



PROPOSED FISCAL YEAR 2020 BUDGET FINANCE AND OPERATIONS COMMITTEE

April 22, 2019

General Budget/Projection Assumptions

- FY 20 and 21 carrier fee revenue based on current (plan year 2019) enrollment and average premium levels. No increases are assumed in enrollments or average premiums for plan year 2020.
- Medicaid cost reimbursements continue throughout the period
- Reduction in grant funding from \$1.3MM in FY 19 to \$500k in FY 20 and \$0 thereafter.
- Continuation of tax credit donations
- In order to successfully deliver on the strategic initiatives, an increase in operating and capital expenditures is required in Fiscal Year 2020. Further detail of these increases is provided in the departmental budget narratives that follow.
- The increased spending in fiscal year 2020 will provide long-term cost savings and enhance the sustainability of the organization, initial projections for FY 2021 indicate an expected significant decrease in operating costs as the result of the 2020 initiatives

Fiscal Year 2020 Strategic Initiatives

- Marketplace modernization – create a more consumer friendly, cost effective and flexible technology platform to allow for expansion of exchange services.
- Continued internalization of complex customer service operations.
- Decentralization of customer facing operations – position more services/employment across the state.
- Micro-business solutions – educate and simplify employers ability to provide affordable health insurance for their employees.
- Streamline eligibility/enrollment and customer service support for complex households
- Expand channels/services for enrollment on the exchange providing for faster and more customized enrollment for carriers, brokers and participants in the gig economy
- Explore ancillary benefits that assist customers in managing their health care costs/services
- Implement action plan developed from the results of the fiscal year 2019 employee survey

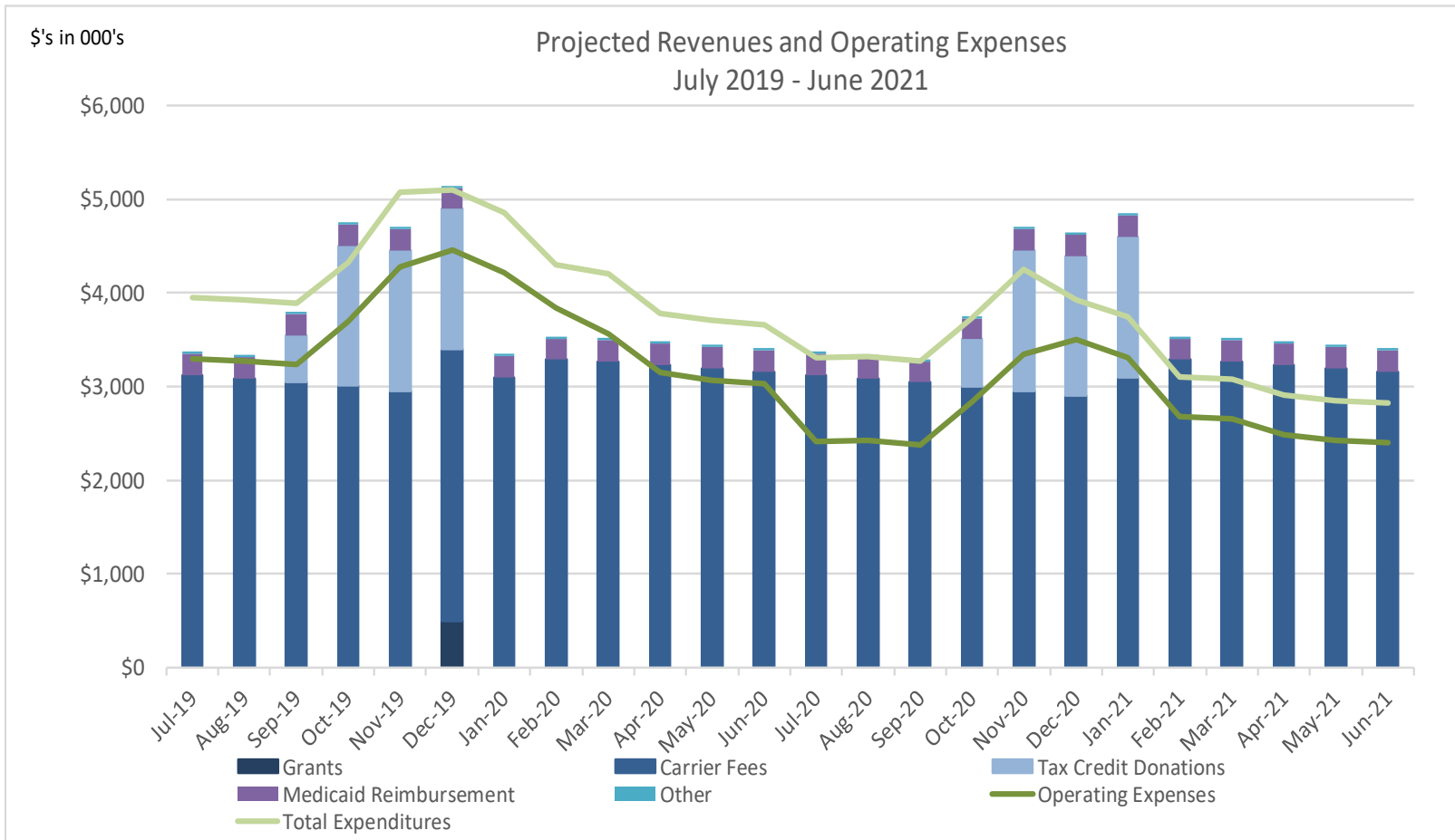
Net Income Comparisons

FY19, FY20 and FY21

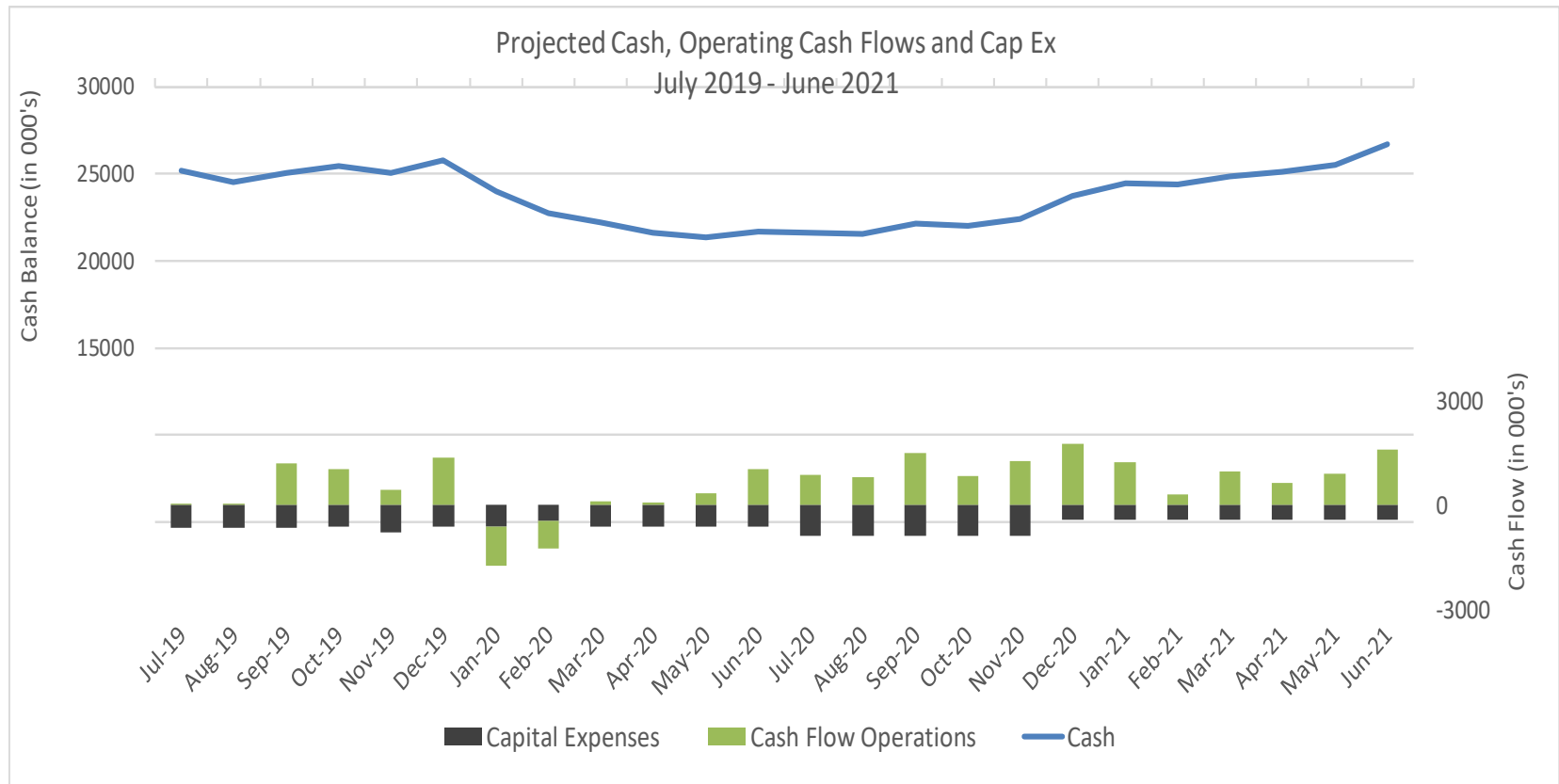
	Fiscal Year 2019 Projected	Fiscal Year 2020 Budget	Fiscal Year 2021 Projection
Revenues	<i>\$'s in 000's</i>		
Carrier Fees	36,201	37,388	37,383
Tax Credit Donations	5,000	5,000	5,000
Grants	1,300	500	-
Cost Reimbursements	2,700	2,700	2,700
Interest/Other	399	240	240
Total Revenue	45,599	45,828	45,323
Operating Expenses			
Technology & Operations	11,271	13,493	9,204
Customer Service	15,783	15,677	10,494
Marketing and Outreach	5,068	5,386	5,422
Support Services	6,479	7,650	7,716
Total Operating Expenses	38,601	42,206	32,836
Net Income Before Depreciation	6,999	3,622	12,487
Stabilized Depreciation *	3,500	3,500	3,500
Net Income	3,499	122	8,987
Capital Expenditures	3,608	7,707	7,500

* Stabilized depreciation reflects projected annual depreciation upon refresh of technology

Projected Revenue and Expenditures FY20 and FY21

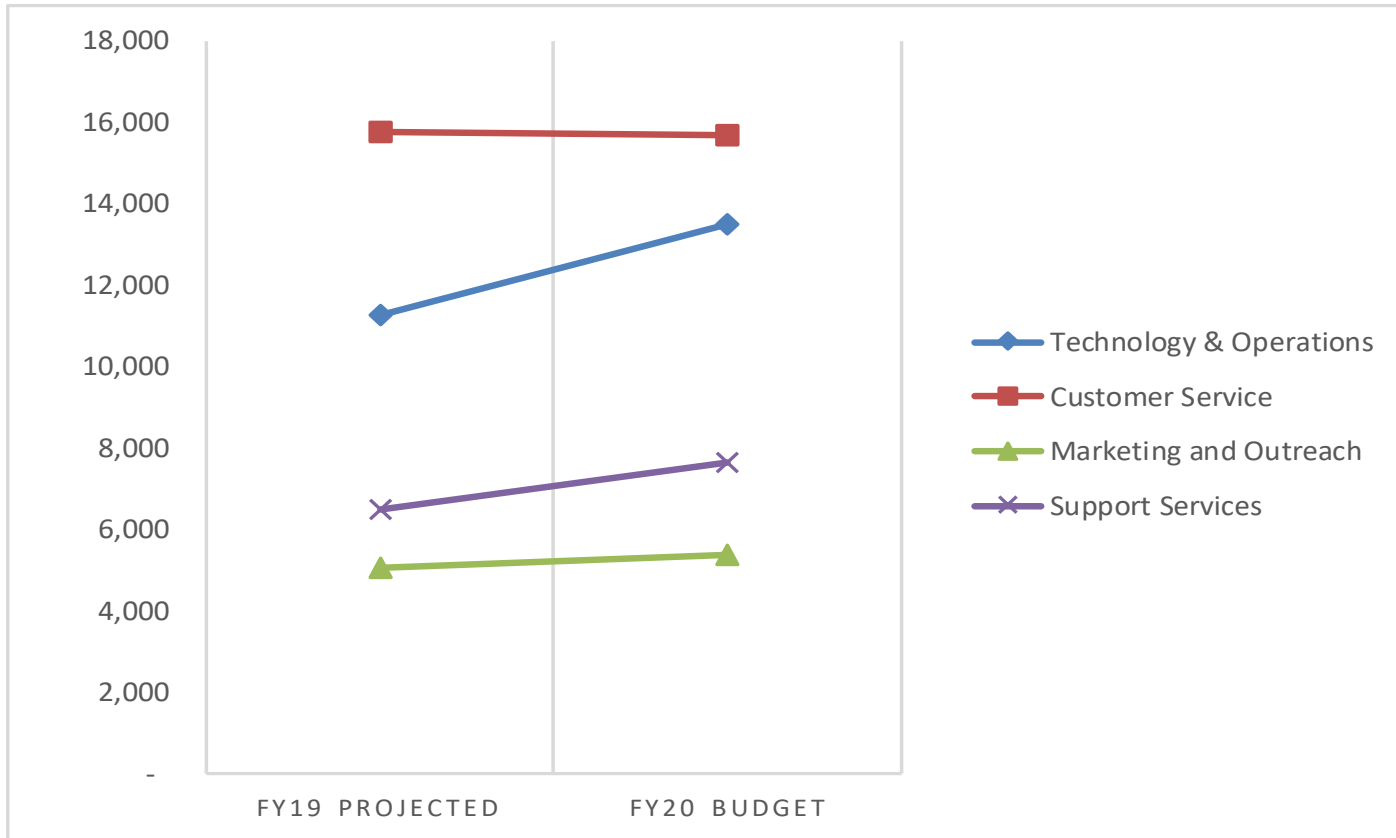


Projected Cash Flows FY20 and FY21



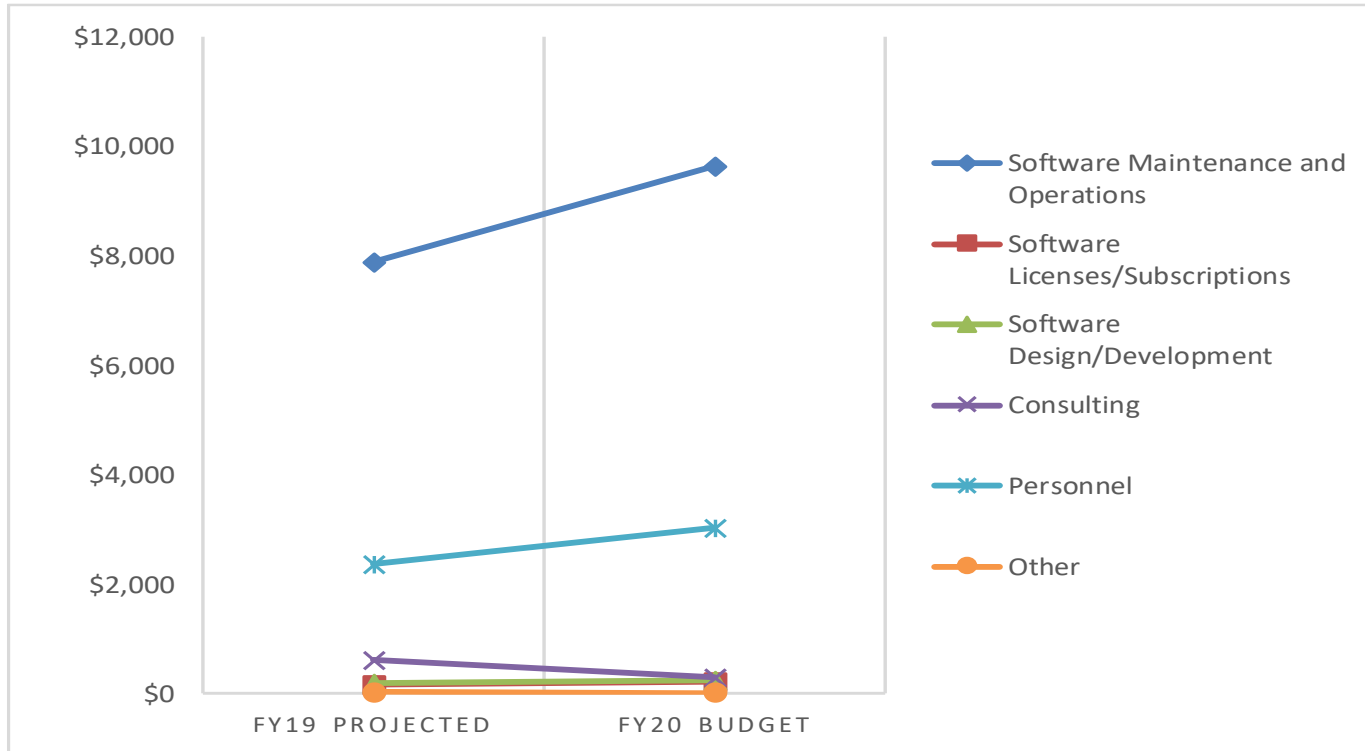
Expense Category Comparison

FY 19 Projected vs FY 20 Budget



Operating Expenses (\$'s in 000's)	FY19 Projected	FY20 Budget	% Change
Technology & Operations	11,271	13,493	19.7%
Customer Service	15,783	15,677	-0.7%
Marketing and Outreach	5,068	5,386	6.3%
Support Services	6,479	7,650	18.1%
Other	38,601	42,206	9.3%

Technology & Operations Expense Comparison FY 19 Projected vs FY 20 Budget



Technology and Operations (\$'s in 000's)	FY19 Projected	FY20 Budget	% Change
Software Maintenance and Operations	\$7,886	\$9,649	22.4%
Software Licenses/Subscriptions	\$163	\$223	36.3%
Software Design/Development	\$197	\$250	27.2%
Consulting	\$607	\$305	-49.8%
Personnel	\$2,380	\$3,037	27.6%
Other	\$38	\$30	-21.4%
Total	\$11,271	\$13,493	19.7%

Technology & Operations Expenses

FY 20 Core Projects

Projects prioritized in the budget for 2020 fiscal year include:

- Modernization of legacy application screens
 - Includes updating the look and feel to be consistent with NES
 - Streamlining workflow, data collection and usability
 - Functions to include shopping portal, payment, broker and assister portals, account creation, document upload, view eligibility and application summary
- Improvements to NES
 - Continue to improve workflow, usability and efficiency of NES application based on user research.
 - Functions to include income collection, life change events and landing page.

Technology & Operations Expenses

FY 20 Core Projects

Projects (Continued):

- Compliance Projects
 - Failure to Reconcile Code from IRS
- Centralization of Business Logic in Rules Engine
 - Transition logic to a rules engine to allow for more accurate, traceable rules with enhanced flexibility and lower administration costs
 - Includes transition of life change events, plan filtering etc.
- Middleware Modernization
 - Modernize and streamline middleware services
 - Includes receiving and processing data from CBMS
- Identity Manager Upgrade
 - Improvements to password reset project

Not all projects will be in production prior to open enrollment for plan year 2020.

Technology & Operations Expenses

FY 20 Potential Projects

Potential projects to be started in FY 2020:

- Small Business Employer Decision Support Tool
- Address validation service
- Website homepage refresh and modernization
- Direct enrollment functionality
- Payment processing
- Additional service calls to support and reduce manual verifications
- Improvements to noticing
- Compliance related efforts and projects

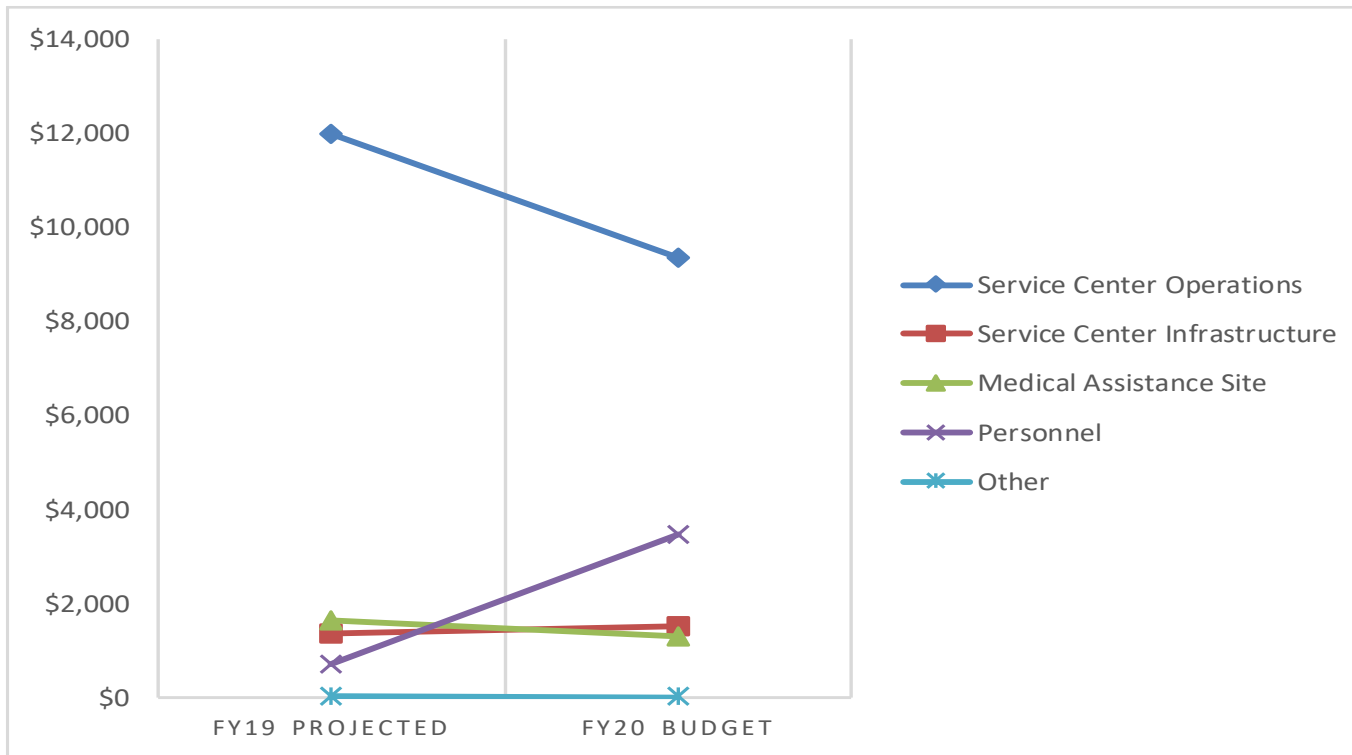
A separate pool of funds has been designated in the budget for potential projects. These projects are currently under review and will be prioritized based on available resources, this list will be revised throughout the year

Technology & Operations Expenses

FY 20 Budget Narrative

- **Technology Maintenance and Operations** – assumes continuation of existing vendor contracts in addition to additional resources needed for transitioning
- **Software Licenses/Subscriptions** – remains relatively flat although the mix of subscription changes
- **Software Design and Development** – ongoing enhancements and updates to existing platform, eligibility project design and non-capitalizable development expense – most of these types of expenses are included in capital projects
- **Consulting** – project management support and testing support
- **Personnel** – includes both technology and operations staff – increasing due to delays in some staffing hires in 2019 and buildup of in house expertise for essential technology functions and modernization efforts
- **Other** – travel, conferences, training, memberships, supplies

Customer Service Expense Comparison FY 19 Projected vs FY 20 Budget



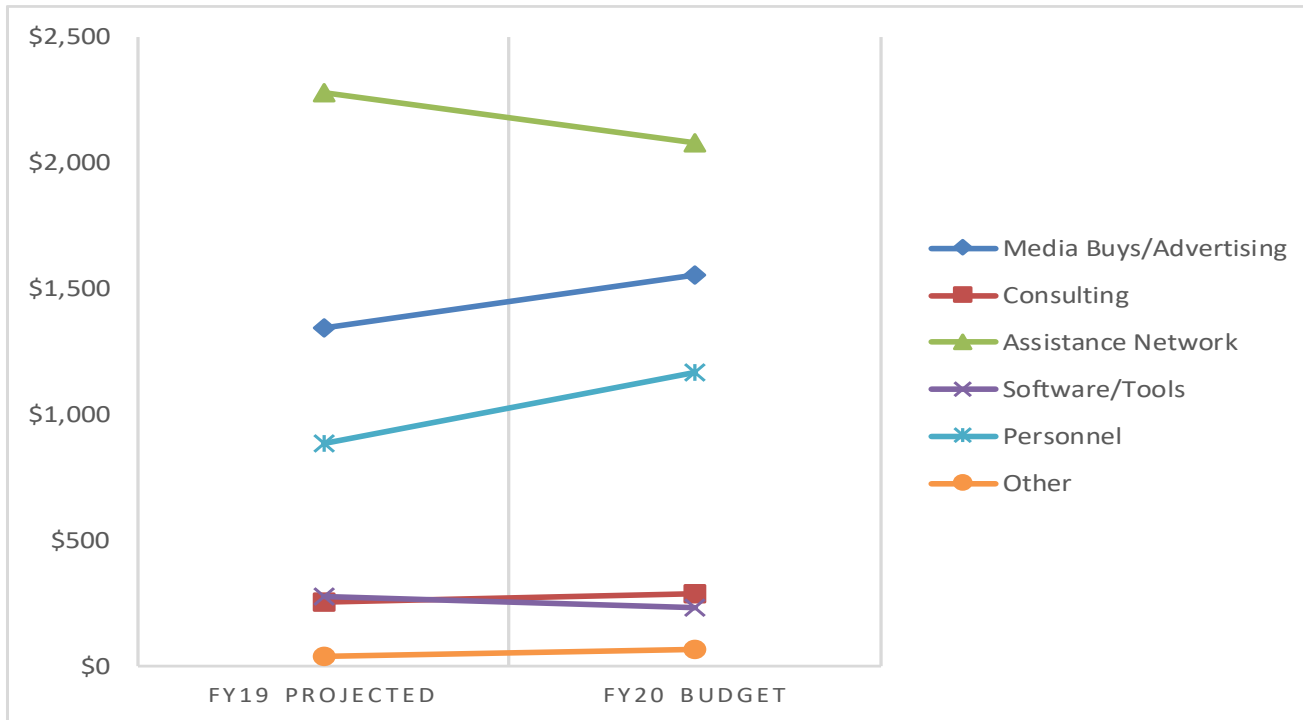
Customer Service (\$'s in 000's)	FY19 Projected	FY20 Budget	% Change
Service Center Operations	\$12,000	\$9,360	-22.0%
Service Center Infrastructure	\$1,373	\$1,521	10.7%
Medical Assistance Site	\$1,650	\$1,293	-21.7%
Personnel	\$719	\$3,467	382.0%
Other	\$40	\$37	-6.3%
Total	\$15,783	\$15,677	-0.7%

Customer Service Expenses

FY 20 Budget Narrative

- **Service Center Operations** – reflects implementation of new initiatives/structures as the result of current RFP vendor selection process. Reduction in operating expenses is due to continued internalization of staff and management for more complex calls - offset by higher personnel costs.
- **Service Center Infrastructure** – includes telecom and IT support costs. Slight increase due to expected enhancements to infrastructure and possible transitioning costs
- **Medical Assistance Site** – includes staffing of site, decrease due to higher than normal expenses in 2019 as the result of manual application processing
- **Personnel** – increase the result of internalizing key service center functions
- **Other** – travel, conferences, training, memberships, supplies, postage, printing

Marketing and Outreach Expense Comparison FY 19 Projected vs FY 20 Budget



Marketing and Outreach (\$'s in 000's)	FY19 Projected	FY20 Budget	% Change
Media Buys/Advertising	\$1,344	\$1,553	15.6%
Consulting	\$251	\$287	14.1%
Assistance Network	\$2,280	\$2,079	-8.8%
Software/Tools	\$274	\$230	-16.2%
Personnel	\$882	\$1,169	32.6%
Other	\$37	\$68	81.3%
Total	\$5,068	\$5,386	6.3%

Marketing and Outreach Expenses

FY 20 Initiatives – Outreach and Marketing

- Develop a State-wide Connect for Health Colorado Outreach presence
- Develop a year-round Outreach Plan to ensure visibility and awareness of Connect for Health Colorado both during and outside of Open Enrollment Periods
- Continue with year 2 of assistant network plan and maintenance of funding levels for partners
- Expand access to individual health insurance for employees of small (micro) businesses
- Increase the ability of Brokers and Assisters to do business through the Marketplace
- Expand the Enrollment Center Model to additional parts of the state
- Improve the Customer User Experience of the Marketing (aka WordPress) side of our website
- Strengthen Internal Communications through the creation of a staff Newsletter

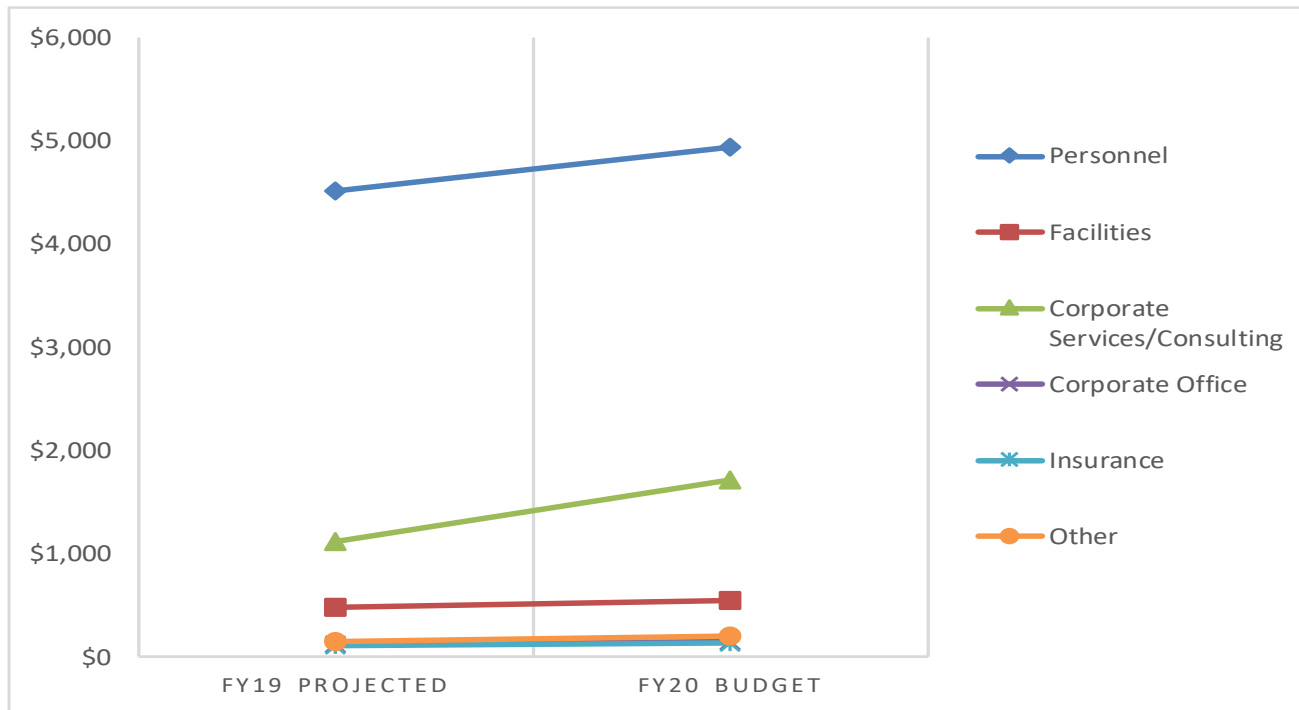
Marketing and Outreach Expenses

FY 20 Budget Narrative

- **Media Buys/Advertising/Events** – increase in outreach events/sponsorships in collaboration with other outreach organizations including Building Better Health sponsorship.
- **Consulting** – agency fees, surveys, graphic design, translation services
- **Assistance Network** – includes assistance network partner payments, decrease due to carry over of supplemental funds from prior year (2019). In year funding is budgeted to remain level with 2019.
- **Software/Tools** - Includes Wordpress website costs and broker lead tool, reduction due to moving some software subscriptions under the technology department
- **Personnel** – Assistance network management, communications, broker team, marketing/outreach oversight and management – costs increased due to unfilled positions in 2019 along with increase in in-house digital marketing staff resources
- **Other** – travel, conferences, training, memberships, supplies, postage, printing

Support Services Expense Comparison

FY 19 Projected vs FY 20 Budget



Support Services (\$'s in 000's)	FY19 Projected	FY20 Budget	% Change
Personnel	\$4,515	\$4,935	9.3%
Facilities	\$473	\$545	15.3%
Corporate Services/Consulting	\$1,118	\$1,710	53.0%
Corporate Office	\$119	\$145	21.4%
Insurance	\$110	\$125	13.4%
Other	\$144	\$191	32.4%
Total	\$6,479	\$7,650	18.1%

Support Services Expenses

FY 20 Budget Narrative

- **Personnel** – staffing for office support, finance, HR, training, legal/compliance, privacy and security, executive, policy and business intelligence teams. Increase due to increased need to support overall staffing increases resulting from service center and technology initiatives and added senior policy position.
- **Facilities** – rent and operations of physical plant
- **Corporate Services/Consulting** – includes audit services, privacy/security services, outside legal, HR recruiting, payroll services, corporate software, BI consulting, training consulting/software – increase driven in part by increased privacy and security consulting as the result of technology initiatives
- **Corporate Office** – office supplies, printing/copying, postage
- **Insurance** – Liability, property, technology (cyber)
- **Other** – travel, conferences, memberships