

**TO:** CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE  
**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER  
**SUBJECT:** QUARTERLY FINANCIAL REPORT 4TH QUARTER FY 2019 (PRELIMINARY)  
**DATE:** 7/18/2019

***OVERVIEW (12 months ending 6/30/19)***

Key Performance Indicators	Status	Actuals		
		(YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	139,700	141,000	99.1%
Net Operating Income Margin		14.6%	11.9%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$21.6	\$21.0	102.7%
Per Member Per Month (PMPM) - Operating Exp.		\$23.2	\$23.3	99.8%
Days Cash on Hand	(3)	222.0	120.0	185.0%
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 FY19 budgeted daily operating expenses

***FINANCIAL RESULTS SUMMARY (12 months ending 6/30/19)***

Financial Results (in 000's)	Status	Actuals		
		(YTD)	Budget (YTD)	% of Budget
<b>Revenues</b>				
Program Revenue		7,700	7,700	100.0%
Carrier Fees		36,166	35,553	101.7%
Grant/Other Revenue		1,680	1,420	118.3%
<b>Total Revenue</b>		<b>45,546</b>	<b>44,673</b>	<b>102.0%</b>
<b>Expenditures</b>				
Technology		10,841	11,711	92.6%
Customer Service		15,288	14,958	102.2%
Personnel		7,377	7,619	96.8%
Marketing and Outreach		3,718	3,432	108.3%
Facilities		645	637	101.2%
Support Services		754	653	115.5%
Other		277	337	82.2%
<b>Total Expenditures</b>		<b>38,899</b>	<b>39,346</b>	<b>98.9%</b>
<b>Earnings Before Depreciation</b>		<b>6,647</b>	<b>5,326</b>	<b>124.8%</b>
Capital Expenditures		3,599	8,220	43.8%
Cash Flows		2,621	1,089	240.7%
Cash		23,971	22,439	106.8%
Working Capital		29,069	24,389	119.2%

The organization finished the year exceeding its financial goals both on revenues and overall costs. For the fiscal year, overall earnings (including depreciation) was slightly over \$700,000 - exceeding budget expectations by \$1.3 million. Taking out the impact of depreciation, earnings from

operations were \$6.6 million. The largest drivers of the positive variance for the year were higher carrier fee revenues than expected and lower than expected technology expenses for the year. Detailed financial statements are attached to this memo. Since this is year-end, additional pre-audit reconciliations will be performed on the accounting records which may result in some movement in the preliminary financial results being reported at this time. The following are high level explanations of budget to actual variances.

### **Revenue**

Revenues were higher than budget by \$870,000. 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 average premium levels. We did not assume any increase in average premium levels in the FY 2019 budget. Revenues for Medicaid reimbursements are reported at the budgeted level for purposes of these preliminary financials. Review of reimbursements for the year has not been completed by the State at the time of these financials. Based on our expense submittals we expect the reimbursements to meet or exceed the budgeted expectations.

### **Expenditures**

Overall, operating expenses came in under budget by \$450,000. The primary driver in the lower costs was a lower than anticipated level of technology spending (\$870,000 lower). While we are spending less on technology operations and capital projects, we are still on track with our modernization efforts. The cost reductions can be attributed to favorable contracting with technology vendors and being able to develop more with less resources. Personnel expenses were also below budgeted levels for the year (by \$250,000) primarily due to delays in refilling vacant and new positions. Due to increased levels of manual application processing, customer service operating costs were over budget by \$330,000 for the year. Outreach expenses came in slightly over budget (\$290,000). This reflects supplemental spending on the assistant network as the result of the roll-over of unspent grant funds from the prior year. Finally, support services expenses came in over budget (\$100,000) due primarily to contracting out a portion of our public communications function which was originally budgeted in the personnel expense line.

### **Cash**

Due to the explained variances described above, our cash balance is higher than what was anticipated in the budget for the end of the year (\$24 million compared to \$22.4 million). The cash metric of days cash on hand exceeded our target (222 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 year compared to a budget assumption of .75%.

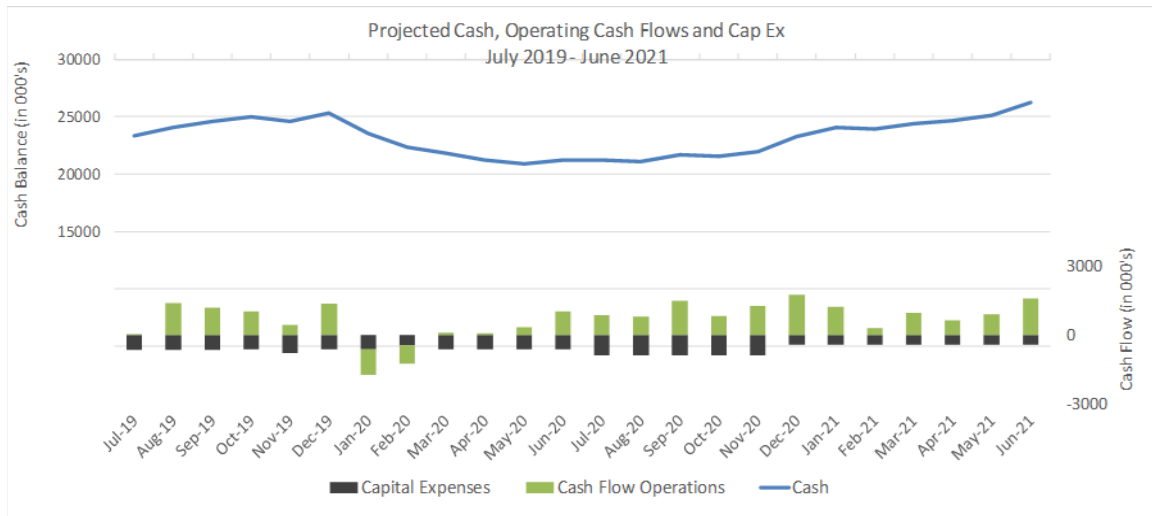
### **24 MONTH PROJECTIONS**

As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long-range financial projections. Based on the recently completed Fiscal Year 2020 budgeting process along with the current quarters financial results we have revised the projections based on beginning of period cash and working capital.

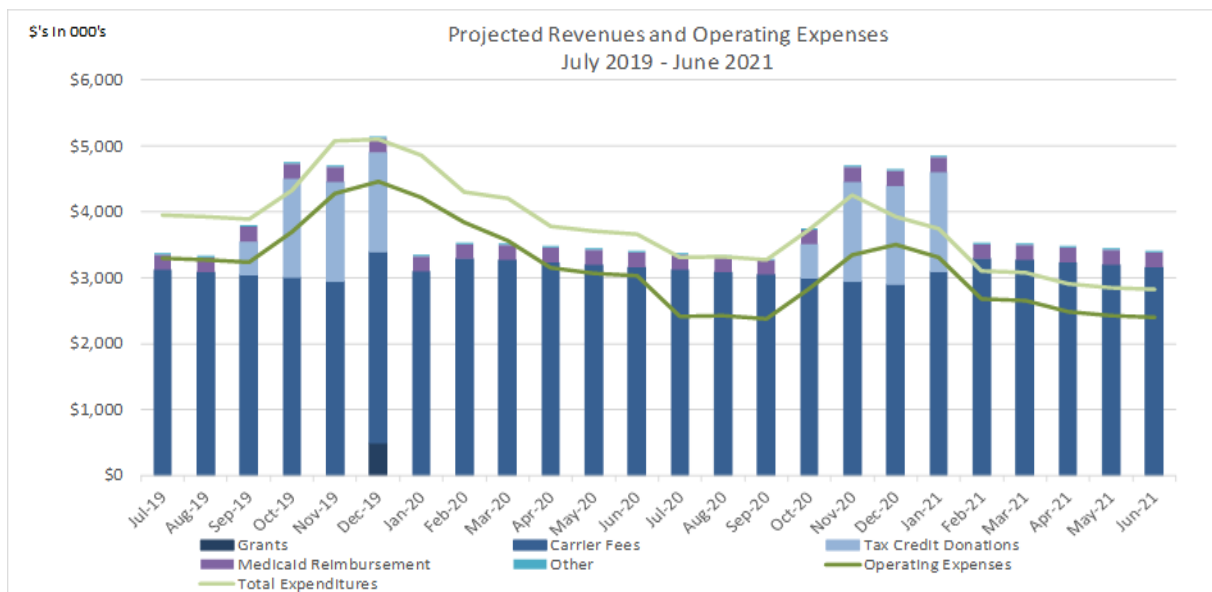
Some of the key assumptions in the projections include:

- 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. This assumption will be revised upon finalization of the 2020 plan year rate filings which impact the 2<sup>nd</sup> half of the fiscal year. Depending upon the approval of the State’s reinsurance waiver request, overall premiums may decrease for the upcoming plan year. Without approval of the reinsurance waiver rates are expected to remain relatively flat for next year.
- 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. Based on preliminary review of the proposals for the service center operations, the budget assumptions are still reasonable.



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.



## Statement of Revenues, Expenses, and Changes in Net Position

Reporting Book:  
As of 6/30/2019

ACCRUAL

	FY 2019		
	12 months ending 6/30/19		
	Actual	Budget	Actual vs Budget
<b>REVENUE</b>			
Carrier Fee - Individual	36,114,891	35,510,489	604,402
Carrier Fee SHOP	41,652	18,360	23,292
Carrier Fee Vision	9,511	24,000	(14,489)
Grants	1,300,000	1,300,000	-
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	2,700,000	2,700,000	-
Interest Income	314,480	120,000	194,480
Other revenue	65,534	-	65,534
<b>Total Revenue</b>	<b>45,546,068</b>	<b>44,672,849</b>	<b>873,219</b>
<b>EXPENSES</b>			
<b>Technology</b>			
Maintenance & Operation	5,926,709	6,376,812	(450,103)
Software/Licenses/Subscriptions (Tech)	427,331	512,949	(85,618)
Hosting	2,057,582	2,103,160	(45,578)
DDI (Design, Dev., Implementation)	2,429,850	2,718,021	(288,171)
<b>Total Technology</b>	<b>10,841,472</b>	<b>11,710,942</b>	<b>(869,470)</b>
<b>Customer Service</b>			
Customer Service Support	11,479,255	11,962,010	(482,755)
Customer Service Infrastructure/Facility	1,380,887	1,641,583	(260,696)
Medical Assistance	2,427,832	1,354,856	1,072,975
<b>Total Customer Service</b>	<b>15,287,974</b>	<b>14,958,449</b>	<b>329,524</b>
<b>Personnel</b>			
Salaries & Wages - Other	5,402,266	5,672,482	(270,216)
Taxes and Benefits	1,974,375	1,946,919	27,456
<b>Total Personnel</b>	<b>7,376,641</b>	<b>7,619,402</b>	<b>(242,760)</b>
<b>Marketing and Outreach</b>			
Media Buys - Radio/TV/Web	1,259,528	1,244,174	15,354
Outreach Services-Events, Sponsorships	117,170	127,990	(10,821)
Marketing Services	213,634	214,400	(766)
Assistance Network	2,127,531	1,845,000	282,531
<b>Total Marketing and Outreach</b>	<b>3,717,863</b>	<b>3,431,564</b>	<b>286,299</b>
<b>Facilities</b>			
Occupancy	459,880	464,691	(4,811)
Supplies & Materials	30,850	18,000	12,850
Postage/Shipping	1,309	2,700	(1,391)
Printing/Copying/Shred	19,587	19,900	(313)
Phone/Internet	63,714	80,300	(16,586)
Equipment/Furniture and Fixture	69,340	51,200	18,140
<b>Total Facilities</b>	<b>644,680</b>	<b>636,791</b>	<b>7,889</b>
<b>Support services</b>			
Public Affairs Services	208,959	140,000	68,959
Professional Services	257,452	201,500	55,952
Training and Development	72,698	98,012	(25,314)
H/R Services	130,574	70,200	60,374
Legal Services	2,352	47,920	(45,568)
Audit Services	82,000	95,000	(13,000)
<b>Total Support Services</b>	<b>754,035</b>	<b>652,632</b>	<b>101,403</b>
<b>Other</b>			
Insurance	94,000	100,000	(6,000)
Conferences/Meetings	23,420	27,920	(4,500)
Memberships/Dues/Subscriptions (Non-Tech)	57,882	81,720	(23,838)
Travel/Meals/Lodging	95,000	126,800	(31,800)
Other - G&A	6,410	200	6,210
<b>Total Other</b>	<b>276,711</b>	<b>336,640</b>	<b>(59,929)</b>
<b>Total Expenses</b>	<b>38,899,376</b>	<b>39,346,420</b>	<b>(447,044)</b>
Net Income Before Depreciation	6,646,692	5,326,429	1,320,263
Depreciation	5,938,202	5,938,202	-
<b>Net Income</b>	<b>708,490</b>	<b>(611,773)</b>	<b>1,320,263</b>

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

Reporting Book: ACCRUAL  
As of Date: 6/30/2019

	FY 2019 6/30/2019		Actual vs Budget
	Actual	Budget	Budget
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	23,970,998	22,439,000	1,531,998
Accounts receivable (net)	9,794,541	8,000,000	1,794,541
Prepaid expenses	874,193	800,000	74,193
<b>Total Current assets:</b>	<b>34,639,732</b>	<b>31,239,000</b>	<b>3,400,732</b>
<b>Noncurrent asseets:</b>			
Security deposits	55,448	55,000	448
<b>Total Noncurrent asseets:</b>	<b>55,448</b>	<b>55,000</b>	<b>448</b>
<b>Capital assets:</b>			
Web portal development	44,420,159	49,261,429	(4,841,270)
Software	19,154,275	19,150,000	4,275
Leasehold improvements	1,943,307	1,920,000	23,307
Office equipment	1,091,915	1,010,000	81,915
Furniture and fixtures	1,073,371	955,000	118,371
Less accumulated depreciation	(62,631,947)	(62,632,202)	255
<b>Total Capital assets</b>	<b>5,051,081</b>	<b>9,664,227</b>	<b>(4,613,146)</b>
<b>Total Assets:</b>	<b>39,746,261</b>	<b>40,958,227</b>	<b>(1,211,967)</b>
<b>Liabilities and net position:</b>			
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	678,282	2,500,000	(1,821,718)
Accrued liabilities	3,505,076	3,100,000	405,076
Payroll liabilities	513,051	450,000	63,051
<b>Total Current liabilities:</b>	<b>4,696,409</b>	<b>6,050,000</b>	<b>(1,353,591)</b>
<b>Long-term liabilities:</b>			
Deferred rent long term	220,047	220,000	47
<b>Total Long-term liabilities:</b>	<b>220,047</b>	<b>220,000</b>	<b>47</b>
<b>Total Liabilities:</b>	<b>4,916,456</b>	<b>6,270,000</b>	<b>(1,353,544)</b>
<b>Net position:</b>			
Unrestricted	34,829,805	34,688,227	141,578
<b>Total Net position:</b>	<b>34,829,805</b>	<b>34,688,227</b>	<b>141,578</b>
<b>Total liabilities and net position:</b>	<b>39,746,261</b>	<b>40,958,227</b>	<b>(1,211,966)</b>