

# Fiscal Year 2022 Budget Preliminary Discussion

Finance and Operations Committee

March 29, 2021



# Fiscal Year 2022\* Budget Process

- Initial C4HCO staff input collected (Feb/March)
- Preliminary budget forecasts prepared (March)
- Preliminary budget discussion at March 29th Finance and Operations Committee
- Refinement of revenue and expenditure budgets (April)
- Budget presentation at April 26<sup>th</sup> Finance and Operations Committee
- Refinements made per Finance and Operations Committee comments
- Budget presentation at May 10 Board Meeting (pending recommendation from Committee)

\*Fiscal Year 2022 period = July 2021 – June 2022

# Current Budgeting Uncertainties

- American Rescue Plan (ARP) enrollment and expenditure impacts
  - Bulk of outreach expenses will be incurred in FY21 but impacts cash forecasts for FY 22
  - Potential for increased enrollments starting in May 2021 (researching impacts)
  - Funding available for implementation by SBE's (estimated \$1 million for this presentation)
  
- Health Insurance Affordability Fee Enterprise enrollment and expenditure impacts
  - Year 1 structure of subsidies being determined – impact on new enrollments uncertain
  - Implementation cost subject to subsidy structure
  - Funding possible for implementation but still being determined (\$0 assumed in this presentation)
  
- Easy E Enrollment Impact – estimated based on other SBE experience, technology implementation costs included in this presentation
  
- Impact of new State public option proposed legislation – too early to determine impacts
- Impacts of post COVID activity – increased employment, ending of Medicaid lock-in

# Forecasting Scenarios

Due to current uncertainties 3 scenarios were developed based on potential enrollments:

**Low Scenario** – assumes enrollments based on what we know today including Plan Year 2021 open enrollment effectuations, estimated enrollments from uninsured enrollment period (ends May 15) and estimates for Easy E enrollments in spring of 2022. Average effectuated enrollment estimated to be 164,000. Per enrollee premium levels are assumed to stay at current average.

**Medium Scenario** – assumes additional 10,000 enrollments (6%) beginning of FY 22 (July 21) - due primarily to ARP driven enrollments. Modest service center expense increase to cover higher call volumes.

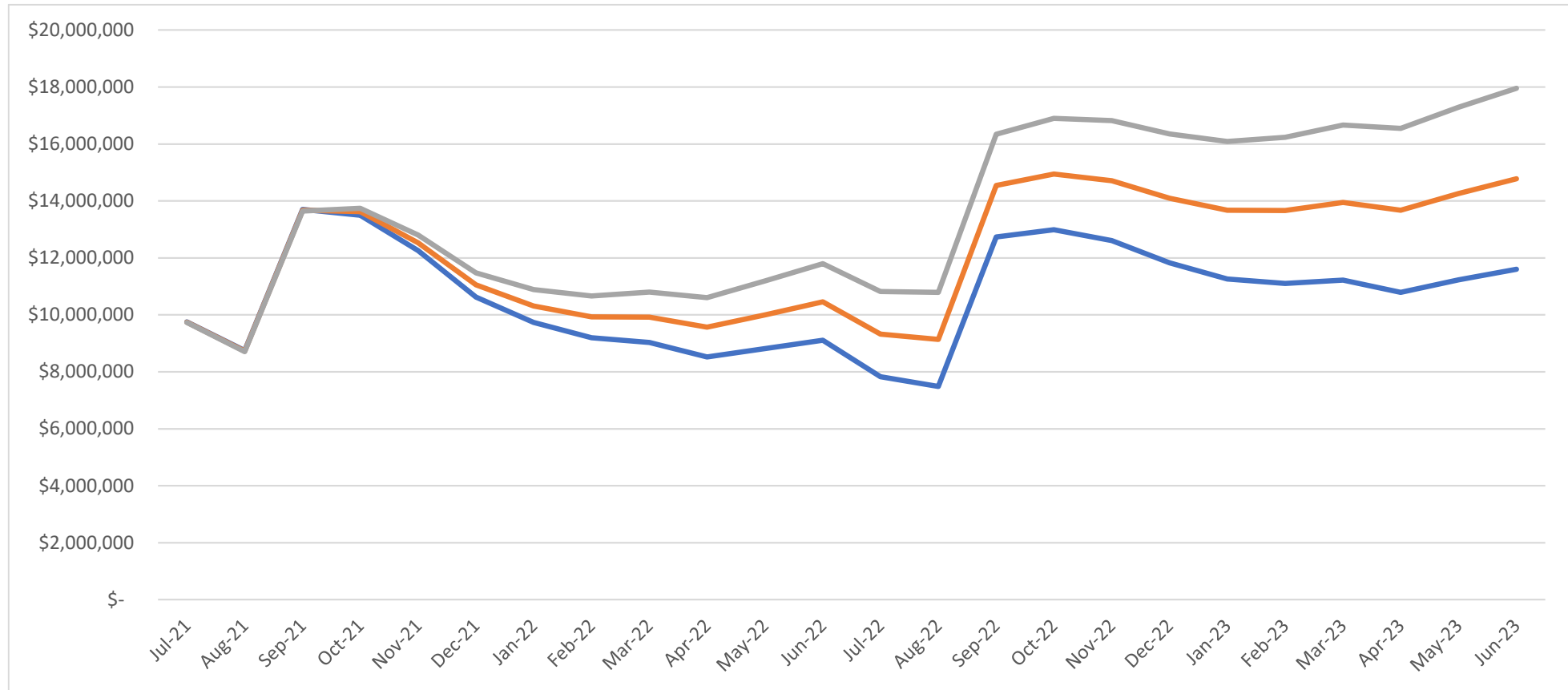
**High Scenario** – assumes additional 20,000 enrollments (12%) beginning of FY 22 (July 21) - due primarily to ARP driven enrollments. Increased service center expense to cover higher call volumes.

Forecasts were made for both FY 22 and FY23 to capture mature expense structure post software modernization.

# Scenario Comparison

	Fiscal Year 2021 Projection	Low Scenario		Medium Scenario		High Scenario	
		Fiscal Year 2022 Forecast	Fiscal Year 2023 Forecast	Fiscal Year 2022 Forecast	Fiscal Year 2023 Forecast	Fiscal Year 2022 Forecast	Fiscal Year 2023 Forecast
<i>\$'s in 000's</i>							
<b>Revenues</b>							
Carrier Fees	31,787	32,013	32,430	33,958	34,374	35,903	36,319
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Cost Reimbursements	3,500	3,524	3,558	3,536	3,570	3,548	3,582
Interest/Other	150			-	-	-	-
<b>Total Revenue</b>	<b>40,437</b>	<b>40,538</b>	<b>40,988</b>	<b>42,494</b>	<b>42,944</b>	<b>44,451</b>	<b>44,901</b>
<b>Operating Expenses</b>							
Technology & Operations	11,916	12,192	9,773	12,192	9,773	12,192	9,773
Customer Service	10,041	9,444	9,580	9,564	9,700	9,684	9,820
Marketing and Outreach	5,305	5,754	5,810	5,754	5,810	5,754	5,810
Support Services	8,370	9,376	9,363	9,376	9,363	9,376	9,363
<b>Total Operating Expenses</b>	<b>35,632</b>	<b>36,765</b>	<b>34,526</b>	<b>36,885</b>	<b>34,646</b>	<b>37,005</b>	<b>34,766</b>
<b>Net Income Before Depreciation</b>	<b>4,805</b>	<b>3,772</b>	<b>6,461</b>	<b>5,609</b>	<b>8,298</b>	<b>7,446</b>	<b>10,135</b>
<b>Depreciation</b>	<b>2,578</b>	<b>3,648</b>	<b>4,367</b>	<b>3,648</b>	<b>4,367</b>	<b>3,648</b>	<b>4,367</b>
<b>Net Profit/Loss</b>	<b>2,228</b>	<b>125</b>	<b>2,094</b>	<b>1,961</b>	<b>3,931</b>	<b>3,798</b>	<b>5,767</b>
<b>Cash - Beginning</b>		<b>11,225</b>	<b>9,111</b>	<b>11,225</b>	<b>10,461</b>	<b>11,225</b>	<b>11,812</b>
Income from Operations		3,772	6,461	5,609	8,298	7,446	10,135
Capital Investments		(6,559)	(3,899)	(6,559)	(3,899)	(6,559)	(3,899)
Timing Differences		673	(85)	186	(75)	(299)	(76)
<b>Cash - Ending</b>	<b>11,225</b>	<b>9,111</b>	<b>11,588</b>	<b>10,461</b>	<b>14,785</b>	<b>11,812</b>	<b>17,972</b>
<b>Average Cash Balance</b>		<b>10,249</b>	<b>11,057</b>	<b>10,794</b>	<b>13,396</b>	<b>11,338</b>	<b>15,735</b>

# Cash Balances by Scenario





# Reserve Forecasts By Scenario

	Low Scenario		Medium Scenario		High Scenario	
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
<b><u>Operating Reserve:</u></b>						
<b>Beg Reserve Balance</b>	<b>11,224,861</b>	<b>9,110,826</b>	<b>11,224,861</b>	<b>10,461,000</b>	<b>11,224,861</b>	<b>11,812,000</b>
Net Profit/Loss	124,807	2,094,092	1,961,407	3,930,594	3,798,007	5,767,194
Transfer from Capital Reserve	-	468,343	-	-	-	-
Transfer to Capital Reserve	(2,911,383)	-	(2,911,383)	(1,531,657)	(2,911,383)	(1,531,657)
Cash Timing	672,541	(84,970)	186,115	(74,938)	(299,485)	(75,500)
<b>End Reserve Balance</b>	<b>9,110,826</b>	<b>11,588,291</b>	<b>10,461,000</b>	<b>12,785,000</b>	<b>11,812,000</b>	<b>15,972,038</b>
<b>Target Ending Operating Reserve</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>	<b>12,000,000</b>
<b>Excess (Deficit) Operating Reserve</b>	<b>(2,889,174)</b>	<b>(411,709)</b>	<b>(1,539,000)</b>	<b>785,000</b>	<b>(188,000)</b>	<b>3,972,038</b>
<b><u>Capital Expenditure Reserve:</u></b>						
Beg Reserve Balance	-	-	-	-	-	-
Depreciation	3,647,617	4,367,343	3,647,617	4,367,343	3,647,617	4,367,343
Transfer from Operating Reserve	2,911,383	-	2,911,383	1,531,657	2,911,383	1,531,657
Transfer to Operating Reserve (Excess Reserve)	-	(468,343)	-	-	-	-
Capital Expenditures	(6,559,000)	(3,899,000)	(6,559,000)	(3,899,000)	(6,559,000)	(3,899,000)
<b>End Reserve Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>
<b>Target Ending Capital Expenditure Reserve</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>	<b>-</b>	<b>2,000,000</b>

# Preliminary Expenditure Forecast (Low Scenario)

	FY 2021 Projected	FY 2022 Prelim Budget	FY 2023 Forecast	FY 21 vs FY 22	
<b>Technology &amp; Operations:</b>					
Staff Expenditures	4,475,138	7,178,423	7,636,449	60%	Overall decrease due to reduced software development expenses in FY22, albeit still at a high level. Staff increase due to moving more inhouse.
Non-Staff Expenditures	16,940,729	11,572,213	6,035,990	-32%	
<b>Total</b>	<b>21,415,867</b>	<b>18,750,636</b>	<b>13,672,439</b>	<b>-12%</b>	
<b>Customer Service:</b>					
Staff Expenditures	4,554,843	4,885,289	5,007,699	7%	Staff increase due to increasing internal staffing/expertise. Overall decrease in expenses resulting from Fanueil contract provisions.
Non-Staff Expenditures	5,485,794	4,558,296	4,572,167	-17%	
<b>Total</b>	<b>10,040,637</b>	<b>9,443,585</b>	<b>9,579,867</b>	<b>-6%</b>	
<b>Marketing and Outreach:</b>					
Staff Expenditures	1,195,080	1,384,485	1,419,176	16%	Staffing increase due full year staffing expected in FY 22, no new positions budgeted for FY 22. Media buy and assistance network budgeted at FY 21 levels.
Non-Staff Expenditures	4,110,348	4,369,678	4,391,016	6%	
<b>Total</b>	<b>5,305,428</b>	<b>5,754,163</b>	<b>5,810,192</b>	<b>8%</b>	
<b>Support Services</b>					
Staff Expenditures	5,419,265	5,734,634	5,891,201	6%	Increase due in part to increase expected in office/travel/conferences post COVID
Non-Staff Expenditures	2,950,347	3,641,352	3,471,499	23%	
<b>Total</b>	<b>8,369,612</b>	<b>9,375,986</b>	<b>9,362,700</b>	<b>12%</b>	



# Preliminary Observations

- All scenarios provide positive net profits (after depreciation)
- FY 22 continues with significant technology investments to complete platform modernization/stabilization and address new legislation needs – this results in cash deficits in the low and medium scenario for the year
- FY 23 is a more mature picture of a stabilized expense structure and reflects positive cash flows for all three scenarios
- In FY 23 the medium and high scenario provide cash sufficient to provide excess operating funds for deferred outreach and operating expenses and start the funding of a capital reserve for future infrastructure replacement.
- All 3 scenarios are do not provide sufficient cash to reach target operating fund reserve of \$12 million by end of FY 22 (June 22).

# Further Expenditures Analysis to be Conducted

- Additional media buy expenses will be evaluated to determine enrollment impact and cost effectiveness
- Additional assistance network expenses will be evaluated
- Staffing additions proposed by staff will be delayed until enrollment levels can be predicted
- Other internal/support service costs will be examined to determine potential for delaying costs until enrollment levels can be predicted
- Further refinement of increased enrollment impacts on customer service, outreach and technology expenses.