

Connect For Health Colorado

Sustainability and Administrative Fees

- Projected Expense Categories
- Potential Revenue Scenarios
- Sustainability Modeling Assumptions
- Model with and without Legislative Support
- Recommendation regarding Sustainability Approach
- Recommendation regarding Carrier Fees



Projected Expenses

Remaining Implementation Costs (2014):

- Technology
- Call Center Start-up
- Back Office Start-up
- Outreach Start-up
- Connect for Health Colorado Operations pertaining to Implementation

Operating Budget Grant Funded

- Technology Maintenance and Licensing
- Call Center/ Back Office Operations
- Connect for Health Colorado Ongoing Operations

Operating Budget Non-grant Funded

- Reserves
- Assistance Network



Balanced Revenue Sources

- Federal Grant (2014)
- Carrier Fees (off-sets grant revenue in 2014)
- Legislative Support
- Foundation Grants, Gifts or Donations
- Other Revenue Sources (2015 and beyond)
- Potential portion of Cover Colorado Reserves (2016)



General Modeling Assumptions

- **Enrollment:** average enrollment assumptions using a variety of Colorado and national studies
- **Premiums:** average current premium, average premium trend to 2014, ½ current trend 2015 and beyond. Not a prediction of 2014 market changes
- **Legislation:** modeled with and without legislative support
- **Operational Reserve and Technology Obsolescence Account:** build over a 3-4 year
- **Fixed Operational Budget** through 2017
- **No additional grants or revenue after 2014** (additional revenue would be used to reduce fees)



Model #1 Assumptions

- 2014 carrier administrative fee = 1.4% of premium
- No successful legislation
- Operational reserve funded from 2015 - 2017
- Assumes no foundation or other revenue sources in 2015 and beyond
- 2015 and beyond administrative fee increases to approximately 3.4%



Model #1 - No Legislation Related Revenue

Enrollment & Premium Assumptions

Estimated Exchange Enrollment	136300	220000	250000	300000
Estimated Premium PMPM	\$283	\$297	\$312	\$328
Administrative Fee	1.40%	3.40%	3.40%	3.40%

Revenue Assumptions

Exchange Revenue from Admin Fees	\$6,480,247	\$26,672,184	\$31,824,765	\$40,099,204
Estimated portion of Federal Grant Funding attributable to 2014	\$40,000,000	\$0	\$0	\$0

Exchange Income from CoverColorado Transitional Assessment	\$0	\$0	\$0	\$0
Exchange Income from Premium Tax Credit Donations	\$0	\$0	\$0	\$0
Potential Foundation Grants	\$2,134,000			
Other Revenue Sources				
Total Income	\$48,614,247	\$26,672,184	\$31,824,765	\$40,099,204

Expected Operating/Technology Budget	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Remaining Implementation Costs estimated for 2014	\$14,000,000			
Operating Budget (not grant funded)	\$8,614,247			
Total Expenditures	\$48,614,247	\$26,000,000	\$26,000,000	\$26,000,000

Net Income/Expense by year	\$0	\$672,184	\$5,824,765	\$14,099,204
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Technology Obsolescence Solution begins after Operational Reserve reaches 50% of annual budget	\$0	\$0	\$0	\$7,596,153
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Cumulative Operational Reserve/(Shortfall) restricted to 50% of annual budget	\$0	\$672,184	\$6,496,949	\$13,000,000
Operational Reserve as a % of annual budget	0%	3%	25%	50%

Model #2 Assumptions

- 2014 carrier administrative fee = 1.4% of premium
- Successful legislation
- Operational reserve and technology account funded from 2014 - 2017
- Assumes no foundation or other revenue sources in 2015 and beyond
- 2015 and beyond administrative fee stays in a consistent range of 1.4 – 1.8%.



Model #2 -Includes Legislation Related Revenue

	2014	2015	2016	2017
<u>Enrollment & Premium Assumptions</u>				
Estimated Exchange Enrollment	136300	220000	250000	300000
Estimated Premium PMPM	\$283	\$297	\$312	\$328
Administrative Fee	1.40%	1.30%	1.30%	1.80%
<u>Revenue Assumptions</u>				
Exchange Revenue from Admin Fees	\$6,480,247	\$10,198,188	\$12,168,293	\$21,228,990
Estimated portion of Federal Grant Funding attributable to 2014	\$40,000,000	\$0	\$0	\$0
Exchange Income from CoverColorado Transitional Assessment	\$14,700,000	\$14,700,000	\$14,700,000	\$0
Exchange Income from Premium Tax Credit Donations	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Potential Foundation Grants	\$2,134,000			
Other Revenue Sources				
Total Income	\$68,314,247	\$29,898,188	\$31,868,293	\$26,228,990
Expected Operating/Technology Budget	\$26,000,000	\$26,000,000	\$26,000,000	\$26,000,000
Remaining Implementation Costs estimated for 2014	\$14,000,000			
Operating Budget (not grant funded)	\$8,151,372			
Total Expenditures	\$48,151,372	\$26,000,000	\$26,000,000	\$26,000,000
Net Income/Expense by year	\$20,162,875	\$3,898,188	\$5,868,293	\$228,990
Technology Obsolence Solution begins after Operational Reserve reaches 50% of annual budget	\$6,700,000	\$10,598,188	\$16,466,481	\$16,695,471
Cumulative Operational Reserve/(Shortfall) restricted to 50% of annual budget	\$13,000,000	\$13,000,000	\$13,000,000	\$13,000,000
Operational Reserve as a % of annual budget	50%	50%	50%	50%

Recommendation #1:

COHBE recommends that the board support a balanced revenue approach, minimizing operational risk through the use of a multi-revenue source model, including:

- * Carrier Administrative Fees
- * Broad Market Sources through Legislation
- * Grants, Gifts and Donations
- * Other sources of revenue available through the operation of the Exchange.



Recommendation #2:

COHBE recommends that the board approve a administrative fee of 1.4% of premium for 2014.

Pros:

- Minimizes disruption in 2014
- No funds collected from carriers would be returned to the Federal Govt as a grant off-set
- If the legislation passes, the administrative fee will remain consistent.

Con:

- If the legislation does not pass, there will be a market impact in 2015.

