



COLORADO  
**HEALTH  
BENEFIT**  
EXCHANGE

## **Sustainability Plan**

**December 10, 2012**



# Sustainability Plan Summary

- Objectives and Background
- Guiding Principles for Sustainability
- Expenditures
- Revenue
  - The Revenue Challenge
  - Due Diligence
  - Options
- Smooth Transition to Sustainability
- Recommendation





# Objectives and Background: The Sustainability Mandate

- COHBE is committed to fulfilling its purpose to increase access, affordability and choice for individuals and small businesses purchasing health insurance in Colorado.
- Key to this objective is achieving financial sustainability:
  - Federal Funding for COHBE will expire on December 31, 2014
  - State General Funds may not be used to support the Exchange
- COHBE must be self-sustaining by January 1, 2015

# Guiding Principles for Sustainability

Bring about long-term financial balance

- Focus on providing value to consumers and communities
- Derive revenue from a range of sources
- Set the Exchange up for success
- Focus on maintaining affordability



# Expenditures



# Expenditures of the Exchange

## Technology

- Technology Licenses
- Technology Maintenance
- Technology Upgrades
- Technology Hosting
- Data Warehousing
- Security
- Testing
- QA
- Eligibility

## Operations

- Staff
- Occupancy
- General & Administrative
- Marketing & Advertising
- Audit

## Services

- Customer Service Center
- Scanning & Imaging
- Training
- Systems Reconciliations
- Enrollment Assistance (Navigators)

Total \$22 - \$26 Million (2015-2018)



# Revenue



# The Revenue Challenge

## Ongoing Sustainability

- No Federal grant dollars are available after December 31, 2014

## Federal Grant Deadlines

- No Program Revenue generated in 2014 can be held in reserve to apply to costs in 2015
  - *HHS Grants Policy Statement, January 1, 2007, II-60*





# Revenue Sources – Due Diligence

**Research and Analysis performed on feasibility of a variety of revenue sources.**

- Conducted over 100 interviews:
  - ✓ Carriers
  - ✓ Business Leaders
  - ✓ Legislative Members
  - ✓ Member of the Governor's Office
  - ✓ Brokers
  - ✓ Other States
  - ✓ Health Care advocate community



# Revenue Options

Transitional Revenue (Stable in early years)

Enrollment Based Revenue (Stable In outer years)

“Other”/Future Opportunities



# “Other”/Future Opportunities Revenue

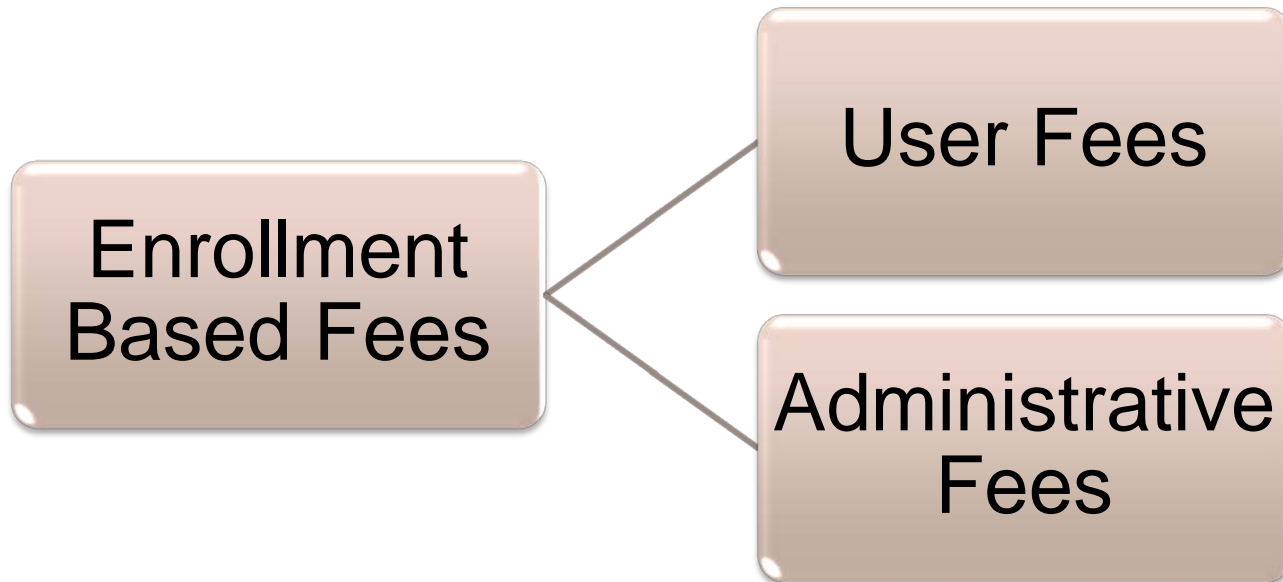
Website  
Advertising

Cost Sharing  
with Other  
States

Supplemental  
Products

Foundation  
Grants

# Enrollment Based Revenue



# Transitional Revenue

## Cover Colorado Transitions

With the implementation of guaranteed issuance, CoverColorado's population will no longer be eligible for benefits through Cover Colorado

COHBE is working on a plan with CoverColorado for a smooth transition for its current members

CoverColorado has four primary funding sources – two of which could transfer to COHBE with legislative support, one for a temporary period

These funding sources would provide stability to COHBE during its early years of building enrollment



# Transitional Revenue

## **CoverColorado: Revenue Transition #1: Carrier Assessment**

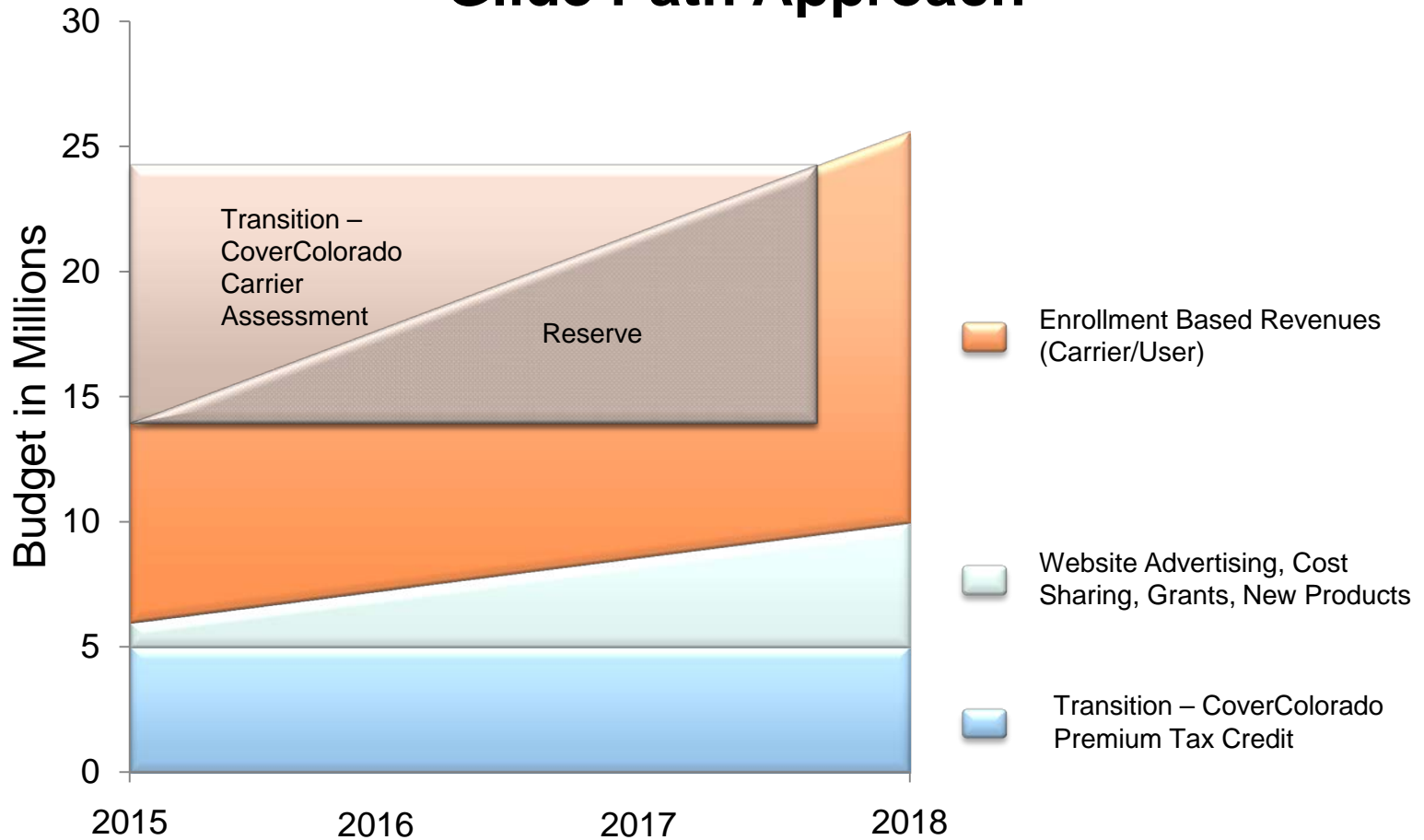
- Through legislation, assign a fraction of CoverColorado's current Carrier Assessment to COHBE
- Sunset after three years

## **CoverColorado: Revenue Transition #2: Premium Tax Credit**

- Through legislation, transfer an existing Insurance Premium Tax Credit for Carriers making donations to the Exchange



# Smooth Transition to Sustainability: Glide Path Approach



## Recommendation

**Balance multiple revenue streams to ensure stability for the organization while enrollment builds**

**Strive to contain and reduce costs whenever possible**

**Reduce administrative fees in response to adequate revenues through enrollments**

**Continue to develop products and services to better serve the community**

