

**TO:** CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE  
**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER  
**SUBJECT:** QUARTERLY FINANCIAL REPORT 2<sup>ND</sup> QUARTER FY 2019  
**DATE:** 1/24/2019

***OVERVIEW (6 months ending 12/31/18)***

Key Performance Indicators	Status	Actuals		
		(YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	133,848	139,305	96.1%
Net Operating Income Margin		19.6%	19.3%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$21.1	\$21.0	100.5%
Per Member Per Month (PMPM) - Operating Exp.		\$24.8	\$24.4	101.6%
Days Cash on Hand	(3)	230.8	120.0	192.4%
Change In Projected 12 Month Cash Flows		No significant decrease		

(1) Monthly average - year to date

(2) Does not include other revenue streams

(3) Based on FY18 budgeted daily operating expenses

***FINANCIAL RESULTS SUMMARY (6 months ending 12/31/18)***

Financial Results (in 000's)	Status	Actuals		
		(YTD)	Budget (YTD)	% of Budget
<b>Revenues</b>				
Program Revenue		6,350	6,350	100.0%
Carrier Fees		16,970	17,580	96.5%
Grant/Other Revenue		1,456	1,360	107.0%
<b>Total Revenue</b>		<b>24,775</b>	<b>25,290</b>	<b>98.0%</b>
<b>Expenditures</b>				
Technology		5,351	6,017	88.9%
Customer Service		7,589	7,450	101.9%
Personnel		3,663	3,894	94.0%
Marketing and Outreach		2,555	2,217	115.2%
Facilities		316	318	99.3%
Support Services		339	341	99.4%
Other		114	169	67.5%
<b>Total Expenditures</b>		<b>19,927</b>	<b>20,407</b>	<b>97.6%</b>
<b>Earnings Before Depreciation</b>		<b>4,848</b>	<b>4,883</b>	<b>99.3%</b>
Capital Expenditures		2,117	1,952	108.5%
Cash Flows		3,582	3,782	94.7%
Cash		24,932	25,132	99.2%
Working Capital		28,534	28,582	99.8%

The organization continued to meet its financial goals through the 2<sup>nd</sup> quarter of the fiscal year. While enrollment levels fell below expectations, expenses were also below budget resulting in overall earnings being in line with budget expectations for the 6 months. Detailed financial statements are attached to this memo. The following are high level explanations of budget to actual variances.

### **Revenue**

Revenues were lower than budget by \$515,000. The lower revenues were the result of enrollment levels dropping more than what was expected for the 2<sup>nd</sup> half of the 2018 plan year which reduced the amount of carrier fee revenue. Interest income came in ahead of budgeted levels by \$91,000 due to higher interest rates earned on investments.

### **Expenditures**

Operating expenses came in under budget by \$480,000. This positive variance resulted primarily from lower personnel expenses due to unfilled budgeted positions and lower technology expenses. The lower technology expenses were due in part to the directing of technology resources towards the new eligibility system development effort which diverted spending from operating costs to capital expenditures. Countering the lower technology and personnel spending was higher spending on marketing and outreach expenses during the period. This higher spending was the result of the spending of carryover assistant network funds from the prior year grant proceeds.

### **Cash**

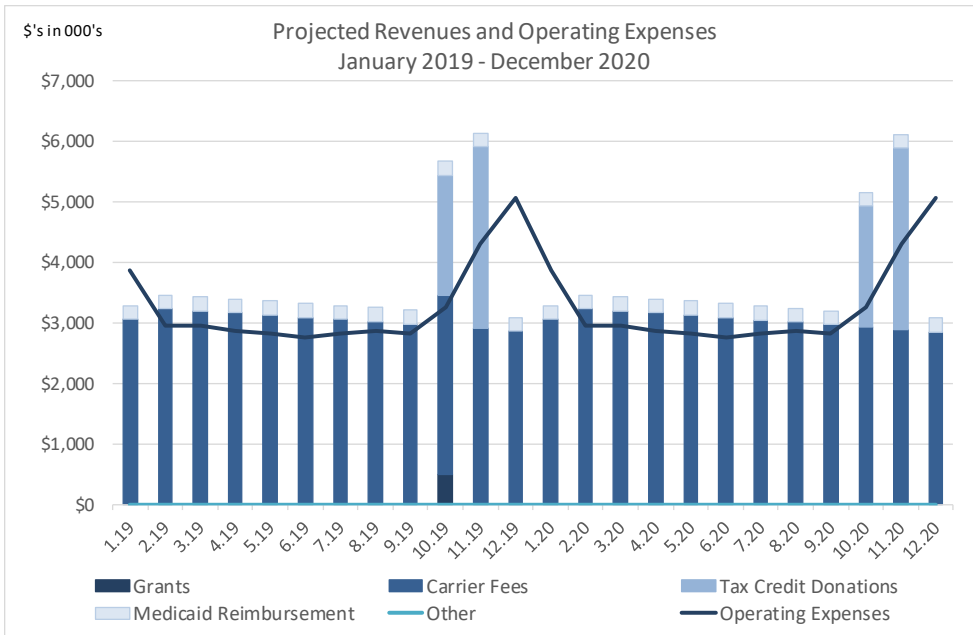
The cash balance at December 31, 2018 was consistent with budgeted cash levels. The cash metric of days cash on hand exceeded our target (230 days vs 120 days). This higher metric provides the needed reserves for future expected capital expenditures along with operations. Excess cash was invested in a combination of money market and certificates of deposit. The average interest rate earned on these invested funds was 1.6% for the period compared to a budget assumption of .75%.

### **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 second 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.

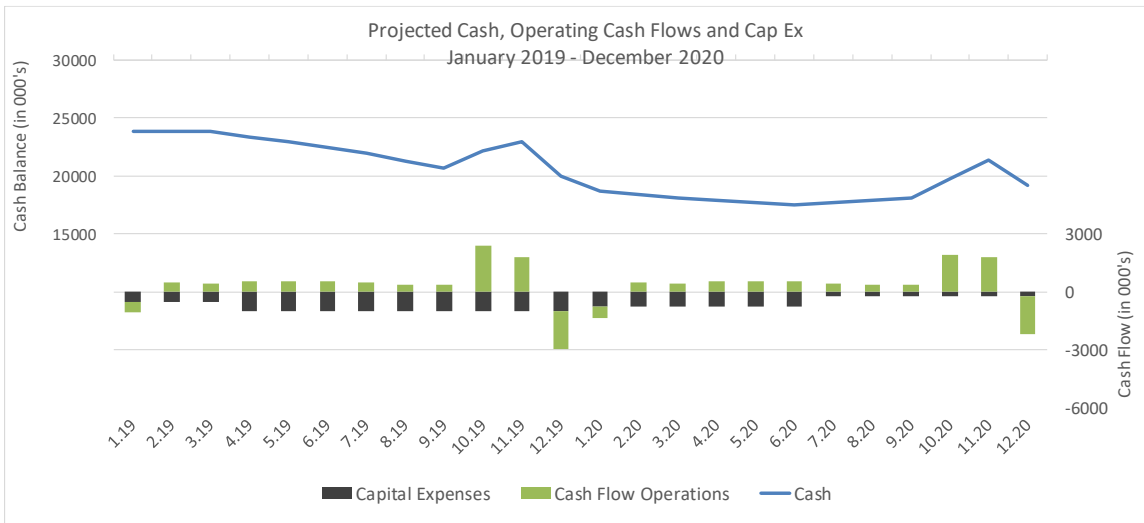
Key assumptions in the projections include:

- Enrollment projection is based on effectuated enrollment staying the same over the projection period (2019-2020) as the 2018 plan year (average of 138,000). Based on the 2019 plan year open enrollment this assumption is reasonable.
- Based on 2019 open enrollment, premiums are assumed to increase 5% from 2018 levels.
- Operating expenses are assumed to remain flat for the projection period. Technology and customer service roadmaps are being finalized and it is expected the changes resulting from the roadmaps will reduce ongoing operating costs. These reductions have not been included in the projections.



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 \$16 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 12/31/2018

ACCRUAL

	FY 2019		
	6 months ending 12/31/2018		
	Actual	Budget	Actual vs Budget
<b>REVENUE</b>			
Carrier Fee - Individual	16,923,955	17,549,831	(625,876)
Carrier Fee SHOP	41,652	18,360	23,292
Carrier Fee Vision	4,024	12,000	(7,976)
Grants	1,300,000	1,300,000	-
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	1,350,000	1,350,000	-
Interest Income	151,266	60,000	91,266
Other revenue	4,437	-	4,437
<b>Total Revenue</b>	<b>24,775,334</b>	<b>25,290,191</b>	<b>(514,857)</b>
<b>EXPENSES</b>			
<b>Technology</b>			
Maintenance & Operation	3,078,741	3,222,404	(143,663)
Software/Licenses/Subscriptions (Tech)	204,966	280,470	(75,504)
Hosting	1,009,367	1,051,582	(42,215)
DDI (Design, Dev., Implementation)	1,057,458	1,462,611	(405,153)
<b>Total Technology</b>	<b>5,350,531</b>	<b>6,017,067</b>	<b>(666,536)</b>
<b>Customer Service</b>			
Customer Service Support	5,825,486	5,981,005	(155,519)
Customer Service Infrastructure/Facility	706,496	736,002	(29,506)
Medical Assistance	1,057,384	732,848	324,535
<b>Total Customer Service</b>	<b>7,589,366</b>	<b>7,449,855</b>	<b>139,510</b>
<b>Personnel</b>			
Salaries & Wages - Other	2,717,592	2,899,991	(182,400)
Taxes and Benefits	945,044	994,497	(49,454)
<b>Total Personnel</b>	<b>3,662,635</b>	<b>3,894,488</b>	<b>(231,853)</b>
<b>Marketing and Outreach</b>			
Media Buys - Radio/TV/Web	979,933	953,129	26,804
Outreach Services-Events, Sponsorships	83,907	98,670	(14,763)
Marketing Services	128,625	93,102	35,523
Assistance Network	1,362,769	1,072,500	290,269
<b>Total Marketing and Outreach</b>	<b>2,555,233</b>	<b>2,217,401</b>	<b>337,832</b>
<b>Facilities</b>			
Occupancy	226,590	232,343	(5,753)
Supplies & Materials	14,792	9,000	5,792
Postage/Shipping	713	1,350	(637)
Printing/Copying/Shred	10,597	9,954	643
Phone/Internet	32,855	40,152	(7,297)
Equipment/Furniture and Fixture	30,729	25,602	5,127
<b>Total Facilities</b>	<b>316,276</b>	<b>318,401</b>	<b>(2,125)</b>
<b>Support services</b>			
Public Affairs Services	84,488	95,000	(10,512)
Professional Services	129,087	95,748	33,339
Training and Development	33,488	49,014	(15,526)
H/R Services	42,546	35,100	7,446
Legal Services	1,766	23,964	(22,198)
Audit Services	48,000	42,500	5,500
<b>Total Support Services</b>	<b>339,375</b>	<b>341,326</b>	<b>(1,951)</b>
<b>Other</b>			
Insurance	44,051	49,998	(5,947)
Conferences/Meetings	10,220	14,462	(4,242)
Memberships/Dues/Subscriptions (Non-Tech)	23,685	40,860	(17,175)
Travel/Meals/Lodging	36,027	63,408	(27,381)
Other - G&A	60	102	(42)
<b>Total Other</b>	<b>114,043</b>	<b>168,830</b>	<b>(54,787)</b>
<b>Total Expenses</b>	<b>19,927,459</b>	<b>20,407,369</b>	<b>(479,909)</b>
<b>Net Income Before Depreciation</b>	<b>4,847,875</b>	<b>4,882,822</b>	<b>(34,947)</b>
Depreciation	3,981,871	3,981,871	-
<b>Net Income</b>	<b>866,003</b>	<b>900,951</b>	<b>(34,947)</b>

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

Reporting Book: ACCRUAL  
As of Date: 12/31/2018

	FY 2019 12/31/2018		Actual vs Budget
	Actual	Budget	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	24,931,518	25,132,238	(200,721)
Accounts receivable (net)	9,678,245	9,500,000	178,245
Prepaid expenses	1,110,691	1,200,000	(89,309)
Total Current assets:	<u>35,720,453</u>	<u>35,832,238</u>	<u>(111,785)</u>
Noncurrent asseets:			
Security deposits	55,448	55,000	448
Total Noncurrent asseets:	<u>55,448</u>	<u>55,000</u>	<u>448</u>
Capital assets:			
Web portal development	43,016,053	43,000,000	16,053
Software	19,154,275	19,150,000	4,275
Leasehold improvements	1,931,668	1,920,000	11,668
Office equipment	1,039,296	1,010,000	29,296
Furniture and fixtures	1,059,958	955,000	104,958
Less accumulated depreciation	<u>(60,675,617)</u>	<u>(60,675,871)</u>	<u>255</u>
Total Capital assets	<u>5,525,633</u>	<u>5,359,129</u>	<u>166,504</u>
Total Assets:	<u>41,301,534</u>	<u>41,246,367</u>	<u>55,167</u>
<b>Liabilities and net position:</b>			
Liabilities:			
Current liabilities:			
Accounts payable	2,485,160	2,500,000	(14,840)
Accrued liabilities	3,134,256	3,100,000	34,256
Payroll liabilities	456,171	450,000	6,171
Total Current liabilities:	<u>6,075,587</u>	<u>6,050,000</u>	<u>25,587</u>
Long-term liabilities:			
Deferred rent long term	238,629	240,000	(1,371)
Total Long-term liabilities:	<u>238,629</u>	<u>240,000</u>	<u>(1,371)</u>
Total Liabilities:	<u>6,314,216</u>	<u>6,290,000</u>	<u>24,216</u>
Net position:			
Unrestricted	<u>34,987,318</u>	<u>34,956,367</u>	<u>30,950</u>
Total Net position:	<u>34,987,318</u>	<u>34,956,367</u>	<u>30,950</u>
Total liabilities and net position:	<u>41,301,534</u>	<u>41,246,367</u>	<u>55,167</u>