

TO: CONNECT FOR HEALTH COLORADO EXECUTIVE AND FINANCE COMMITTEE

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FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 2ND QUARTER FISCAL YEAR 2024

DATE: 1/24/2024

Key Performance Indicators	Status	YTD - 6 Months Ending 12.31.23		
		Actual	Budget	% of Target
Effectuated Enrollment (average)		186,797	184,932	101.0%
Net Operating Margin	(1)	23.9%	20.0%	
Per Member Per Month (PMPM) - Carrier Fees		\$17.9	\$18.0	99.5%
Per Member Per Month (PMPM) - Operating Expenses	(2)	\$19.7	\$20.5	96.0%
Months Cash on Hand	(3)	4.3	4.3	99.5%
Working Capital Ratio	(3)	4.3	4.0	107.1%

(1) Net income before depreciation as a % of revenue

(2) Net of Medicaid reimbursed expenses

(3) Targets - Months Cash on Hand exceed 3, Working Capital Ratio (current assets/current liabilities) exceed 2

Key metrics through the 2nd quarter were in line or exceeded expectations. Net operating margin exceeded expectations due to lower operating expenses for the period compared to the budget. Discussed below.

Financial Results (in 000's)	Status	YTD - 6 Months Ending 12.31.23		
		Actual	Budget	% of Budget
Revenues				
Program Revenue		8,602	8,871	97.0%
Carrier Fees		20,016	19,920	100.5%
Grant/Other Revenue		2,752	2,245	122.6%
Total Revenue		31,370	31,035	101.1%
Expenditures				
Technology		13,214	12,596	104.9%
Customer Service		5,143	5,770	89.1%
Marketing and Outreach		4,377	4,520	96.8%
Support Services		4,985	5,419	92.0%
Facilities		316	350	90.4%
Total Expenditures		28,036	28,656	97.8%
Less Capital Expenditures		(4,178)	(3,837)	108.9%
Earnings Before Depreciation		7,511	6,217	120.8%
Earnings After Depreciation		5,355	4,170	128.4%
Cash Flows		(100)	(912)	11.0%
Cash		14,854	14,931	99.5%
Working Capital		22,714	17,681	128.5%

Financial results through the first 6 months of the fiscal year exceeded the budgeted expectations with overall earnings before depreciation coming in \$1.3 million better than budget (\$7.5 million compared to \$6.2 million budgeted). These higher earnings were primarily the result of lower expenditures for the period.

Detailed financial statements are attached to this memo. The following are high level explanations of budget to actual variances.

Revenue

Revenues were slightly (\$334,000) better than expectations through the 2nd quarter. The higher revenues were primarily driven by higher interest income due to favorable rates in the CSIP investment pool and higher service fees earned from Colorado Connect. The higher Colorado Connect fees are the result of the budget figures being estimated prior to the finalization of the fee structure between C4HCO and Colorado Connect. Revenues related to SB-81 donations (\$1.8 million) and HIAE program infrastructure funding (\$1.3 million) were equally offset by budgeted amounts.

Expenditures

Overall, expenditures came in under budget for the quarter by \$620,000. The primary drivers behind these lower expenses included customer service operations expenses being lower due to lower service center staffing levels than budgeted. The staffing variance was due to the first year of internalizing the service center operations and uncertainty around needed staffing levels when the budget was created. Actual staffing levels proved to be appropriate and service center metrics were met during open enrollment. Additional savings came from the support services area due primarily to timing of professional services and staff events. The savings were partially offset by higher technology expenditures (\$600k) due to additional contracted resources brought on to prepare for open enrollment and assist with the CRM transition.

Cash

Cash came in on target for the end of the quarter. No update is available on the payment of the \$2.8 million receivable from Friday Health Plans. This receivable is expected to ultimately be paid but are delayed due to the liquidation process. This receivable along with receivables for the HIAE infrastructure work and Medicaid reimbursements contributes to a strong working capital position of \$22.7 million.

Cash during the quarter was in a combination of liquid bank accounts (\$4.7 million) and the CSIP liquid investment account (\$10.1 million). The current interest rate for the CSIP investment account is 5.5%.

PROJECTIONS

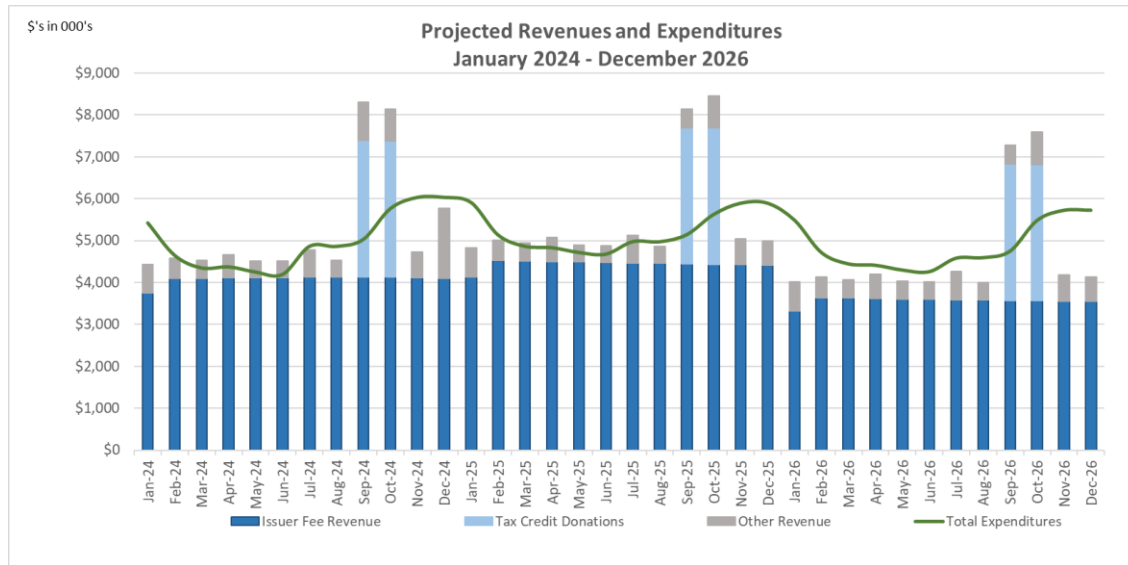
As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long-range (3 year) financial projections. Based on enrollments for plan year 2024 being considerably higher than what was anticipated in the budget we have rolled our 3 year projections forward with the higher enrollment levels. We will know with more certainty the 2024 enrollment level in the next 30-60 days as plan effectuation data is finalized and update the projections if needed.

The key assumptions in these projections include:

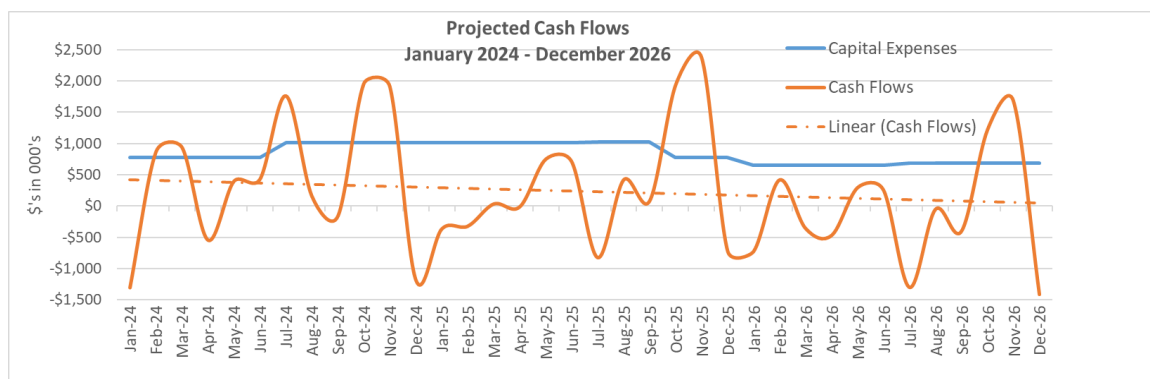
- 2024 enrollments/premiums increase by 15% over prior budgeted levels
- 5% increase in enrollments/premiums in plan year 2025

- 20% decrease in enrollments in plan year 2026 due to end of enhanced subsidies in 2025
- Expedited technology roadmap development in 2024 and 2025
- Build reserves to reach target levels for operating and capital reserves by end of 2025
- Collection of \$2.8 million Friday Health receivable in 2024
- SB-81 donations of \$1.5 million annually

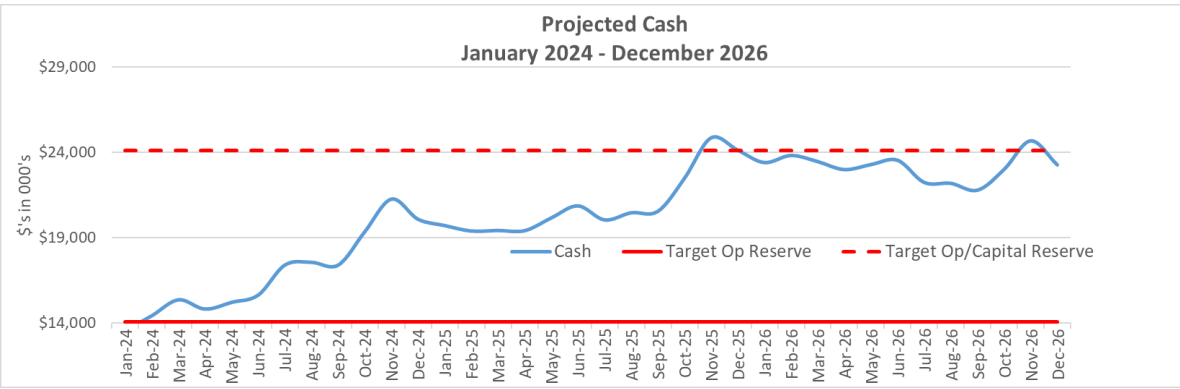
Based on these assumptions, revenues (columns in chart below) trend upward in 2024 and 2025 and drop in 2026 driven by lower issuer fee revenue in 2026. Expenditure levels are higher in the 2nd half of 2024 and 2025 due to higher spending on capital projects (green line in chart below).



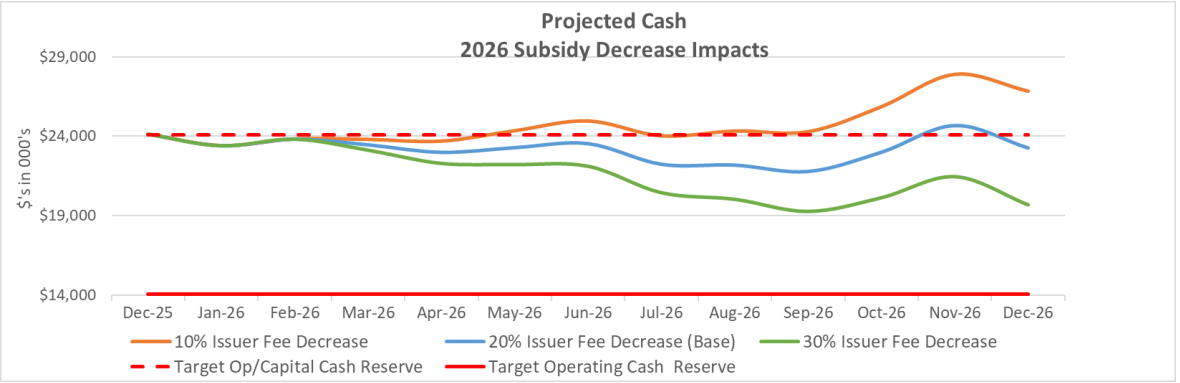
The resulting cash flows are positive but trend downward due to increased capital investments in 2024/2025 (blue line in chart below) and reduced revenues in 2026.



Attributable to the higher cash flows in 2024 and 2025, overall cash balances increase through 2025 and, based on the projections, reach targeted reserve levels by the end of 2025.



Given the uncertainty of impacts on enrollments and premiums due to the expected end of the enhanced subsidies in 2026 we looked at 2 additional scenarios – one where enrollments/premiums decrease by 10% and another where enrollments/premiums decrease by 30%. This compares with the 20% decrease assumed in the above projections. Impact on cash in 2026 are reflected below.



In the case of a 30% reduction in issuer fees in 2026, cash balances decrease during the year and fall below targeted reserve levels. In the base scenario (20% decrease) cash decreases in 2026 by \$1 million from the beginning of the year.

Connect for Health Colorado
Statement of Revenues, Expenses, and Changes in Net Position

	FY 2024		
	6 months ending 12/31/23		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	19,996,469	19,894,378	102,090
Carrier Fee Vision	19,151	25,200	(6,049)
HIAE Grant - Technology	1,300,000	1,300,000	-
Tax Credit Donations	5,004,598	5,000,000	4,598
Tax Credit Donations - SB81	1,780,768	1,780,768	-
Medicaid Cost Reimbursement	1,816,285	2,090,200	(273,914)
Interest Income	287,867	144,725	143,142
Other revenue (CoCo Service Fees)	1,164,517	800,000	364,517
Total Revenue	31,369,654	31,035,271	334,384
EXPENSES			
Technology			
Personnel	5,919,173	6,371,439	(452,267)
Maintenance & Operation	516,182	666,240	(150,058)
Software/Licenses/Subscriptions (Tech)	862,700	1,013,505	(150,806)
Hosting	1,097,438	825,000	272,438
DDI (Design, Dev., Implementation)	4,818,801	3,720,228	1,098,573
Capitalized DDI	(1,740,808)	(1,694,463)	(46,345)
Capitalized Salaries	(2,436,953)	(2,142,542)	(294,410)
Total Technology	9,036,532	8,759,407	277,125
Customer Service			
Personnel	2,370,137	2,696,428	(326,291)
Contracted Staffing	1,979,101	2,276,110	(297,009)
Operations Support	794,178	797,477	(3,299)
Total Customer Service	5,143,417	5,770,015	(626,598)
Marketing and Outreach			
Personnel	653,993	689,975	(35,982)
Media Buys - Radio/TV/Web	1,311,805	1,332,974	(21,169)
Outreach Services-Events, Sponsorships	311,736	177,500	134,236
Marketing Services	85,315	67,814	17,502
Assistance Network	2,013,994	2,251,667	(237,673)
Total Marketing and Outreach	4,376,842	4,519,929	(143,087)
Support services			
Personnel	4,210,132	4,306,582	(96,450)
Public Affairs Services	26,667	25,000	1,667
Professional Services	331,751	532,240	(200,489)
Training and Development	40,957	140,010	(99,052)
H/R Services	148,348	155,561	(7,213)
Legal Services	6,882	7,500	(618)
Audit Services	48,703	52,700	(3,997)
Insurance	46,371	46,667	(295)
Conferences/Meetings	4,840	18,948	(14,108)
Memberships/Dues/Subscriptions (Non-Tech)	59,250	65,483	(6,233)
Travel/Meals/Lodging	58,753	67,250	(8,496)
Other - G&A	2,515	1,500	1,015
Total Support Services	4,985,171	5,419,440	(434,269)
Facilities			
Occupancy	149,839	166,728	(16,889)
Supplies & Materials	13,528	13,002	526
Postage/Shipping	4,789	1,650	3,139
Printing/Copying/Shred	3,863	4,600	(737)
Phone/Internet	42,975	34,798	8,177
Equipment/Furniture and Fixture	101,261	129,000	(27,739)
Total Facilities	316,255	349,778	(33,523)
Total Operating Expenses	23,858,216	24,818,569	(960,353)
Net Income Before Depreciation	7,511,438	6,216,701	1,294,737
Depreciation	2,156,901	2,047,095	109,806
Net Income	5,354,537	4,169,606	1,184,930

Connect for Health Colorado Statement of Financial Position

	FY 2024 12/31/2023	
	Actual	Budget
Assets:		
Current assets:		
Cash and cash equivalents	14,853,559	14,930,867
Accounts receivable (net)	14,813,462	8,671,840
Prepaid expenses	1,130,424	1,196,291
Security deposits	27,381	16,000
Total Current assets:	30,824,827	24,814,998
Noncurrent assets:		
Investment in Subsidiary	(200,420)	(32,958)
Capital assets:		
Web portal development	75,667,454	43,857,321
Software	19,154,275	51,140,440
Leasehold improvements	2,023,855	2,013,305
Office equipment	1,325,302	1,178,703
Furniture and fixtures	1,241,043	1,241,043
Less accumulated depreciation	(78,682,991)	(77,503,321)
Total Capital assets	20,728,939	21,927,491
Assets under lease - net	2,071,275	
SBITA - net	1,596,258	
Total Noncurrent assets:	24,196,053	21,894,533
Total Assets:	55,020,879	46,709,531
Liabilities and net position:		
Liabilities:		
Current liabilities:		
Accounts payable	2,601,687	2,295,484
Accrued liabilities	2,824,814	2,295,412
Payroll liabilities	1,526,189	1,330,974
Total Current liabilities:	6,952,690	5,921,870
Long-term liabilities:		
Lease Payable	2,164,736	962,323
SBITA Payable	1,812,421	
Total Long-term liabilities:	3,977,157	962,323
Total Liabilities:	10,929,847	6,884,193
Net position:		
Unrestricted	44,091,033	39,825,338
Total Net position:	44,091,033	39,825,338
Total liabilities and net position:	55,020,879	46,709,531