FISCAL YEAR 2020 BUDGET PLANNING

March 25, 2019

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Key Budget Dates

- March 18 – initial budgets received from department managers
- March 29 - initial budgets consolidated and reviewed by finance
- April 5 – budget revisions completed based on directions of finance
- April 12 – budget reviewed by executive team - revisions completed
- April 17 – proposed budget submitted for Finance and Operations Committee meeting on April 22
- April 30 – changes incorporated into budget based on Finance and Operations Committee
- May 8 – proposed budget submitted for Board meeting on May 13
- If changes required based on Board meeting, budget will be revised and presented at June 10 Board meeting (no May F&O meeting?)

Key Budget Criteria

Key factors impacting the fiscal year 2020 budget include:

- Enrollment impacts due to current legislation and regulatory changes
- Implementation of technology roadmap – higher level of capital expenditures
- Service center RFP impacts
- Duplicative operational expenses during transitional “roadmap” period
- Additional operational resource needs for CBMS applications if no technology fix for next OE
- Increased call volumes due to manual verifications
- Continued support for marketing and assistance network
- Positive cash flows from operations

Preliminary Budget Thoughts

- Enrollments for Plan Year (PY) 2020 are tracking about 2% ahead of same point last year
- Average premiums for PY 2020 are up 3% over prior year average premium
- Providing SEP activity during PY 2020 stays consistent with prior year, carrier fee revenue should be 5% higher for first 6 months of the fiscal year (FY)
- Uncertainty in enrollments/premium levels for last 6 months of fiscal year (PY 2021) given legislative efforts and regulatory uncertainty
- Capital expenses will be higher in FY 2020 due to platform modernization and infrastructure improvements – these should stabilize at a maintenance/enhancement level by mid FY 2021
- Operating and corporate expenses will likely go up in FY 2020 due to transition caused by modernization and customer service changes and the resulting possible change in mix of outsourced vs in-house staffing
- Maintaining a positive operating income will be challenging in FY 2020 due to being a transitional year resulting in some duplication of costs
- Expecting upon stabilization of technology and customer service operations in early 2021, ongoing operating expenses will be lower than current levels