

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 1ST QUARTER FY 2019
DATE: 10/18/2018

OVERVIEW (3 months ending 9/30/18)

Key Performance Indicators	Status	Actuals (YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	138,000	141,000	97.9%
Net Operating Income Margin		5.9%	2.8%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$21.3	\$21.1	100.8%
Per Member Per Month (PMPM) - Operating Exp.		\$21.8	\$22.1	98.3%
Days Cash on Hand	(3)	220.6	120.0	183.8%
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 (3 months ending 9/30/18)

Financial Results (in 000's)	Status	Actuals (YTD)	Budget (YTD)	% of Budget
Revenues				
Program Revenue		675	675	100.0%
Carrier Fees		8,810	8,926	98.7%
Grant/Other Revenue		87	30	289.4%
Total Revenue		9,572	9,631	99.4%
Expenditures				
Technology		3,180	3,162	100.6%
Customer Service		2,924	3,099	94.3%
Personnel		1,797	1,947	92.3%
Marketing and Outreach		671	723	92.9%
Facilities		167	159	104.7%
Support Services		214	189	113.3%
Other		59	85	69.7%
Total Expenditures		9,012	9,364	96.2%
Earnings Before Depreciation		560	267	210.0%
Cash Flows		2,471	3,650	67.7%
Cash		23,821	25,000	95.3%
Working Capital		25,000	24,730	101.1%

Earnings from operations for the first quarter of fiscal year 2019 were \$560,000 (before depreciation) - exceeding expectations by \$293,000. This positive variance is primarily due to a slower ramp up than expected of the medical assistance site along with lower personnel spending. We are anticipating these expenses to be more in line with the budget in the second quarter. Carrier

fee revenue was slightly lower than expectations for the quarter due to effectuated enrollments being 2% below budgeted assumptions. We expect this variance to continue through the end of the 2018 plan year.

The cash balance at September 30 was below budget projections by \$1.2 million. The lower level of cash compared to budget is due to timing on the payment of receivables. Using the measure of receivables net of payables (working capital) we show a positive variance with the budget. Our cash metric of days cash on hand exceeds our target (220 days vs 120 days) and provides sufficient reserves for future expected capital expenditures along with operations.

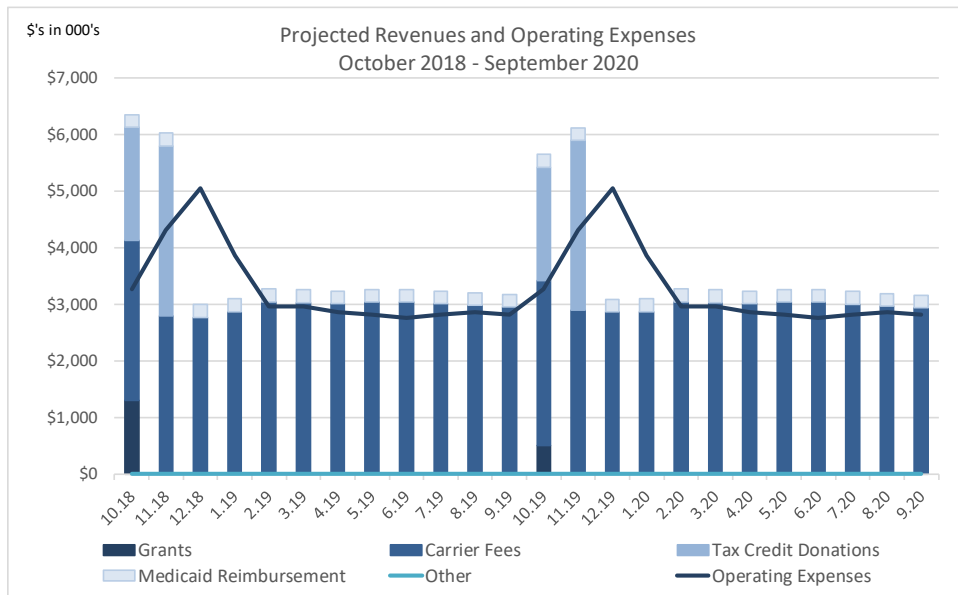
Detailed financial statements are attached to this memo.

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 first quarter’s results and additional information regarding future capital investments we have revised the projections for the next 24 months. The overall impact on cash over the projection period did not significantly change.

Key assumptions in the projections include:

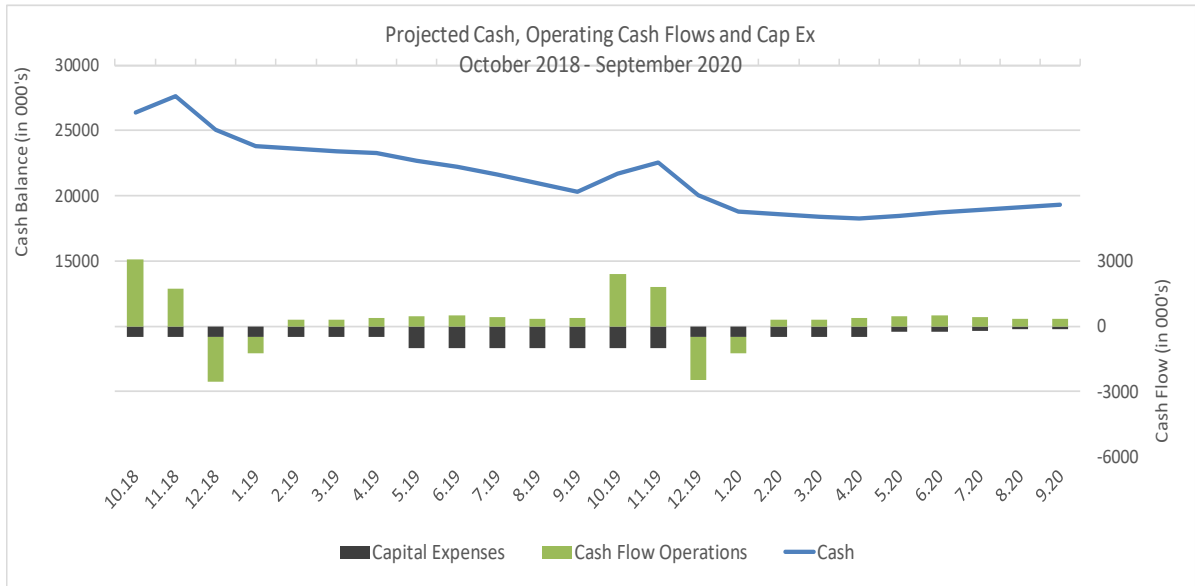
- No changes in the federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on effectuated enrollment staying the same over the projection period (2018-2020) as the 2018 plan year (average of 140,000)
- No assumption for increases in medical premiums for the projection period.
- 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 further analysis and pricing is required before assuming any savings in these projections.



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 \$14 MM over the next 24 months. 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 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

Reporting Book:
As of 19/30/2018

ACCRUAL

	FY 2019		
	3 months ending 9/30/2018		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	8,775,570	8,907,212	(131,642)
Carrier Fee SHOP	33,168	12,912	20,255
Carrier Fee Vision	1,477	6,000	(4,523)
Grants	-	-	-
Tax Credit Donations	-	-	-
Medicaid Cost Reimbursement	675,000	675,000	-
Interest Income	86,824	30,000	56,824
Other revenue	-	-	-
Total Revenue	9,572,039	9,631,125	(59,085)
EXPENSES			
Technology			
Maintenance & Operation	2,034,226	1,905,203	129,023
Software/Licenses/Subscriptions (Tech)	101,577	140,235	(38,658)
Hosting	501,001	525,792	(24,791)
DDI (Design, Dev., Implementation)	543,025	590,799	(47,774)
Total Technology	3,179,829	3,162,029	17,800
Customer Service			
Customer Service Support	2,360,811	2,392,402	(31,591)
Customer Service Infrastructure/Facility	311,073	368,001	(56,928)
Medical Assistance	252,025	338,716	(86,690)
Total Customer Service	2,923,909	3,099,119	(175,209)
Personnel			
Salaries & Wages - Other	1,335,621	1,449,996	(114,375)
Taxes and Benefits	461,311	497,249	(35,937)
Total Personnel	1,796,932	1,947,244	(150,312)
Marketing and Outreach			
Media Buys - Radio/TV/Web	71,123	98,750	(27,627)
Outreach Services-Events, Sponsorships	33,827	32,510	1,317
Marketing Services	30,882	55,051	(24,169)
Assistance Network	535,321	536,250	(929)
Total Marketing and Outreach	671,153	722,561	(51,408)
Facilities			
Occupancy	103,821	116,171	(12,350)
Supplies & Materials	26,249	4,500	21,749
Postage/Shipping	407	675	(268)
Printing/Copying/Shred	5,085	4,977	108
Phone/Internet	14,694	20,076	(5,382)
Equipment/Furniture and Fixture	16,438	12,801	3,637
Total Facilities	166,694	159,200	7,494
Support services			
Public Affairs Services	86,550	60,000	26,550
Professional Services	55,505	47,874	7,631
Training and Development	18,271	24,507	(6,236)
H/R Services	42,009	17,550	24,459
Legal Services	-	11,982	(11,982)
Audit Services	11,680	27,000	(15,320)
Total Support Services	214,014	188,913	25,101
Other			
Insurance	21,854	24,999	(3,145)
Conferences/Meetings	5,531	8,231	(2,700)
Memberships/Dues/Subscriptions (Non-Tech)	11,059	20,430	(9,371)
Travel/Meals/Lodging	20,990	31,704	(10,714)
Other - G&A	60	51	9
Total Other	59,493	85,415	(25,922)
Total Expenses	9,012,025	9,364,481	(352,456)
Net Income Before Depreciation	560,014	266,644	293,370
Depreciation	3,266,945	3,266,945	-
Net Income	(2,706,931)	(3,000,301)	293,370

**Connect for Health Colorado
Statement of Financial Position**

Reporting Book: ACCRUAL
As of Date: 9/30/2018

	FY 2019 9/30/2018		Actual vs Budget
	Actual	Budget	
Assets:			
Current assets:			
Cash and cash equivalents	23,820,577	25,000,000	(1,179,423)
Accounts receivable (net)	8,037,826	6,500,000	1,537,826
Prepaid expenses	1,535,003	1,500,000	35,003
Total Current assets:	33,393,405	33,000,000	393,405
Noncurrent asseets:			
Security deposits	55,448	55,000	448
Total Noncurrent asseets:	55,448	55,000	448
Capital assets:			
Web portal development	41,989,543	41,000,000	989,543
Software	19,154,275	20,700,000	(1,545,725)
Leasehold improvements	1,916,058	1,920,000	(3,942)
Office equipment	1,018,406	1,010,000	8,406
Furniture and fixtures	954,262	955,000	(738)
Less accumulated depreciation	(59,960,690)	(60,000,000)	39,310
Total Capital assets	5,071,854	5,585,000	(513,146)
Total Assets:	38,520,708	38,640,000	(119,292)
Liabilities and net position:			
Liabilities:			
Current liabilities:			
Accounts payable	2,581,443	3,000,000	(418,557)
Accrued liabilities	3,877,109	3,370,000	507,109
Payroll liabilities	399,851	400,000	(149)
Total Current liabilities:	6,858,403	6,770,000	88,403
Long-term liabilities:			
Deferred rent long term	247,921	250,000	(2,079)
Total Long-term liabilities:	247,921	250,000	(2,079)
Total Liabilities:	7,106,324	7,020,000	86,324
Net position:			
Unrestricted	31,414,384	31,620,000	(205,616)
Total Net position:	31,414,384	31,620,000	(205,616)
Total liabilities and net position:	38,520,708	38,640,000	(119,292)