

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 4TH QUARTER FY 2018 – PRELIMINARY
DATE: 8/23/2018

OVERVIEW (12 months ending 6/30/18)

Key Performance Indicators	Status	Actuals (YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	142,000	145,000	97.9%
Net Operating Income Margin		9.1%	0.7%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$18.6	\$17.4	106.4%
Per Member Per Month (PMPM) - Operating Exp.		\$22.5	\$21.7	103.9%
Days Cash on Hand	(3)	203.0	120.0	169.2%
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 (12 months ending 6/30/18)

Financial Results (in 000's)	Status	Actuals (YTD)	Budget (YTD)	% of Budget
<i>Revenues</i>				
Program Revenue		7,993	5,000	159.9%
Carrier Fees		31,615	30,349	104.2%
Grant/Other Revenue		2,590	2,620	98.9%
Total Revenue		42,198	37,969	111.1%
<i>Expenditures</i>				
Technology		11,497	11,105	103.5%
Customer Service		15,061	14,533	103.6%
Personnel		6,994	7,136	98.0%
Marketing and Outreach		3,276	3,345	97.9%
Facilities		716	706	101.3%
Support Services		524	557	94.0%
Other		298	334	89.1%
Total Expenditures		38,364	37,716	101.7%
Earnings Before Depreciation		3,834	252	1520.1%
Cash Flows		(757)	(2,099)	
Cash		20,913	19,612	106.6%
Working Capital		25,776	22,440	114.9%

The organization ended the fiscal year exceeding its financial goals. The financial results for the year exceeded budgeted expectations by \$3.6 million (before depreciation). This positive variance is primarily due to the successful implementation of the Medicaid cost allocation plan resulting in the reimbursement of Medicaid related expenses incurred by the organizations. These reimbursements

were not anticipated in the original budget. In addition, carrier fee revenues came in higher than expected for the last 6 months of the fiscal year. 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 \$4.2 million. As previously mentioned, the higher revenues primarily resulted from estimated revenues associated with Medicaid cost reimbursements (\$3 million) that were not originally budgeted. These reimbursements are computed and billed quarterly based on Medicaid program related expenses and an approved allocation methodology. In addition, with effectuated enrollments for the 2018 plan year tracking close to budget expectations and higher than expected premium levels, the revenue from carrier fees came in higher than expected over the last 6 months of the fiscal year.

Expenditures

Operating expenses came in slightly over budget by \$648,000 (1.7%) for the fiscal year. This negative variance is the result of an uptick in both customer service and technology expenses. Customer service expenses came in higher than anticipated due to call volumes exceeding expectation during open enrollment. A portion of the service center contract is variable in nature and subject to call volume levels. C4 is working closely with our vendor on strategies to reduce call volumes through technology improvements. The technology increases are primarily tied to work on the new eligibility (NES) project previously discussed with the Board.

Cash

The cash balance at June 30, 2018 was \$1.3 million higher than budget projections. This higher level of cash than budget can be partially attributed to the unexpected receipt of Medicaid reimbursements during the year that were not originally anticipated in the budget. The working capital position is \$3.3 million higher than budget and reflects the higher receivables due to Medicaid reimbursements that have not been received. Our cash metric of days cash on hand exceeds our target (203 days vs 120 days) and allows for sufficient reserves for future expected capital expenditures.

24 MONTH PROJECTIONS

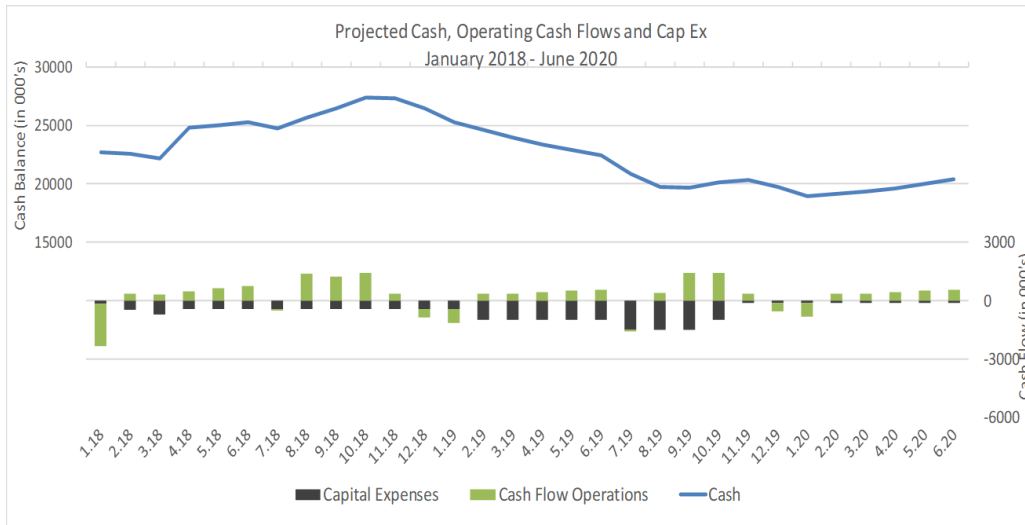
As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long range financial projections. At this point our 24 month projections are similar to the projections made as part of our current fiscal years budgeting process. As we move through the upcoming open enrollment and get more certainty around upcoming vendor contracting we will be updating these projections to reflect any projected changes in revenues and expenses..

Key assumptions in the current projections include:

- No changes in the federal and state rules impacting the organization over the projection period.
- Enrollment projection is based on effectuated **enrollment staying the same** over the projection period (2018-2020) as the 2017 plan year (average of 141,000)
- 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 close to \$15 MM. The chart below shows the resulting cash balance (line) and monthly cash flows/capital investments (bars).



Accounting for the estimated capital investments over the next 2 years, the organization maintains a cash balance of approximately \$20 million during the period which provides a reserve for additional future capital investments and new initiatives, 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
Preliminary - Pre Audit

Reporting Book:
As of 6/30/2018

ACCRUAL

	FY 2018		
	12 months ending 6/30/2018		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	31,239,095	29,873,025	1,366,070
Carrier Fee SHOP	364,726	451,500	(86,774)
Carrier Fee Vision	11,149	24,000	(12,851)
Grants	2,500,000	2,500,000	-
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	2,993,456	-	2,993,456
Interest Income	88,780	120,000	(31,220)
Other revenue	1,163	-	1,163
Total Revenue	42,198,370	37,968,525	4,229,845
EXPENSES			
Technology			
Maintenance & Operation	6,227,395	6,714,814	(487,419)
Software/Licenses/Subscriptions (Tech)	1,291,647	1,459,902	(168,255)
Hosting	2,046,747	2,096,047	(49,300)
DDI (Design, Dev., Implementation)	1,930,799	834,506	1,096,293
Total Technology	11,496,588	11,105,269	391,319
Customer Service			
Customer Service Support	12,571,246	12,092,022	479,223
Customer Service Infrastructure/Facility	1,411,359	1,122,839	288,520
Medical Assistance	1,078,542	1,318,055	(239,513)
Total Customer Service	15,061,147	14,532,916	528,230
Personnel			
Salaries & Wages - Other	5,206,070	5,249,295	(43,225)
Taxes and Benefits	1,787,603	1,886,360	(98,758)
Total Personnel	6,993,673	7,135,656	(141,983)
Marketing and Outreach			
Media Buys - Radio/TV/Web	986,760	962,996	23,764
Outreach Services-Events, Sponsorships	97,306	30,000	67,306
Marketing Services	197,661	233,849	(36,188)
Assistance Network	1,994,155	2,118,332	(124,177)
Total Marketing and Outreach	3,275,882	3,345,177	(69,295)
Facilities			
Occupancy	528,920	515,604	13,316
Supplies & Materials	24,596	38,695	(14,099)
Postage/Shipping	6,115	26,064	(19,949)
Printing/Copying/Shred	45,789	39,016	6,773
Phone/Internet	56,238	37,692	18,546
Equipment/Furniture and Fixture	54,033	49,200	4,833
Total Facilities	715,690	706,271	9,419
Support services			
Public Affairs Services	106,814	123,800	(16,986)
Professional Services	142,975	160,403	(17,428)
Training and Development	54,967	40,098	14,869
H/R Services	127,418	63,700	63,718
Legal Services	19,906	63,920	(44,014)
Audit Services	71,600	105,000	(33,400)
Total Support Services	523,679	556,921	(33,241)
Other			
Insurance	90,540	100,113	(9,573)
Conferences/Meetings	42,418	67,340	(24,922)
Memberships/Dues/Subscriptions (Non-Tech)	62,816	40,274	22,542
Travel/Meals/Lodging	101,297	126,364	(25,067)
Other - G&A	625	-	625
Total Other	297,696	334,091	(36,395)
Total Expenses	38,364,354	37,716,300	648,054
Net Income Before Depreciation	3,834,016	252,225	3,581,791
Depreciation	15,363,573	14,605,414	758,159
Net Income	(11,529,557)	(14,353,189)	2,823,632

Connect for Health Colorado
Statement of Financial Position
Preliminary - Pre Audit

Reporting Book: ACCRUAL
As of Date: 6/30/2018

	FY 2018		
	6/30/2018		
	Actual	Budget	Actual vs Budget
Assets:			
Current assets:			
Cash and cash equivalents	20,913,474	19,612,259	1,301,215
Accounts receivable (net)	8,823,708	4,218,265	4,605,443
Prepaid expenses	1,076,747	548,862	527,885
Total Current assets:	30,813,930	24,379,387	6,434,543
Noncurrent asseets:			
Security deposits	55,448	0	55,448
Total Noncurrent asseets:	55,448	0	55,448
Capital assets:			
Web portal development	41,037,297	40,214,641	822,656
Software	19,171,126	19,681,592	(510,466)
Leasehold improvements	2,010,803	2,000,495	10,308
Office equipment	1,008,871	1,150,391	(141,520)
Furniture and fixtures	954,262	858,164	96,098
Less accumulated depreciation	(56,345,830)	(56,348,869)	3,039
Total Capital assets	7,836,530	7,556,414	280,116
Total Assets:	38,705,908	31,935,801	6,770,107
Liabilities and net position:			
Liabilities:			
Current liabilities:			
Accounts payable	3,180,416	1,109,867	2,070,550
Accrued liabilities	400,000	280,500	119,500
Payroll liabilities	380,993	0	380,993
Total Current liabilities:	3,961,409	1,390,367	2,571,042
Long-term liabilities:			
Deferred rent long term	168,897	0	168,897
Total Long-term liabilities:	168,897	0	168,897
Total Liabilities:	4,130,306	1,390,367	2,739,939
Net position:			
Unrestricted	34,575,602	30,545,434	4,030,168
Total Net position:	34,575,602	30,545,434	4,030,168
Total liabilities and net position:	38,705,908	31,935,801	6,770,107