



**To:** Connect for Health Colorado Board Members

**From:** Finance Committee Members, Patty Fontneau, Cammie Blais

**Subject: Market Assessment for 2014**

**Date: June 10, 2013**

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Essential Question

What amount shall the Board set for the 2014 Market Assessment afforded under HB 13-1245?

Background

Connect for Health's sustainability legislation, HB 13-1245, states that on or after January 1, 2014 through December 31, 2016, the Board shall assess special fees against insurers in an amount necessary to provide funding for the Exchange. Each year, the Board will determine the amount of the special fees for the upcoming year. The fees must not exceed \$1.80 per number of lives insured per month for QHP's and \$.18 per number of lives insured per month for QDP's.

As HB 13-1245 went through the Colorado legislature, several amendments were added by various stakeholders and the bill's sponsors. These approved amendments, which are part of the final signed legislation, affected the financial modeling put before the Board in February 2013. A revision of the financial model is included below.

The Market Assessment is only one of several revenue streams, and according to the final bill, must be off-set by funding received from two new funds: \$15 million from CoverColorado's portion of Unclaimed Property Funds and an estimated \$8.5 million from CoverColorado's Reserve in 2015.

## Revised Financial Model

### Model Assumptions

Successful Legislation for Assessment - Years 2015 & 2016 (875,000 covered lives x \$1 pmpm)

Successful Legislation for Tax Credit Donations (maximum of \$5 million annually)

Premiums trend the same as they are in the market today (10% individual, 5% SHOP - annually)

COHBE's portion of CoverColorado 2015 reserve is \$8.5 million

Annual operating budget of \$26 million

	2nd half 2013	2014	2015	2016	2017
<b>Enrollment &amp; Premium Assumptions</b>					
Estimated Exchange Enrollment	0	136300	220000	250000	300000
Estimated Premium PMPM	\$0	\$283	\$297	\$312	\$328
Administrative Fee	0.00%	1.40%	1.40%	1.40%	1.90%
<b>Revenue Assumptions</b>					
Exchange Revenue from Admin Fees	\$0	\$6,480,247	\$10,982,664	\$13,104,315	\$22,408,379
Estimated portion of Federal Grant Funding (2013-2016)	\$58,443,282	\$44,954,181	\$21,597,889	\$0	\$0
Revenue from Unclaimed Property Fund	\$15,000,000	\$0	\$0	\$0	\$0
Revenue from CoverColorado Reserve Balance			\$8,500,000		
Revenue from Health Insurer Assessment			\$10,500,000	\$10,500,000	
Revenue from Premium Tax Credit Donations		\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Potential Foundation Grants	\$2,134,000				
<b>Total Income</b>	<b>\$75,577,282</b>	<b>\$56,434,429</b>	<b>\$56,580,553</b>	<b>\$28,604,315</b>	<b>\$27,408,379</b>
<b>Expected Operating/Technology Budget</b>					
Expected Operating/Technology Budget	\$58,443,282	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Remaining Implementation Costs estimated for 2014 & 2015		\$18,954,181	\$29,079,721		
Operating Budget (not Federally grant funded)	\$2,134,000	\$6,480,247			
<b>Total Expenditures</b>	<b>\$60,577,282</b>	<b>\$51,434,428</b>	<b>\$55,079,721</b>	<b>\$26,000,000</b>	<b>\$26,000,000</b>
<b>Net Income/Expense by year</b>	<b>\$15,000,000</b>	<b>\$5,000,000</b>	<b>\$1,500,832</b>	<b>\$2,604,315</b>	<b>\$1,408,379</b>

## Guiding Principles

Connect for Health's Financial Guiding Principles from December 2012:

- 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

## Stakeholder Considerations

SB 13-1245's sponsors specifically requested that Connect for Health off-set the 2014 Market Assessment as a result of receiving \$15 million from CoverColorado's Unclaimed Property Fund dollars in 2013.

Minimizing fees in the market, where possible, helps lessen first year market disruption and helps Connect for Health meet its goals and objectives.

## Recommendation

The Finance Committee met on May 30, 2013 and discussed the Staff's recommendation to set the 2014 Market Assessment at \$0 for both medical and dental plans.

At this meeting, a detailed discussion was held regarding the various advantages of this approach:

- Complies with the wishes of HB 13-1245 sponsors
- Eliminates a fee in the first year of market disruption
- Meets goals and objectives of Connect for Health marketplace to minimize fees
- \$15 million in 2013 is enough to seed the reserves and provide operational support