



# FISCAL YEAR 2021 BUDGET PRELIMINARY DISCUSSION FINANCE AND OPERATIONS COMMITTEE

March 30, 2020

# General Preliminary Budget Comments

- This preliminary budget package reflects the initial submittals by our management team and will be further refined to meet the organizations financial sustainability goals.
- 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 - 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 and legislative initiatives) 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
- Revenue Assumptions:
  - FY 21 carrier fee revenue is based on current (plan year 2020) enrollment and average premium levels. No increases are assumed in enrollments or average premiums for plan year 2021.
  - Medicaid cost reimbursements continue throughout the period
  - Continuation of tax credit donation

# Fiscal Year Comparisons

## FY17 – FY21

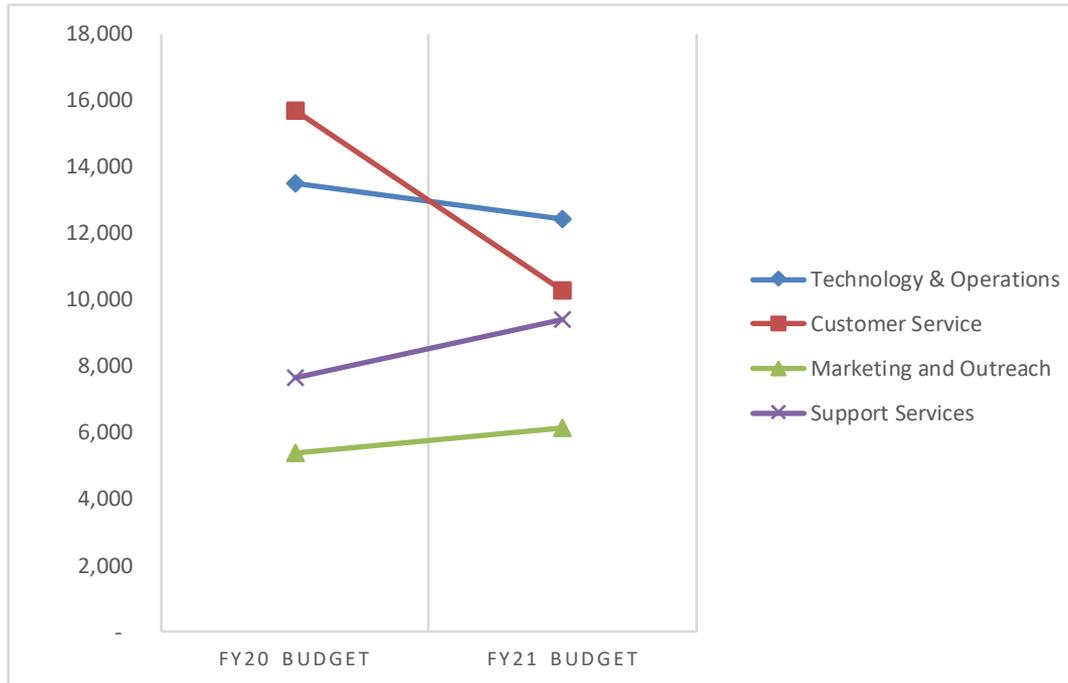
\$'s in 000's

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020 Projection	Fiscal Year 2021 Prelim Budget
<b>Revenues</b>					
Carrier Fees	37,059	32,083	36,084	32,668	28,313
Tax Credit Donations	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	4,000	3,600
Interest/Other	13	90	304	319	180
<b>Total Revenue</b>	<b>47,496</b>	<b>43,206</b>	<b>46,379</b>	<b>42,487</b>	<b>37,093</b>
<b>Operating Expenses</b>					
Technology & Operations	15,436	12,502	12,002	13,493	12,438
Customer Service	15,376	14,923	15,154	15,677	10,273
Marketing and Outreach	3,739	3,417	3,751	5,386	6,115
Support Services	8,940	9,522	9,284	7,650	9,412
<b>Total Operating Expenses</b>	<b>43,491</b>	<b>40,364</b>	<b>40,191</b>	<b>42,206</b>	<b>38,237</b>
<b>Net Income Before Depreciation</b>	<b>4,005</b>	<b>2,842</b>	<b>6,188</b>	<b>281</b>	<b>(1,144)</b>
<b>Stabilized Depreciation *</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>
<b>Net Income</b>	<b>505</b>	<b>(658)</b>	<b>2,688</b>	<b>(3,219)</b>	<b>(4,644)</b>
<b>Capital Expenditures</b>	<b>1,889</b>	<b>3,580</b>	<b>3,608</b>	<b>7,707</b>	<b>5,000</b>

\* Stabilized depreciation reflects projected annual depreciation upon refresh of technology

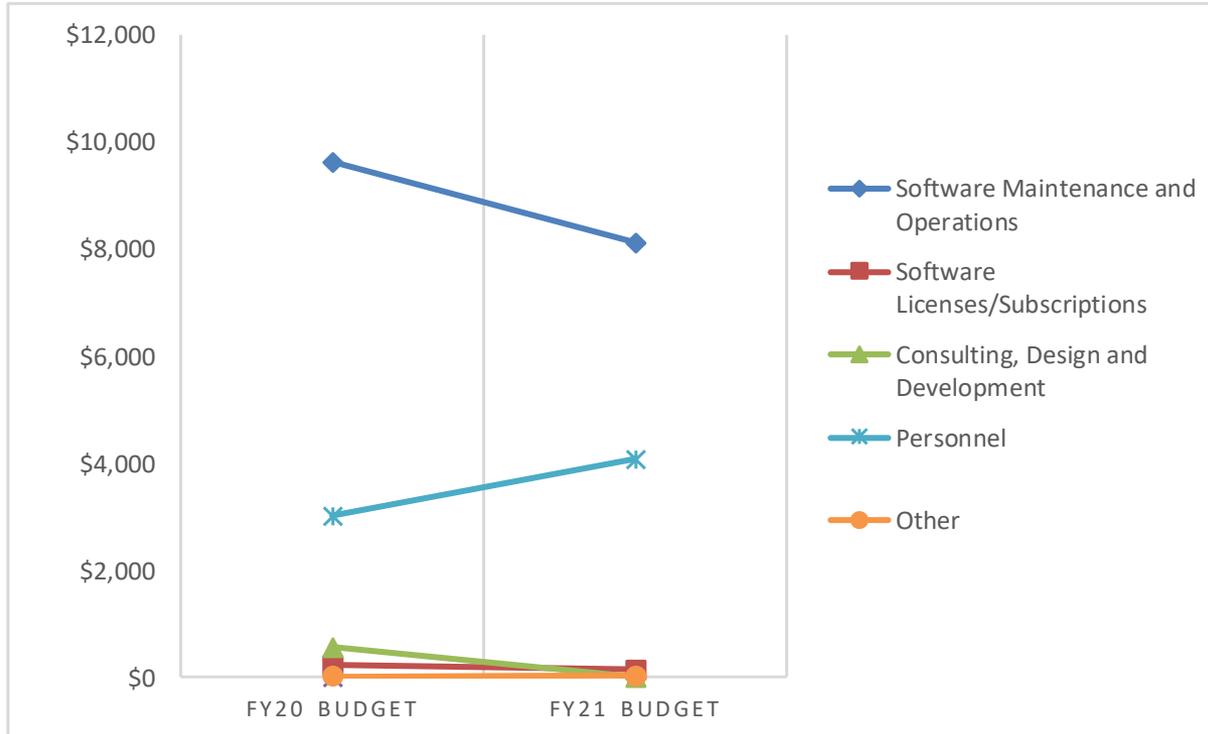
# Expense Summary Comparison

## FY20 vs FY 21 Budget



Operating Expenses (\$'s in 000's)	FY20 Budget	FY21 Budget	% Change
Technology & Operations	13,493	12,438	-7.8%
Customer Service	15,677	10,273	-34.5%
Marketing and Outreach	5,386	6,115	13.5%
Support Services	7,650	9,412	23.0%
<b>Other</b>	<b>42,206</b>	<b>38,237</b>	<b>-9.4%</b>

# Technology & Operations Expense Comparison FY20 vs FY 21 Budget



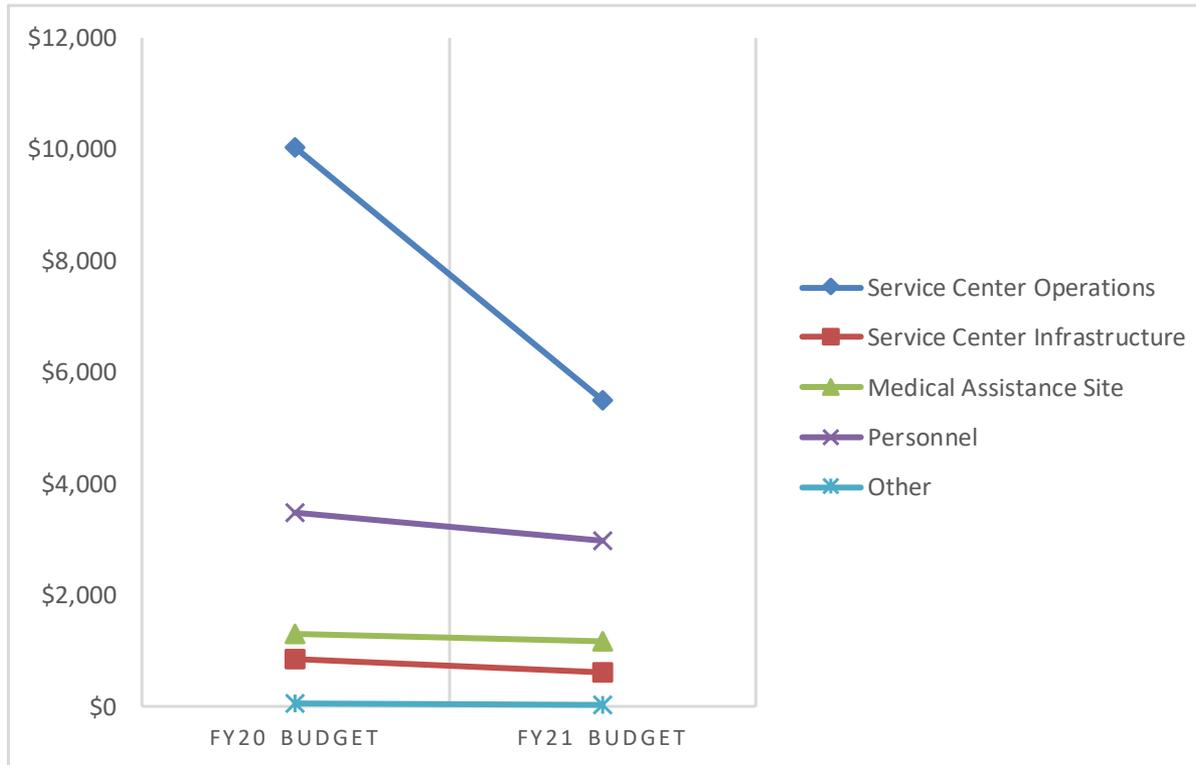
Technology and Operations (\$'s in 000's)	FY20 Budget	FY21 Budget	% Change
Software Maintenance and Operations	\$9,649	\$8,133	-15.7%
Software Licenses/Subscriptions	\$223	\$155	-30.3%
Consulting, Design and Development	\$555	\$24	-95.6%
Personnel	\$3,037	\$4,088	34.6%
Other	\$30	\$37	24.2%
<b>Total</b>	<b>\$13,493</b>	<b>\$12,438</b>	<b>-7.8%</b>

# Technology & Operations Expenses

## FY 21 Budget Narrative

- **Technology Maintenance and Operations** – assumes move to cloud hosting services and transition to new platform prior to OE8. Further analysis underway in determining the extent of movement from vendor provided services to internal staff for M&O and Development purposes – will be reflected in future budget revisions.
- **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
- **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



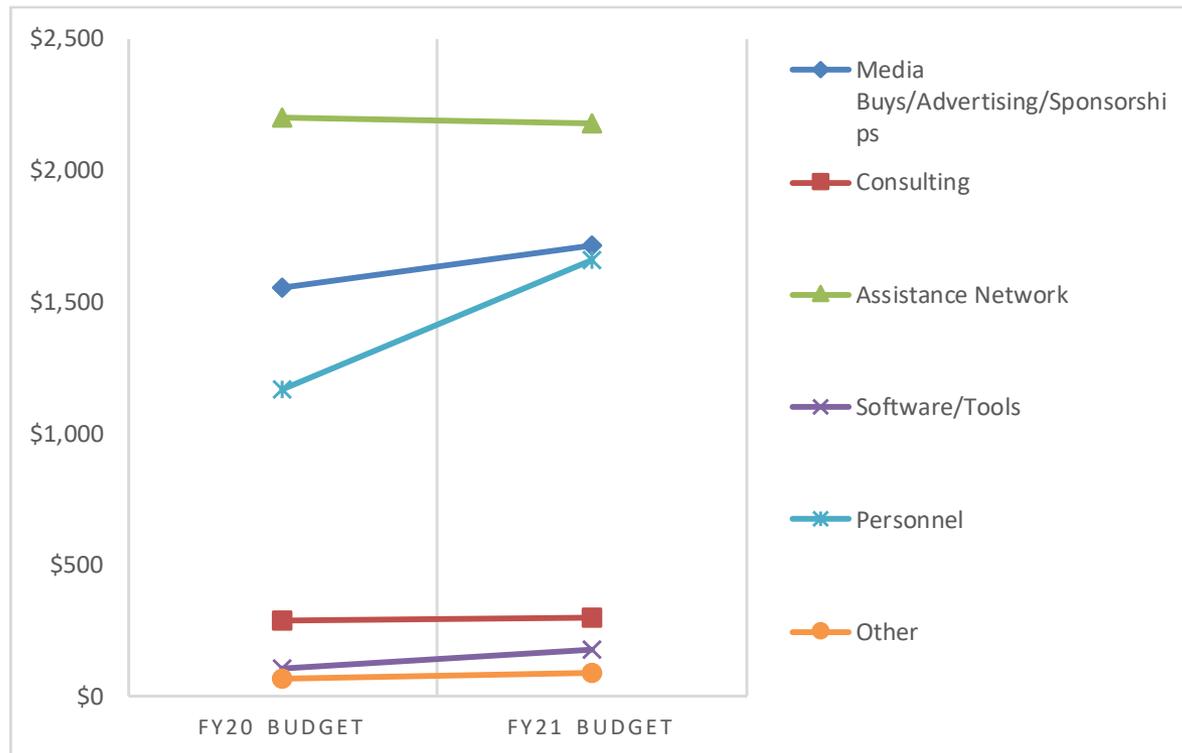
Customer Service (\$'s in 000's)	FY20 Budget	FY21 Budget	% Change
Service Center Operations	\$10,044	\$5,493	-45.3%
Service Center Infrastructure	\$837	\$606	-27.6%
Medical Assistance Site	\$1,293	\$1,170	-9.5%
Personnel	\$3,467	\$2,974	-14.2%
Other	\$37	\$30	-18.6%
<b>Total</b>	<b>\$15,677</b>	<b>\$10,273</b>	<b>-34.5%</b>

# 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 /escalation along with a new vendor contract. Further analysis underway based on first month of new vendor contract to verify preliminary budget expectations.
- **Service Center Infrastructure** – includes facility/telecom costs for internal staff. Decrease due to Colorado Springs lease taken over by new vendor and included in operations expenses.
- **Medical Assistance Site** – includes staffing of medical assistance site. Further analysis underway in determining synergies with customer service operations and needs for OE8 additional staffing.
- **Personnel** – reflects internalization of staffing for 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



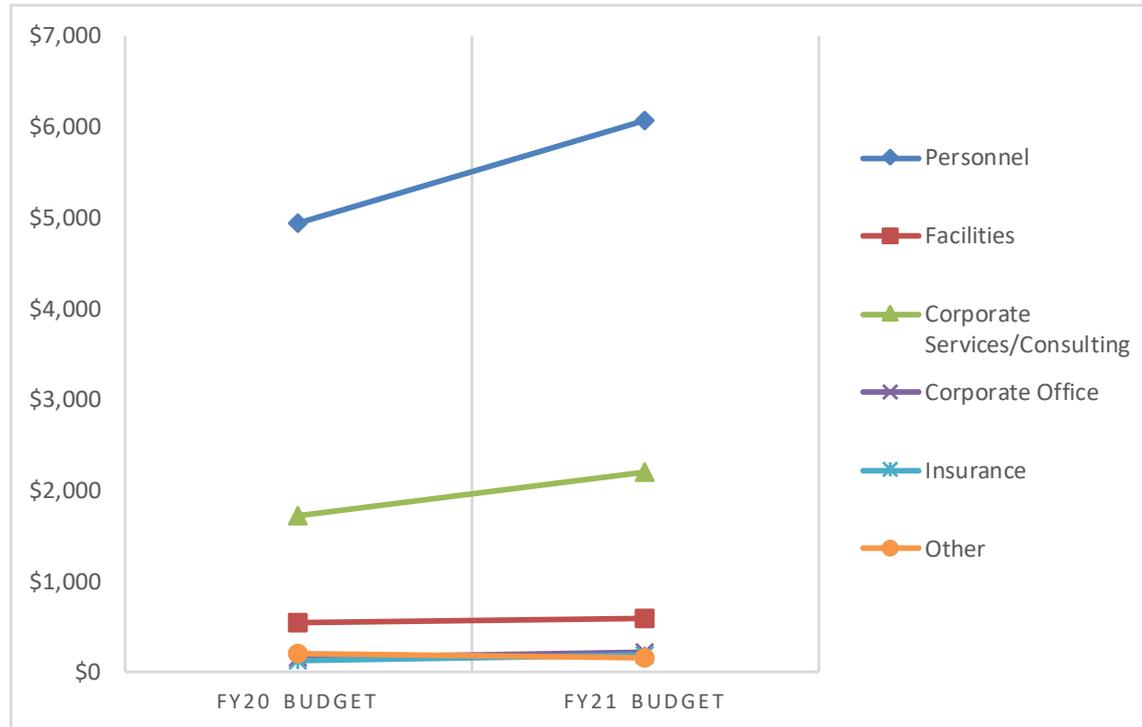
Marketing and Outreach (\$'s in 000's)	FY20 Budget	FY21 Budget	% Change
Media Buys/Advertising/Sponsorships	\$1,553	\$1,715	10.4%
Consulting	\$287	\$297	3.5%
Assistance Network	\$2,204	\$2,177	-1.2%
Software/Tools	\$105	\$178	69.5%
Personnel	\$1,169	\$1,660	42.0%
Other	\$68	\$87	28.2%
<b>Total</b>	<b>\$5,386</b>	<b>\$6,115</b>	<b>13.5%</b>

# Marketing and Outreach Expenses

## FY 21 Budget Narrative

- **Media Buys/Advertising/Sponsorships** – assumes same level as prior year budget for media buys and continued sponsorship of Building Better Health statewide conferences. Increase due primarily to moving membership budget to marketing department and additional sponsorship/consultant services.
- **Consulting** – agency fees, surveys, graphic design, translation services
- **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, increase due to additional use of website design services.
- **Personnel** – Assistance network management, communications, broker team, marketing/outreach oversight and management – costs increased due to the addition of 5 regional outreach staff. Further analysis of these proposed positions will be conducted.
- **Other** – travel, conferences, training, memberships, supplies, postage, printing

# Support Services Expense Comparison FY20 vs FY 21 Budget



Support Services (\$'s in 000's)	FY20 Budget	FY21 Budget	% Change
Personnel	\$4,935	\$6,076	23.1%
Facilities	\$545	\$582	6.9%
Corporate Services/Consulting	\$1,709	\$2,202	28.8%
Corporate Office	\$145	\$220	52.3%
Insurance	\$125	\$182	45.8%
Other	\$191	\$149	-22.2%
<b>Total</b>	<b>\$7,650</b>	<b>\$9,412</b>	<b>23.0%</b>

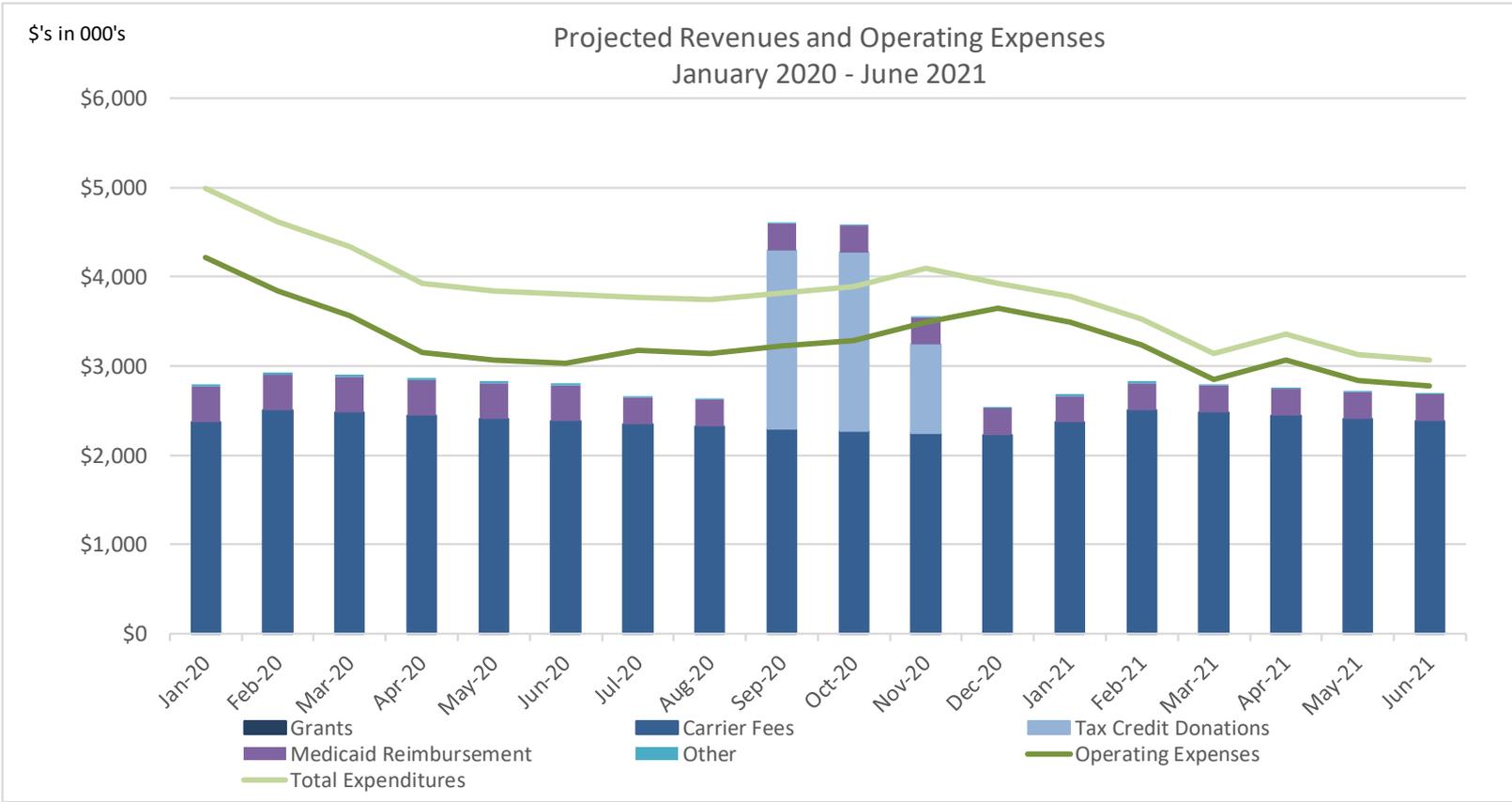
# Support Services Expenses

## 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. Further analysis underway in conjunction with technology transition plans.
- **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 initiatives.
- **Corporate Office** – office supplies, printing/copying, postage
- **Insurance** – Liability, property, technology (cyber)
- **Other** – travel, conferences, memberships

# Projected Revenue and Expenditures

## January 2020 – June 2021



# Projected Cash Flows

## January 2020 – June 2021

