

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 3RD QUARTER FY 2019
DATE: 4/18/2019

OVERVIEW (9 months ending 3/31/19)

Key Performance Indicators	Status	Actuals		
		(YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	137,740	140,000	98.4%
Net Operating Income Margin		16.0%	12.2%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$21.5	\$21.0	102.1%
Per Member Per Month (PMPM) - Operating Exp.		\$23.9	\$24.3	98.1%
Days Cash on Hand	(3)	227.7	120.0	189.8%
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 (9 months ending 3/31/19)

Financial Results (in 000's)	Status	Actuals		
		(YTD)	Budget (YTD)	% of Budget
Revenues				
Program Revenue		7,025	7,025	100.0%
Carrier Fees		26,609	26,499	100.4%
Grant/Other Revenue		1,599	1,390	115.0%
Total Revenue		35,233	34,914	100.9%
Expenditures				
Technology		7,809	8,862	88.1%
Customer Service		11,913	11,900	100.1%
Personnel		5,491	5,715	96.1%
Marketing and Outreach		3,258	2,939	110.9%
Facilities		474	478	99.2%
Support Services		469	503	93.2%
Other		177	252	70.3%
Total Expenditures		29,591	30,648	96.6%
Earnings Before Depreciation		5,642	4,265	132.3%
Capital Expenditures		3,054	5,000	61.1%
Cash Flows		3,245	299	1084.1%
Cash		24,595	21,649	113.6%
Working Capital		28,621	25,099	114.0%

The organization continued to exceed its financial goals through the 3rd quarter of the fiscal year. With 9 months completed in the fiscal year we are tracking \$1.4 million ahead of budgeted net

income before depreciation. This positive variance is primarily the result of lower than expected technology expenses for the year. Detailed financial statements are attached to this memo. The following are high level explanations of budget to actual variances.

Revenue

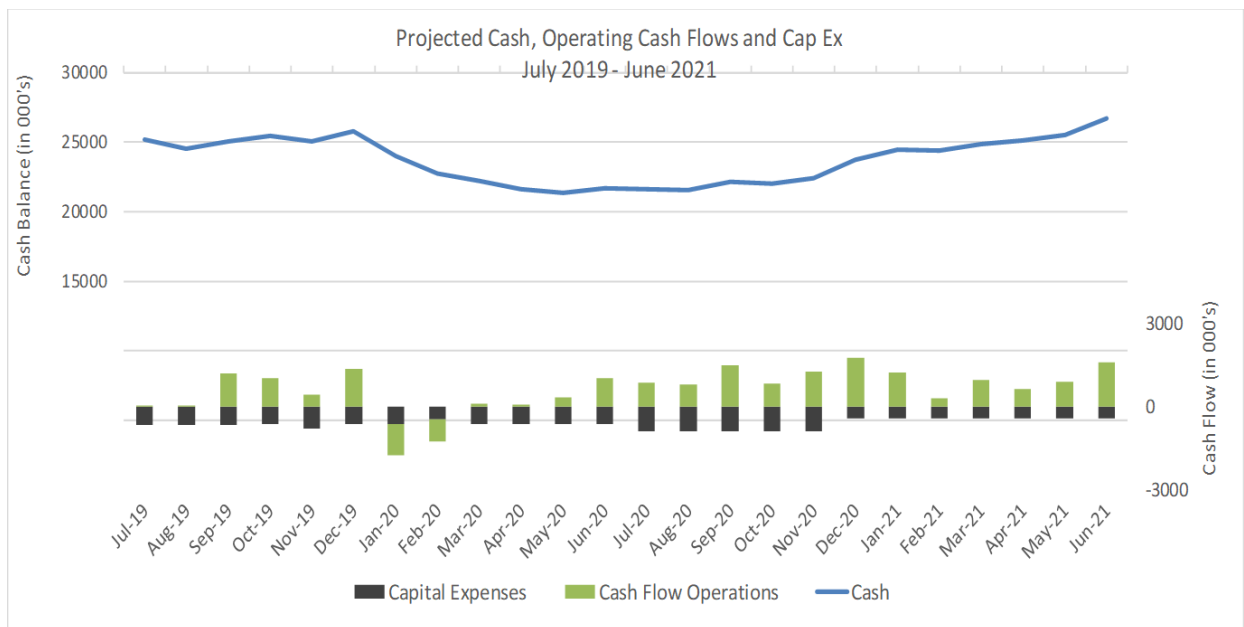
Revenues were higher than budget by \$320,000. This was driven by a combination of higher interest earnings on cash balances and a slight positive variance in carrier fees as the result of a small increase in premium levels. We did not assume any increase in average premium levels in the FY 2019 budget.

Expenditures

Operating expenses came in under budget by \$1.1 million. The primary driver in these lower costs was a lower than anticipated level of technology spending. While we are spending less on technology operations and capital investments we are still on track with our modernization efforts. The cost reductions can be attributed with favorable contracting with technology vendors and being able to develop more with less resources. Personnel expenses were also running below budgeted levels primarily due to delays in refilling vacant and new positions. Outreach expenses are running over budget by over \$300,000. This reflects supplemental spending on the assistant network as the result of the roll-over of unspent grant funds from the prior year.

Cash

Due to the explained revenue and expense variances described above, our cash balance is higher than what was anticipated in the budget for this point in the year. The cash metric of days cash on hand exceeded our target (228 days vs 120 days). This higher metric provides the needed reserves for future expected capital expenditures along with protection from operational and revenue impacts as the result of external factors. 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%.



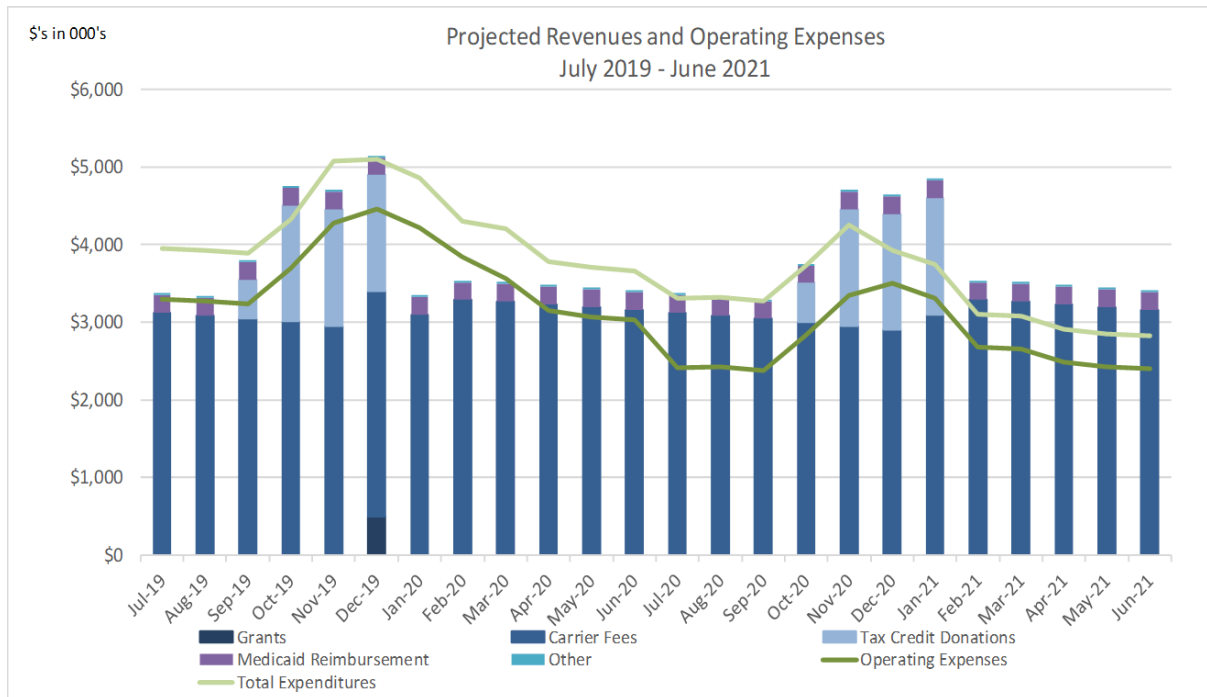
24 MONTH PROJECTIONS

As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long-range financial projections. Based on the current Fiscal Year 2020 budgeting process we have revised the projections based on expected levels of enrollment, average expected premium levels and expenditures.

Some of the key assumptions in the projections include:

- No changes in federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on effectuated enrollment staying similar over the projection period (2019-2021) as the 2019 plan year (average of 141,000)
- No assumption for increases or decreases in medical premiums for the projection period.
- Operating expenses for the 2020 fiscal year are expected to increase over the current year by over 10% due to the modernization efforts underway and expected transitional costs that will be incurred.

Also included in the cash projections are assumptions for capital investments over the projection period. These investments are related to modernization efforts for the shopping and enrollment platform and underlying infrastructure along with changes to the customer service operations and technology. These investments are expected to result in significant expense reductions in future years as depicted in the chart below.



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

Reporting Book:
As of 3/31/2019

ACCRUAL

	FY 2019		
	9 months ending 3/31/19		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	26,560,134	26,462,288	97,846
Carrier Fee SHOP	41,652	18,360	23,292
Carrier Fee Vision	7,393	18,000	(10,607)
Grants	1,300,000	1,300,000	-
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	2,025,000	2,025,000	-
Interest Income	233,458	90,000	143,458
Other revenue	65,534	-	65,534
Total Revenue	35,233,171	34,913,648	319,523
EXPENSES			
Technology			
Maintenance & Operation	4,493,071	4,797,507	(304,436)
Software/Licenses/Subscriptions (Tech)	297,515	396,710	(99,195)
Hosting	1,533,255	1,577,371	(44,116)
DDI (Design, Dev., Implementation)	1,485,290	2,090,319	(605,029)
Total Technology	7,809,131	8,861,907	(1,052,776)
Customer Service			
Customer Service Support	9,031,156	9,569,608	(538,452)
Customer Service Infrastructure/Facility	1,060,885	1,231,185	(170,300)
Medical Assistance	1,821,062	1,099,272	721,790
Total Customer Service	11,913,102	11,900,065	13,037
Personnel			
Salaries & Wages - Other	4,017,403	4,254,362	(236,959)
Taxes and Benefits	1,473,706	1,460,189	13,517
Total Personnel	5,491,109	5,714,551	(223,443)
Marketing and Outreach			
Media Buys - Radio/TV/Web	1,267,326	1,239,924	27,402
Outreach Services-Events, Sponsorships	99,566	114,330	(14,764)
Marketing Services	155,571	125,751	29,820
Assistance Network	1,735,637	1,458,750	276,887
Total Marketing and Outreach	3,258,100	2,938,755	319,345
Facilities			
Occupancy	342,720	348,516	(5,796)
Supplies & Materials	22,051	13,500	8,551
Postage/Shipping	1,105	2,025	(920)
Printing/Copying/Shred	15,215	14,929	286
Phone/Internet	48,355	60,227	(11,872)
Equipment/Furniture and Fixture	44,340	38,402	5,938
Total Facilities	473,787	477,599	(3,812)
Support services			
Public Affairs Services	129,609	117,500	12,109
Professional Services	176,789	143,623	33,166
Training and Development	46,625	73,517	(26,892)
H/R Services	43,046	52,650	(9,605)
Legal Services	2,265	35,944	(33,679)
Audit Services	70,500	80,000	(9,500)
Total Support Services	468,833	503,234	(34,401)
Other			
Insurance	71,115	74,998	(3,883)
Conferences/Meetings	11,860	20,692	(8,832)
Memberships/Dues/Subscriptions (Non-Tech)	43,171	61,290	(18,119)
Travel/Meals/Lodging	47,618	95,108	(47,490)
Other - G&A	3,615	152	3,463
Total Other	177,378	252,240	(74,862)
Total Expenses	29,591,440	30,648,351	(1,056,911)
Net Income Before Depreciation	5,641,731	4,265,297	1,376,434
Depreciation	5,112,534	5,112,534	-
Net Income	529,197	(847,237)	1,376,434

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

Reporting Book: ACCRUAL
As of Date: 3/31/2019

	FY 2019 3/31/2019		Actual vs Budget
	Actual	Budget	
Assets:			
Current assets:			
Cash and cash equivalents	24,594,655	21,649,297	2,945,358
Accounts receivable (net)	9,200,982	9,500,000	(299,018)
Prepaid expenses	871,721	1,000,000	(128,279)
Total Current assets:	34,667,358	32,149,297	2,518,061
Noncurrent asseets:			
Security deposits	55,448	55,000	448
Total Noncurrent asseets:	55,448	55,000	448
Capital assets:			
Web portal development	43,916,578	46,000,000	(2,083,422)
Software	19,154,275	19,150,000	4,275
Leasehold improvements	1,931,668	1,920,000	11,668
Office equipment	1,067,055	1,010,000	57,055
Furniture and fixtures	1,067,988	955,000	112,988
Less accumulated depreciation	(61,806,279)	(61,806,534)	255
Total Capital assets	5,331,285	7,228,466	(1,897,181)
Total Assets:	40,054,091	39,432,762	621,329
Liabilities and net position:			
Liabilities:			
Current liabilities:			
Accounts payable	1,689,850	2,500,000	(810,150)
Accrued liabilities	3,014,342	3,100,000	(85,658)
Payroll liabilities	470,050	450,000	20,050
Total Current liabilities:	5,174,242	6,050,000	(875,758)
Long-term liabilities:			
Deferred rent long term	229,338	230,000	(662)
Total Long-term liabilities:	229,338	230,000	(662)
Total Liabilities:	5,403,580	6,280,000	(876,420)
Net position:			
Unrestricted	34,650,511	33,152,763	1,497,749
Total Net position:	34,650,511	33,152,763	1,497,749
Total liabilities and net position:	40,054,091	39,432,763	621,328