



FISCAL YEAR 2021 PROPOSED BUDGET FINANCE AND OPERATIONS COMMITTEE

April 27, 2020

General Budget Comments/Assumptions

- **FY 2021 Budget Challenges:**

- Carrier fee revenues are projected to decrease by 24% from the prior fiscal years budgeted levels
- Capital expenditures will continue at a higher than normal level for the first half of FY21 - the initial phase of modernization of the shopping platform is expected to be completed in 2021 – requiring continued use of cash reserves to fund
- External forces (COVID-19, state legislative initiatives and federal actions) will place increased demands on the organization
- Grant funding for supporting the assistance network is no longer available and will need to be funded by general operations

- **Revenues:**

- FY 21 carrier fee revenue is based on current (plan year 2020) enrollment levels and average premium levels. No increases or decreases are assumed in enrollments or average premiums for plan year 2021.
- Medicaid cost reimbursements continue in FY21 – budgeted to decrease resulting from the reductions in service center and technology operations costs.
- Continuation of tax credit donation

- **Expenditures:**

- The impact on operating expenses from the service center transition in FY20 and the completion in FY21 of the major investment in the modernization of the shopping platform/technology infrastructure are reflected in the 18% drop in operating costs between FY20 and FY21 – discussed further in this package.

Fiscal Year Comparisons

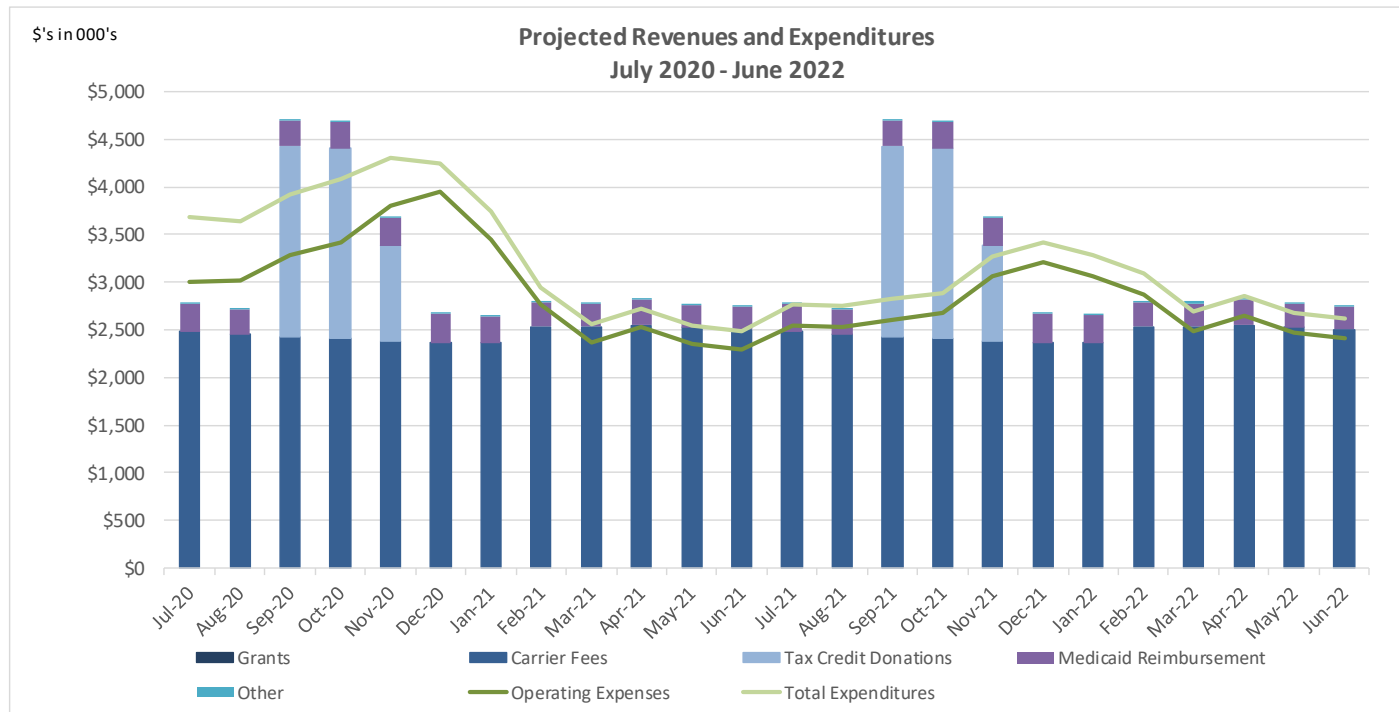
FY17 – FY22

\$'s in 000's

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020 Projection	Fiscal Year 2021 Budget	Fiscal Year 2022 Projection
Revenues						
Carrier Fees	37,059	32,083	36,084	33,349	29,545	29,545
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000	5,000
Grants	2,590	2,500	1,300	500	-	-
Cost Reimbursements	2,834	3,533	3,691	4,800	3,185	3,265
Interest/Other	13	90	304	298	148	167
Total Revenue	47,496	43,206	46,379	43,947	37,879	37,977
Operating Expenses						
Technology & Operations	15,436	12,502	12,002	13,687	11,251	7,428
Customer Service	15,376	14,923	15,154	16,868	10,460	10,546
Marketing and Outreach	3,739	3,417	3,751	5,388	5,778	5,812
Support Services	8,940	9,522	9,284	7,866	8,735	8,791
Total Operating Expenses	43,491	40,364	40,191	43,809	36,224	32,577
Net Income Before Depreciation	4,005	2,842	6,188	138	1,655	5,400
Depreciation *	3,500	3,500	3,500	2,177	2,589	2,974
Net Income	505	(658)	2,688	(2,039)	(934)	2,426
Capital Expenditures	1,889	3,580	3,608	7,079	4,656	2,561

* Depreciation for 2017-2019 reflects projected stabilized annual depreciation upon refresh of technology

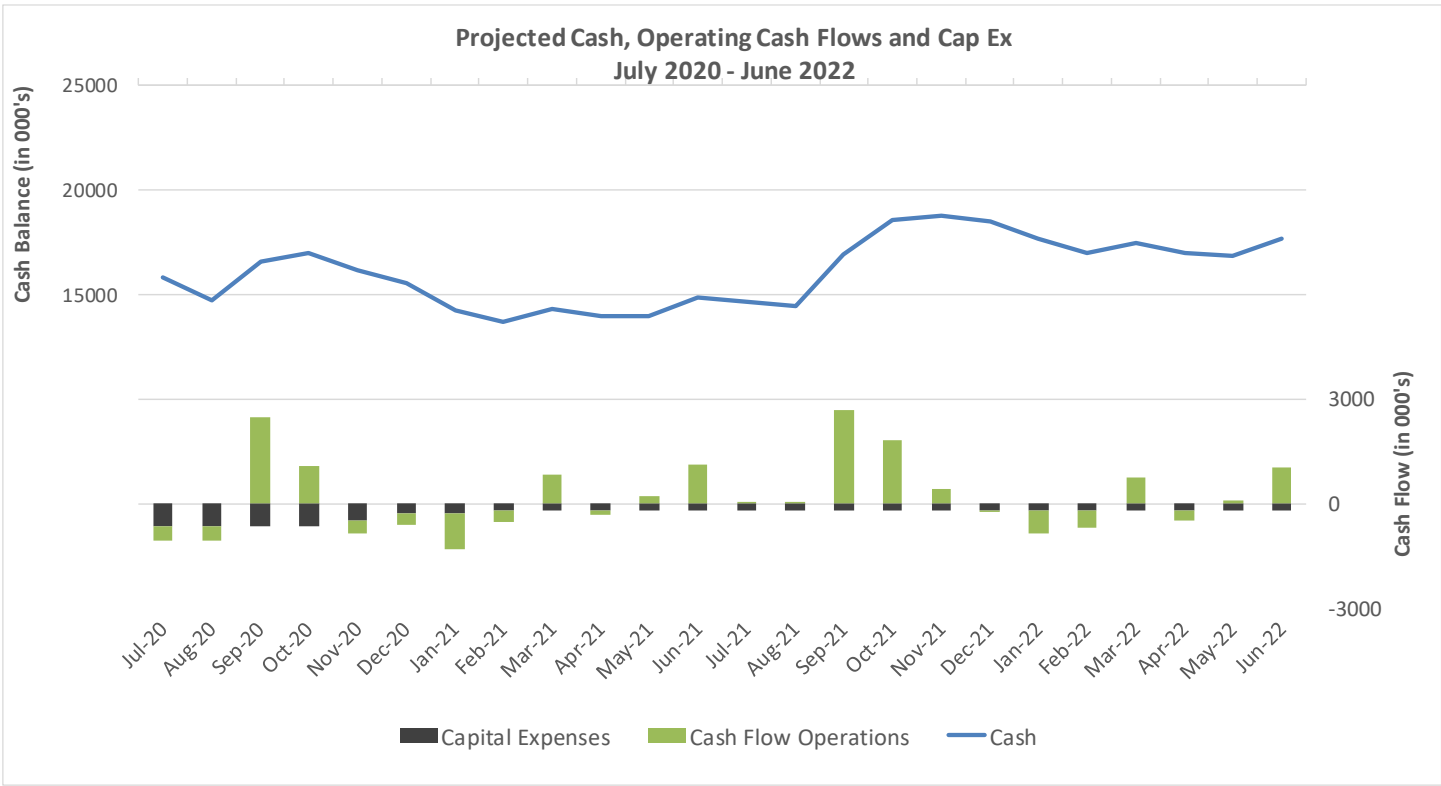
Projected Revenue and Expenditures January 2020 – June 2022



Through the implementation of this budget we anticipate an initial surge in expenditures (lines) as the result of the completion of the technology modernization effort in the first half of the year. Once the transition is complete by early 2021 overall expenditure levels will drop below expected revenues (bars).

Projected Cash Flows

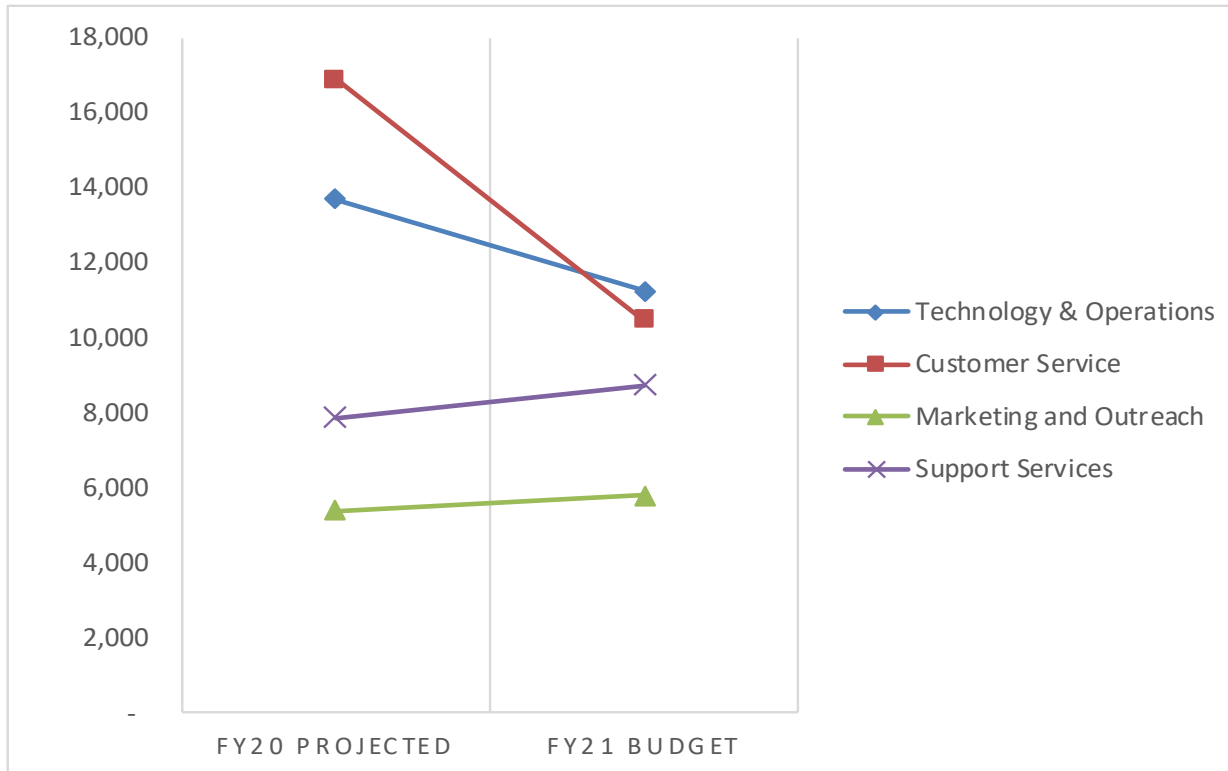
January 2020 – June 2022



Due to the increases in expenditures for the first half of FY21, cash flows will be negatively impacted (right side scale). Cash balances (left side scale) are maintained during the first half of the year due to the timing of tax credit donations but decline below \$15 million in early 2021. Through expense reductions in the 2nd half of FY21 and the following year, cash balances are replenished to normal levels by fall of 2021.

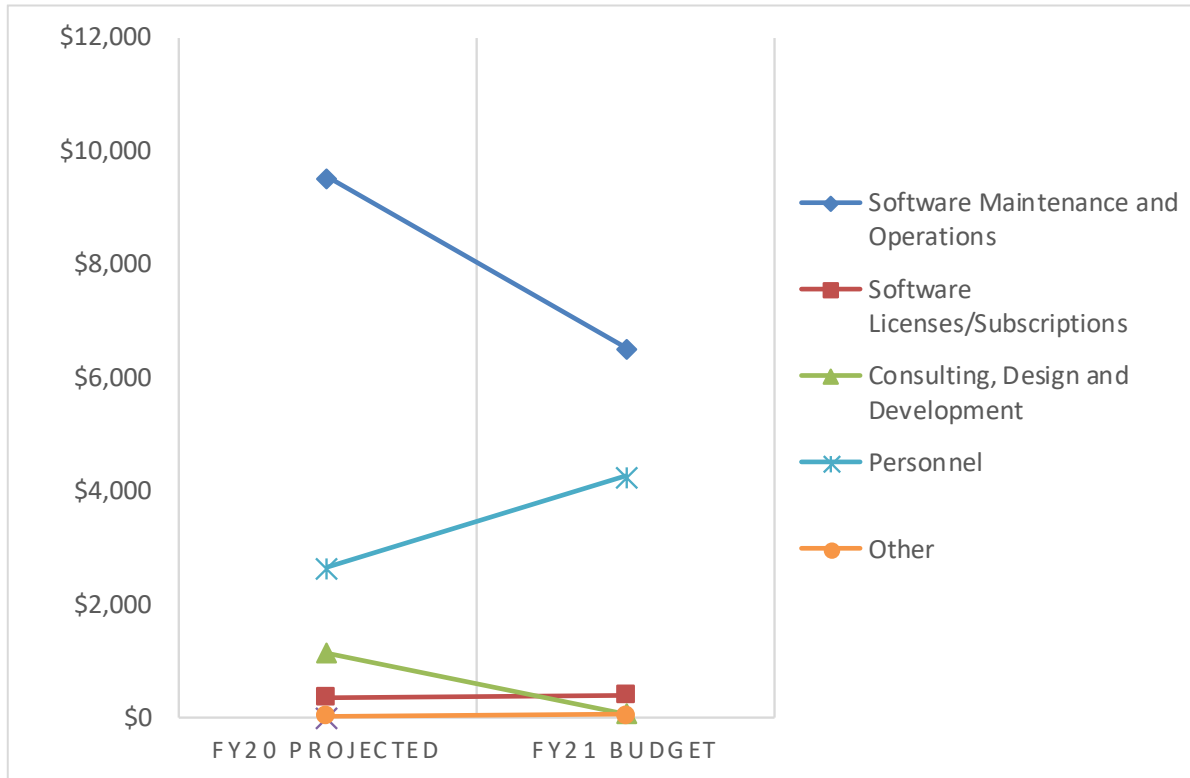
Expense Summary Comparison

FY20 vs FY 21 Budget



Operating Expenses (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Technology & Operations	13,687	11,251	-18.1%
Customer Service	16,868	10,460	-40.9%
Marketing and Outreach	5,388	5,778	7.2%
Support Services	7,866	8,735	11.4%
Other	43,809	36,224	-18.0%

Technology & Operations Expense Comparison FY20 vs FY 21 Budget



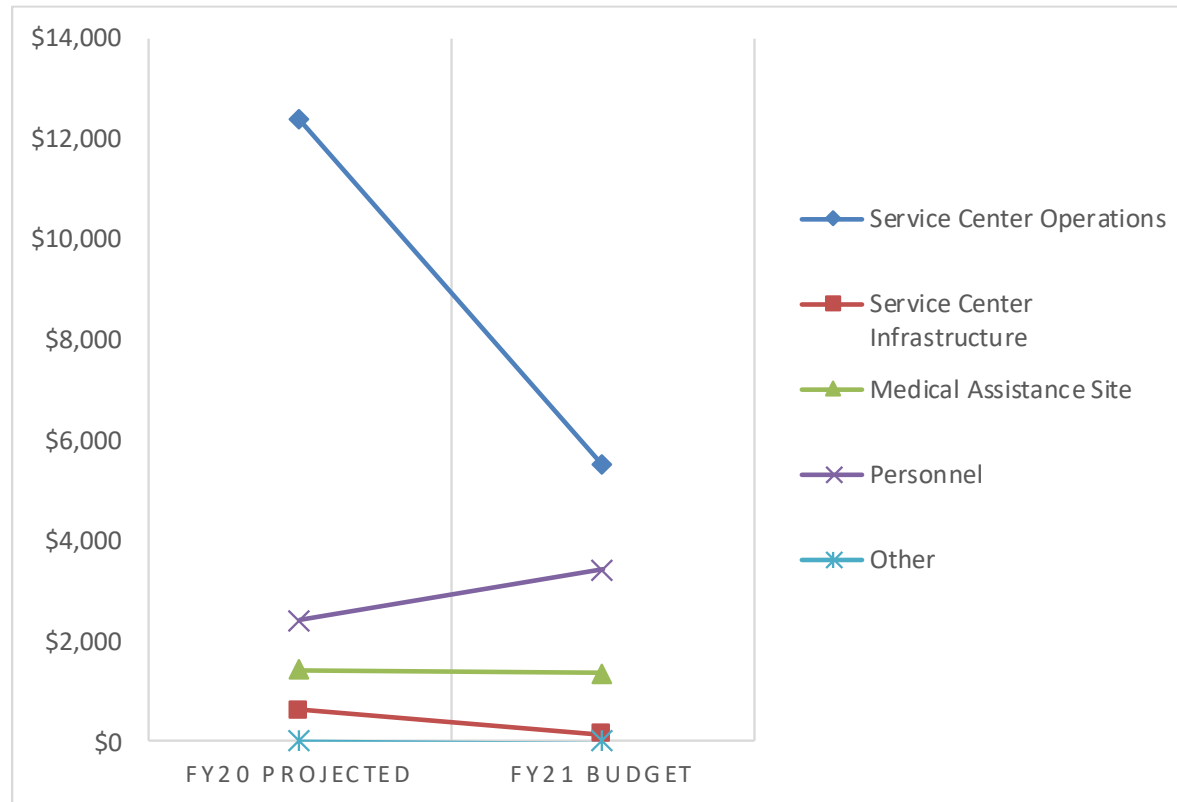
Technology and Operations (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Software Maintenance and Operations	\$9,534	\$6,512	-31.3%
Software Licenses/Subscriptions	\$369	\$396	12.1%
Consulting, Design and Development	\$1,129	\$55	-193.4%
Personnel	\$2,633	\$4,241	53.0%
Other	\$22	\$47	83.9%
Total	\$13,687	\$11,251	-18.1%

Technology & Operations Expenses

FY 21 Budget Narrative

- **Technology Maintenance and Operations** – assumes move to cloud hosting services and transition to new platform prior to next enrollment (OE8). Budget assumes movement of some maintenance and operations expenses to internal staff – reflected in higher personnel expenses.
- **Software Licenses/Subscriptions and Development** – operational tools/services to support project management, testing and development. Actual software development costs are included in capital expenditures.
- **Consulting, Design and Development** – Project management and development support costs. Expected to primarily be performed internally in FY21 – reflected in personnel expense increase.
- **Personnel** – includes both technology and health plan operations staff – increasing due to increased internalization of technology/operational functions in FY21 providing for in house expertise for essential technology functions and modernization efforts.
- **Other** – travel, conferences, training, memberships, supplies

Customer Service Expense Comparison FY20 vs FY 21 Budget



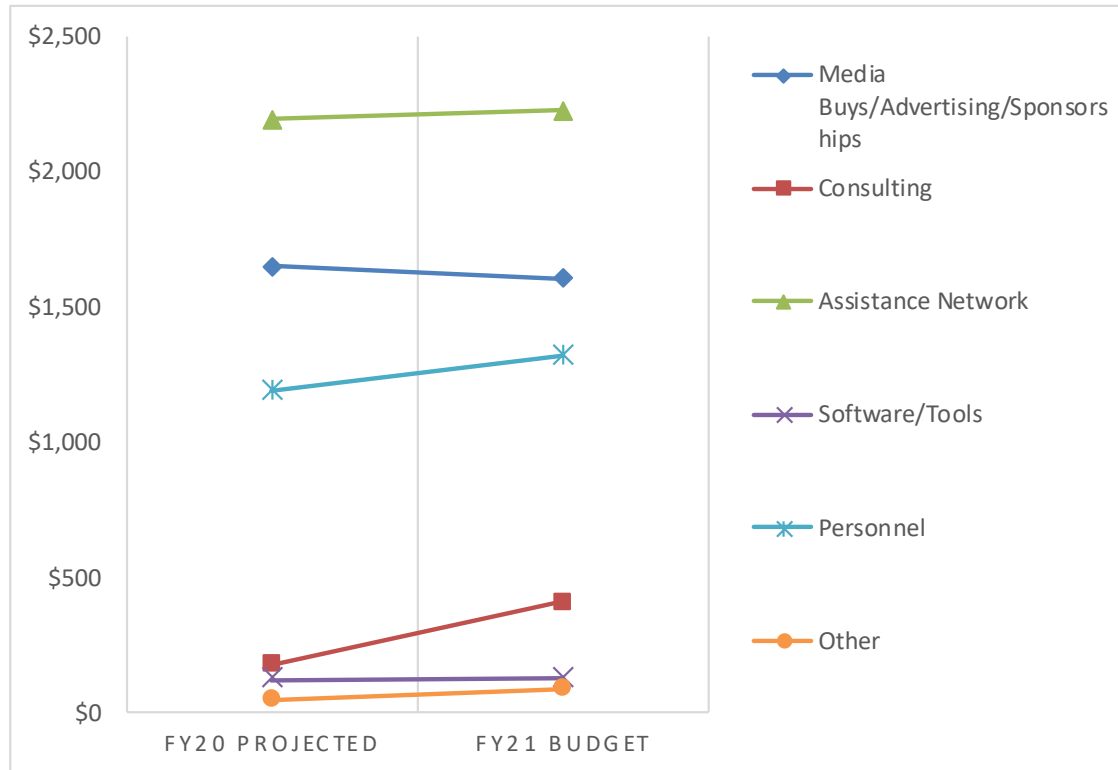
Customer Service (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Service Center Operations	\$12,393	\$5,516	-68.5%
Service Center Infrastructure	\$624	\$151	-56.5%
Medical Assistance Site	\$1,426	\$1,365	-4.8%
Personnel	\$2,409	\$3,427	29.4%
Other	\$17	\$1	-41.8%
Total	\$16,868	\$10,460	-40.9%

Customer Service Expenses

FY 21 Budget Narrative

- **Service Center Operations** – reflects full year of operations under new technology and staffing structure resulting from FY20 service center transition that included internalization of staff for management of more complex calls along with a new vendor contract. The decrease also reflects the one-time costs incurred in FY20 resulting from the transition of contractors.
- **Service Center Infrastructure** – includes facility/telecom costs for internal staff. Decrease due to Colorado Springs lease and operational costs taken over by new vendor and included in operations expenses. Previously the facility expenses were paid directly by C4HCO.
- **Medical Assistance Site** – includes staffing and operations of medical assistance site. Small decrease due to higher than expected use of contract staff in FY20.
- **Personnel** – reflects full year of maintaining a C4HCO service center and escalation team to handle more complex calls and escalations – transition to this model completed in prior year.
- **Other** – travel, conferences, training, memberships, supplies, postage, printing.

Marketing and Outreach Expense Comparison FY20 vs FY 21 Budget



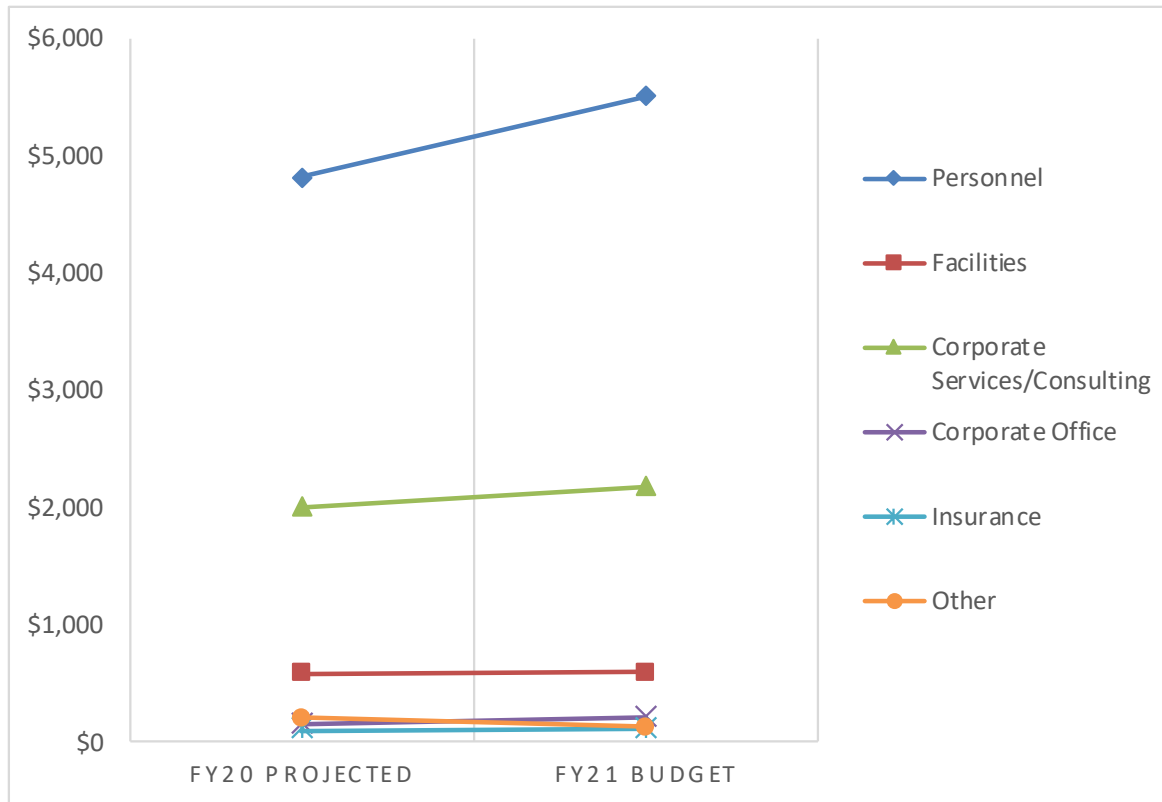
Marketing and Outreach (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Media Buys/Advertising/Sponsorships	\$1,652	\$1,605	-3.0%
Consulting	\$177	\$407	80.3%
Assistance Network	\$2,195	\$2,227	1.5%
Software/Tools	\$126	\$128	1.5%
Personnel	\$1,191	\$1,323	11.3%
Other	\$46	\$87	59.8%
Total	\$5,388	\$5,778	7.2%

Marketing and Outreach Expenses

FY 21 Budget Narrative

- **Media Buys/Advertising/Sponsorships** – assumes same level as prior year budget for media buys and event sponsorship including CoverCO statewide conference. Increase in expense line resulting from moving membership budget to marketing department.
- **Consulting** – agency fees, surveys, design, translation services. Increase due to moving contractor services included in media buys/sponsorship line in FY 2020.
- **Assistance Network** – includes assistance network partner payments, program funding is budgeted to remain level with prior year.
- **Software/Tools** - Includes Wordpress website costs and broker lead tool.
- **Personnel** – Assistance network management, communications, broker team, marketing/outreach oversight and management – costs increased due to the addition of 1 regional outreach position.
- **Other** – travel, conferences, training, memberships, supplies, postage, printing

Support Services Expense Comparison FY20 vs FY 21 Budget



Support Services(\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Personnel	\$4,817	\$5,514	14.1%
Facilities	\$589	\$592	0.6%
Corporate Services/Consulting	\$2,002	\$2,179	10.4%
Corporate Office	\$151	\$210	40.6%
Insurance	\$110	\$115	4.1%
Other	\$197	\$125	-37.9%
Total	\$7,866	\$8,735	11.4%

Support Services Expenses

FY 21 Budget Narrative

- **Personnel** – staffing for office support, finance, HR, training, legal/compliance, privacy and security, executive, policy and business intelligence teams. Increase due in part to expected internalization of some technology functions which impacts security, HR and business intelligence teams. Increase also reflects impact of unfilled security and HR positions in FY2020.
- **Facilities** – rent and operations of corporate facilities.
- **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 operational costs and HR recruiting services as the result of technology staffing initiatives.
- **Corporate Office** – office supplies, printing/copying, postage
- **Insurance** – Liability, property, technology (cyber)
- **Other** – travel, conferences, memberships