302	10,032
Training and Development	42,103	31,583	10,519
H/R Services	95,975	47,775	48,200
Legal Services	19,815	47,940	(28,125)
Audit Services	49,600	105,000	(55,400)
Total Support Services	374,535	424,451	(49,916)
Other			
Insurance	68,531	75,070	(6,539)
Conferences/Meetings	35,205	52,360	(17,155)
Memberships/Dues/Subscriptions (Non-Tech)	39,397	28,425	10,972
Travel/Meals/Lodging	66,675	91,761	(25,085)
Other - G&A	0	-	0
Total Other	209,809	247,615	(37,806)
Total Expenses	29,638,732	29,401,672	237,060
Net Income Before Depreciation	2,693,193	595,740	2,097,453
Depreciation	11,661,680	10,304,976	1,356,704
Net Income	(8,968,487)	(9,709,236)	740,749

Connect for Health Colorado

Statement of Financial Position

Reporting Book: ACCRUAL
 As of Date: 3/31/2018

	FY 2018		
	Actual	Budget	ctual vs Budget
Assets:			
Current assets:			
Cash and cash equivalents	24,839,585	20,011,189	2,571,204
Accounts receivable (net)	11,367,750	4,265,272	5,231,059
Prepaid expenses	1,123,355	1,183,275	319,173
Total Current assets:	37,330,690	28,207,480	8,121,436
Noncurrent asseets:			
Security deposits	61,332	0	71,395
Total Noncurrent asseets:	61,332	0	71,395
Capital assets:			
Web portal development	39,652,297	39,165,387	(118,728)
Software	19,507,900	19,681,592	(559,357)
Leasehold improvements	2,216,187	2,000,495	(56,854)
Office equipment	1,117,696	1,150,391	(32,694)
Furniture and fixtures	892,075	858,164	(24,389)
Less accumulated depreciation	(53,056,151)	(53,029,107)	770,355
Total Capital assets	10,330,005	12,538,247	(21,667)
Total Assets:	47,722,027	40,745,727	8,171,164
Liabilities and net position:			
Liabilities:			
Current liabilities:			
Accounts payable	3,983,774	1,321,574	3,333,645
Accrued liabilities	6,212,603	281,000	1,807,980
Payroll liabilities	388,978	0	402,678
Total Current liabilities:	10,585,355	1,968,044	5,544,303
Long-term liabilities:			
Deferred rent long term	(0)	0	46,464
Total Long-term liabilities:	(0)	0	46,464
Total Liabilities:	10,585,355	1,968,044	5,590,767
Net position:			
Unrestricted	37,136,672	34,208,711	2,580,397
Total Net position:	37,136,672	34,208,711	2,580,397
Total liabilities and net position:	47,722,027	40,745,727	8,171,164