

Proposed Fiscal Year 2022* Budget

Finance and Operations Committee

April 26, 2021



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 April/May 2021
 - Funding available for implementation by SBE's (estimated \$1 million – in the budget)

- Health Insurance Affordability Fee Enterprise enrollment and expenditure impacts
 - Year 1 structure of subsidies being finalized (CSR's) – impact on new enrollments uncertain
 - Implementation cost for both phases of program under analysis
 - Funding possible for implementation but still being determined (\$0 assumed in the proposed budget)

- 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 – no impact assumed in Baseline budget

Budget Scenario Assumptions

Due to current uncertainties, 3 scenarios were developed based on various levels of enrollment. Staff is requesting approval of the Baseline Budget for Fiscal Year 2022 at this time, with periodic evaluation during the year anticipated as enrollment levels change.

Baseline Budget – 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 for the budget period. Per enrollee premium levels are assumed to stay at current average.

Medium Budget Scenario – assumes additional 10,000 enrollments (6%) beginning of FY 22 (July 21) - due primarily to ARP driven enrollments. Service center and technology expense increase based on current operating costs per enrollment. Expected due to higher call volume and platform transactions.

High Budget Scenario – assumes additional 20,000 enrollments (12%) beginning of FY 22 (July 21) - due primarily to ARP driven enrollments. Increased service center and technology expense tied to higher enrollments.

Budget Scenario Comparison

\$'s in 000's

	Baseline Budget		Medium Scenario (+10,000)		High Scenario (+20,000)	
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023
	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
Revenues						
Carrier Fees	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
Cost Reimbursements	4,032	4,082	3,536	3,570	3,548	3,582
Interest/Other	36	36	36	36	36	36
Total Revenue	41,082	41,548	42,530	42,980	44,487	44,937
Operating Expenses						
Technology & Operations	11,721	9,585	12,004	9,868	12,287	10,151
Customer Service	10,217	10,026	10,500	10,309	10,783	10,592
Marketing and Outreach	6,143	6,198	6,143	6,198	6,143	6,198
Support Services	9,225	9,470	9,232	9,437	9,232	9,437
Total Operating Expenses	37,305	35,279	37,879	35,813	38,445	36,379
Net Income Before Depreciation	3,777	6,269	4,652	7,167	6,042	8,558
Depreciation	3,648	4,367	3,648	4,367	3,648	4,367
Net Profit/Loss	129	1,902	1,004	2,800	2,394	4,191
Cash - Beginning	12,225	10,699	12,225	11,574	12,225	12,965
Income from Operations	3,777	6,269	4,652	7,167	6,042	8,558
Capital Investments	(7,272)	(3,899)	(7,272)	(3,899)	(7,272)	(3,899)
Timing Differences	1,970	442	1,970	442	1,970	442
Cash - Ending	10,699	13,511	11,574	15,284	12,965	18,065
Average Cash Balance	11,462	12,104	11,898	13,415	12,587	15,478

Cash Reserve Forecasts By Budget Scenario

\$'s in 000's	Baseline Budget		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
<u>Operating Reserve:</u>						
Beg Reserve Balance	12,225	10,699	12,225	11,571	12,225	12,949
Net Profit/Loss	129	1,902	1,001	2,777	2,379	4,148
Transfer to Capital Reserve	(3,625)	(1,042)	(3,625)	(1,532)	(3,625)	(1,532)
Cash Timing	1,970	442	1,970	442	1,970	442
End Reserve Balance	10,699	12,000	11,571	13,259	12,949	16,007
Target Ending Operating Reserve	12,000	12,000	12,000	12,000	12,000	12,000
Excess (Deficit) Operating Reserve	(1,301)	0	(429)	1,259	949	4,007
<u>Capital Expenditure Reserve:</u>						
Beg Reserve Balance	-	-	-	-	-	-
Depreciation	3,648	4,367	3,648	4,367	3,648	4,367
Transfer from Operating Reserve	3,625	1,042	3,625	1,532	3,625	1,532
Capital Expenditures	(7,272)	(3,899)	(7,272)	(3,899)	(7,272)	(3,899)
End Reserve Balance	-	1,510	-	2,000	-	2,000
Target Ending Capital Expenditure Reserve	-	2,000	-	2,000	-	2,000

C4HCO is moving to a more formal approach to cash reserves in order to delineate between reserves for operations and reserves for capital/software replacement. The medium and high scenarios provide for surpluses above the reserve levels which will be assessed for potential budget adjustments in the future.

Baseline Revenue and Expense Budget

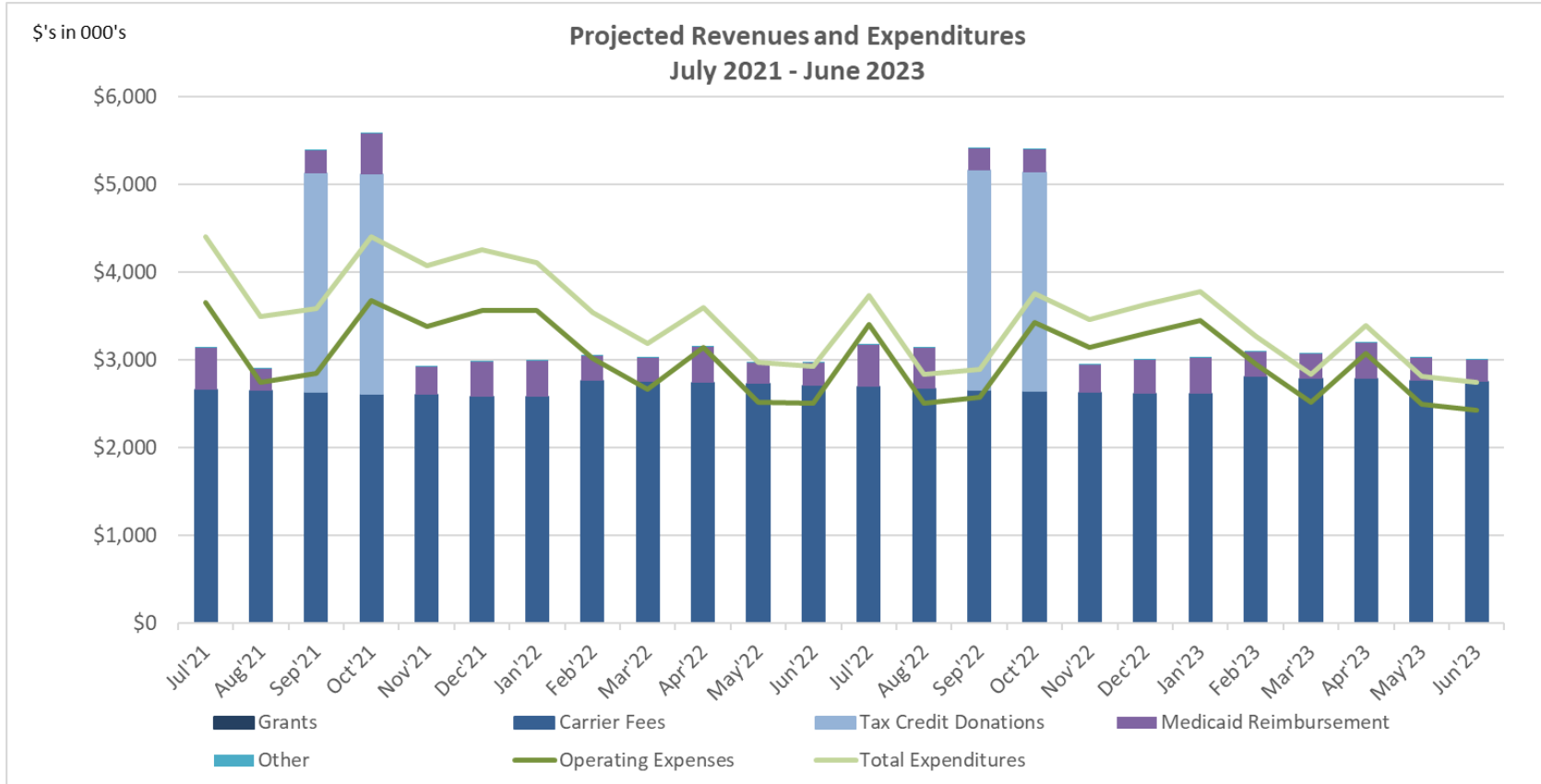
Fiscal Year Comparisons – FY18 – FY23

\$'s in 000's

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021 Projection	Fiscal Year 2022 Budget	Fiscal Year 2023 Forecast
Revenues						
Carrier Fees	32,083	36,084	33,368	30,925	32,013	32,430
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000	5,000
Grants	2,500	1,300	500	-		
Cost Reimbursements	3,533	3,691	6,250	3,986	4,032	4,082
Interest/Other	90	618	281	47	36	36
Total Revenue	43,206	46,693	45,399	39,958	41,082	41,548
Operating Expenses						
Technology & Operations	13,658	14,091	14,176	12,715	11,721	9,585
Customer Service	14,923	15,154	17,080	10,277	10,217	10,026
Marketing and Outreach	4,311	4,662	5,051	5,378	6,143	6,198
Support Services	7,473	7,685	7,282	8,404	9,225	9,470
Total Operating Expenses	40,364	41,593	43,589	36,774	37,305	35,279
Net Income Before Depreciation	2,842	5,100	1,810	3,184	3,777	6,269
Depreciation	3,500	3,500	2,455	3,337	3,648	4,367
Net Profit/Loss	(658)	1,600	(645)	(153)	129	1,902
Capital Expenditures	3,580	2,817	8,773	8,593	7,272	3,899

Projected Revenues and Expenditures

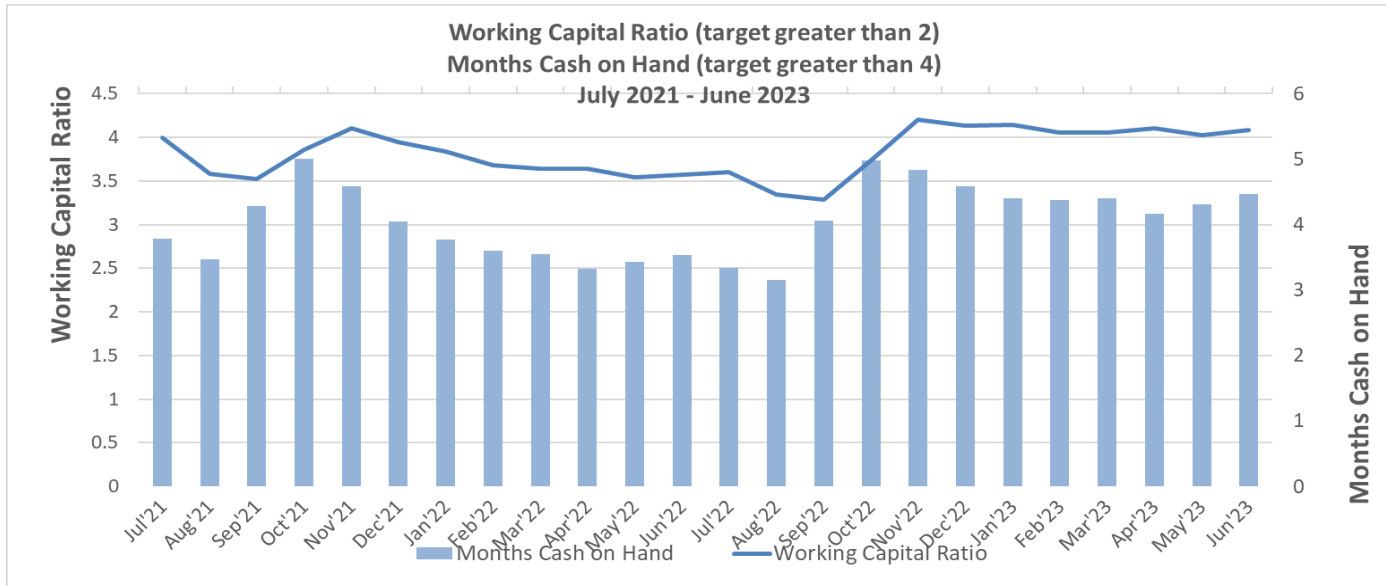
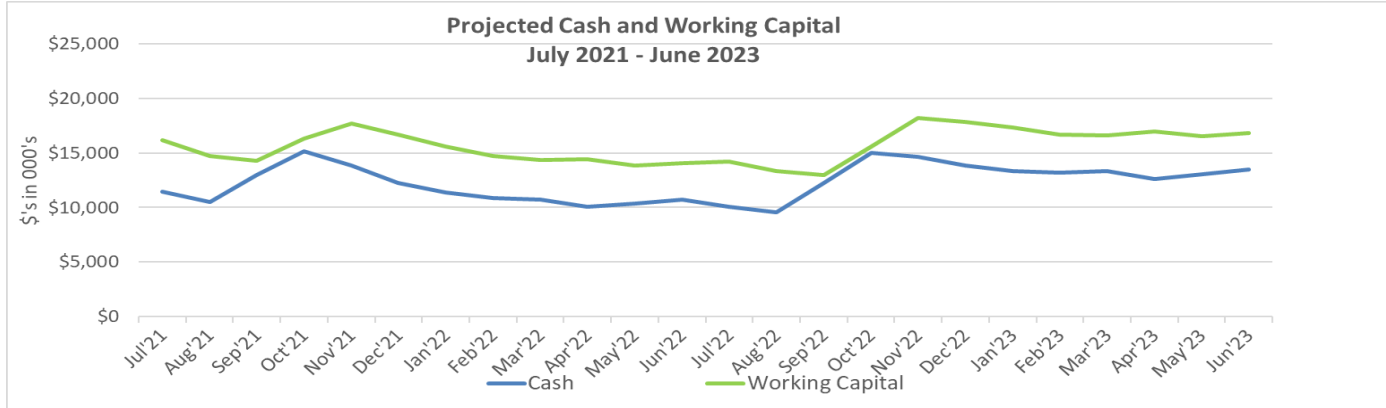
Baseline Budget FY22 and Forecasted FY23



The baseline budget shows a continued higher level of total expenditures (light green line) for FY 22 due to the increased level of technology development work. Through the improvements gained by the technology modernization effort and reduced software development activity, expenditures are forecasted to drop to a sustainable level in FY 23.

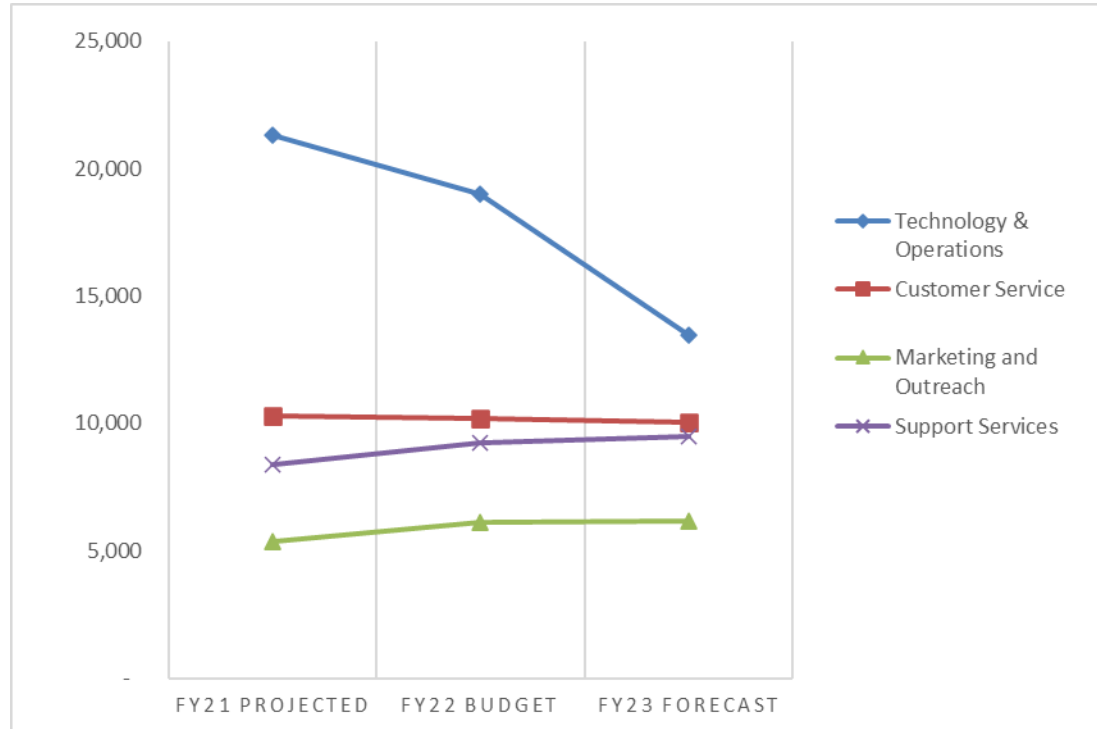
Cash Metrics

Baseline Budget FY 22 and Forecasted FY 23



- Cash levels for the period range from \$10 to \$15 million.
- Working capital (cash and accounts receivable less payables) reflects our ability/buffer to cover near term financial obligations – budget projects working capital in the range of \$14 to \$18 million.
- Working capital ratio is the ratio of cash & accounts receivable to payables – target is to exceed a ratio of 2. Baseline budget/forecast range is 3.2 to 4.2.
- Months cash on hand is the number of months of operating expenses the cash balance will cover. Target is 4 months or more. Baseline budget/forecast range is 3.2 to 5.

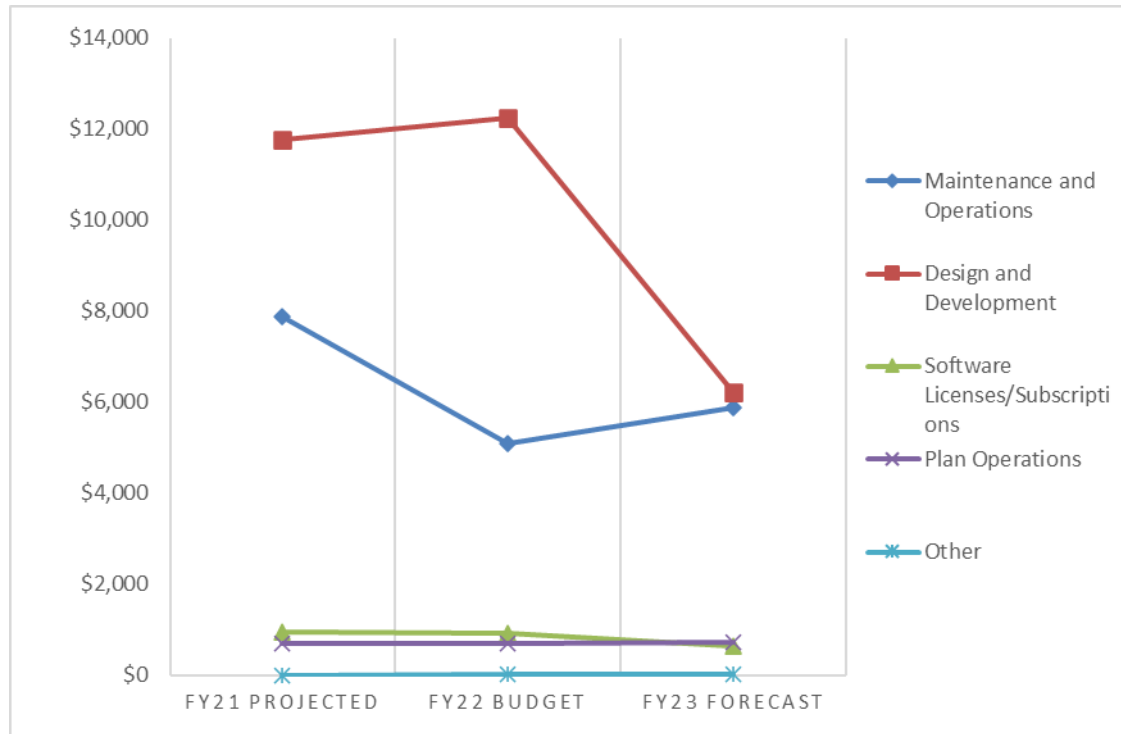
Baseline Budget Expense - Summary Comparison FY21 Projection vs FY 22 Budget



- Primary driver of decreasing costs between FY 21 and FY 22 is decreased technology system operating costs due to modernization efforts
- Technology expenses include both operational costs and development costs – drop in FY 2023 is due to lower planned levels of development activity

Operating Expenses (\$'s in 000's)	FY21 Projected	FY22 Budget	FY23 Forecast	FY 21 vs FY22 % Change
Technology & Operations	21,308	18,993	13,485	-10.9%
Customer Service	10,277	10,217	10,026	-0.6%
Marketing and Outreach	5,378	6,143	6,198	14.2%
Support Services	8,404	9,225	9,470	9.8%
Other	45,367	44,577	39,179	-1.7%

Technology and Operations Expense Comparison FY21 Projection vs FY 22 Baseline Budget



- Design and development costs are expected to decrease to more sustainable levels in FY23 in the baseline budget
- Projects resulting from new legislation/initiatives in the future will need to be either funded or show positive contribution to enrollment levels in order to maintain sustainability.
- Budget reflects ongoing internalization of staffing for subject matter areas deemed essential
- See following page for list of current project priorities and estimated costs.

Technology and Operations (\$'s in 000's)	FY21 Projected	FY22 Budget	FY23 Forecast	FY 21 vs FY22 % Change
Maintenance and Operations	\$7,883	\$5,081	\$5,867	-35.5%
Design and Development	\$11,773	\$12,238	\$6,231	3.9%
Software Licenses/Subscriptions	\$948	\$934	\$634	-1.4%
Plan Operations	\$698	\$703	\$717	0.8%
Other	\$6	\$36	\$36	530.0%
Total	\$21,308	\$18,993	\$13,485	-10.9%

Estimated Technology Project Costs (April 2021-June 2022)

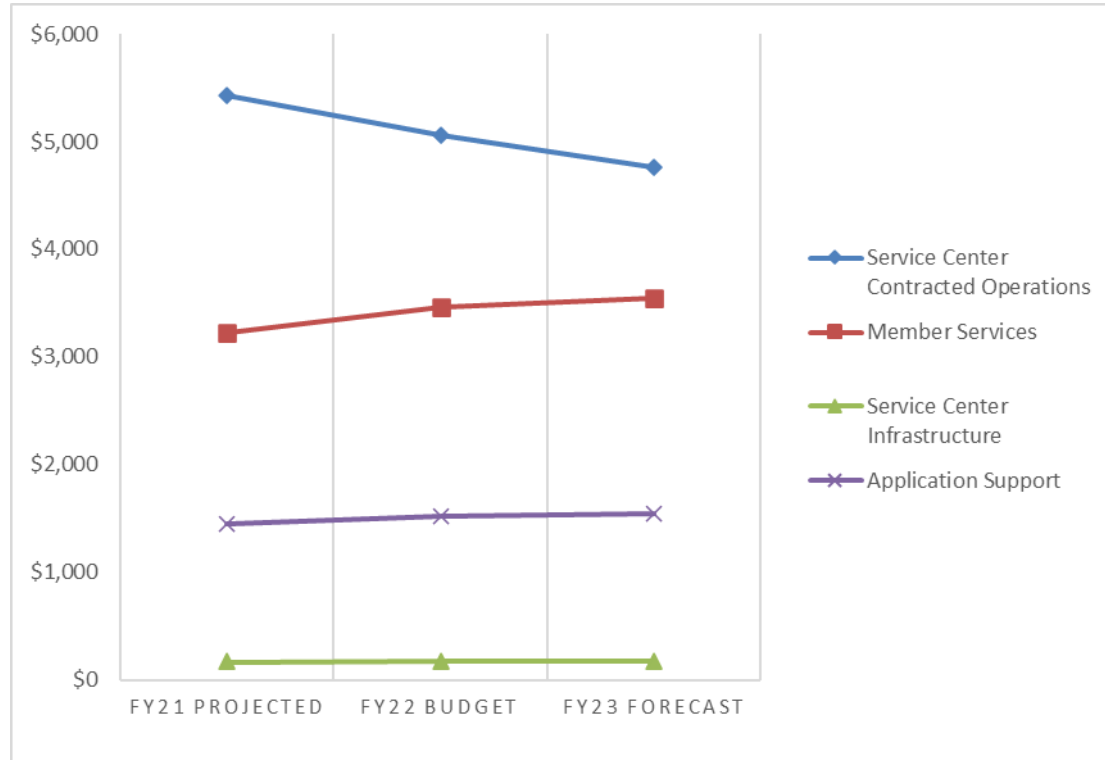
Project	Estimated Cost
American Rescue Plan Implementation - Changes to APTC calculator to comply with ARP	\$925,000
Replacement of Legacy Platform (includes impacts of delays due to ARP) - Complete the replacement of existing SaaS platform including functions such as payment and enrollment screens and backend connections/integrations. Results in improved customer experience and system performance.	\$2,560,000
Replacement of Mulesoft Middleware - Identify and replace API services currently in MuleSoft product. Results in costs savings to C4	\$750,000
HIAFE Phase 1 - Implement technology updates to facilitate access to and enrollment in a state subsidy for a subset of exchange customers (to be identified)	\$760,000
HIAFE Phase 2 - Implement technology updates to facilitate access to and enrollment in 2 nd phase of state subsidies per the HIAFE legislation	\$1,500,000
Easy Enrollment - Implement technology updates to facilitate a preliminary eligibility assessment and outreach based on tax filer information from the Department of Revenue.	\$500,000
Assister Portal	\$500,000
Shopping Portal Improvements - Plan filtering, compare plans, provider search, APTC slider and Spanish translation	\$570,000
Additional Development Projects - (to be prioritized – 30+ projects on list)	\$1,735,000
Total Estimated Project Costs*	\$9,800,000

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* April-June 2021 (\$3,240,000), July-June 2022 (\$6,560,000)

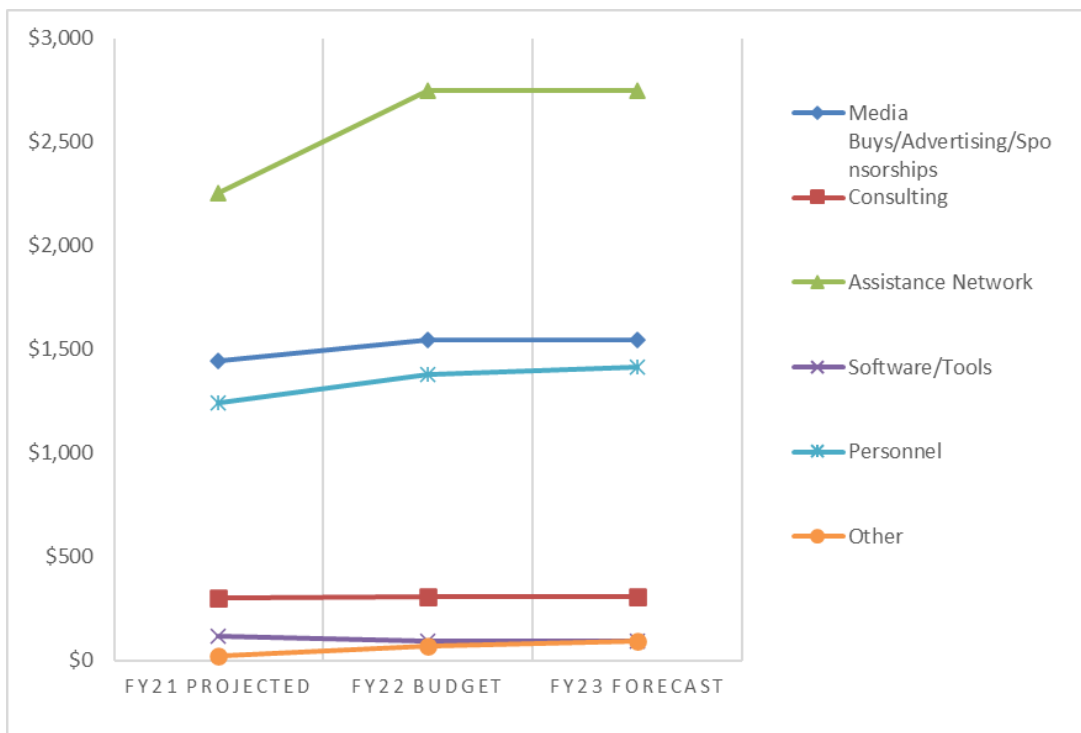
Customer Service Expense Comparison FY21 Projection vs FY 22 Baseline Budget



- Service center contracted operations decrease between FY 21 and FY 22 is offset by increasing member services costs.
- This reflects moving more of the higher level calls to in-house staff.
- Customer service costs also include medical assistance site services for complex households handled by the application support and member services teams

Customer Service (\$'s in 000's)	FY21 Projected	FY22 Budget	FY23 Forecast	FY 21 vs FY22 % Change
Service Center Contracted Operations	\$5,428	\$5,062	\$4,756	-6.7%
Service Center Infrastructure	\$174	\$178	\$181	2.5%
Member Services	\$3,222	\$3,459	\$3,545	7.3%
Application Support	\$1,452	\$1,517	\$1,545	4.5%
Total	\$10,277	\$10,217	\$10,026	-0.6%

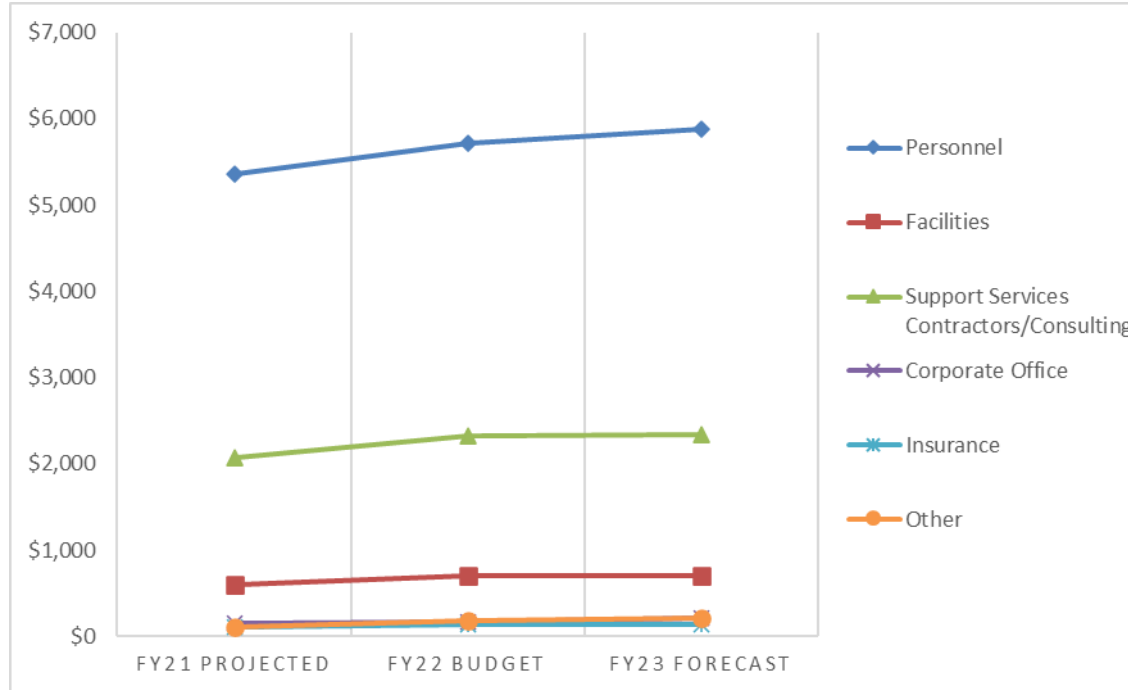
Marketing and Outreach Expense Comparison FY21 Projection vs FY 22 Baseline Budget



- Proposing expanding assistance network funding by \$500,000 to increase outreach efforts for underserved populations
- Slight increase in media buy/advertising – further analysis underway due to ARP/extended enrollment periods
- Personnel increase reflects full staffing carried over from current year – no new position hires anticipated next year in this budget

Marketing and Outreach (\$'s in 000's)	FY21 Projected	FY22 Budget	FY23 Forecast	FY 21 vs FY22 % Change
Media Buys/Advertising/Sponsorships	\$1,446	\$1,544	\$1,544	6.8%
Consulting	\$300	\$307	\$307	2.2%
Assistance Network	\$2,253	\$2,751	\$2,751	22.1%
Software/Tools	\$114	\$91	\$91	-20.1%
Personnel	\$1,245	\$1,381	\$1,415	10.9%
Other	\$20	\$69	\$90	252.6%
Total	\$5,378	\$6,143	\$6,198	14.2%

Support Services Expense Comparison FY21 Projection vs FY 22 Baseline Budget



- Support services include corporate functions (HR, Finance, Legal, Facilities, Admin), Policy and Research, Internal IT, Privacy and Security.
- Support personnel increase is the result of staffing hires carried over from the current fiscal year, no new support positions are funded in the FY 22 baseline budget.
- Increase in contractor and facilities budget lines reflect costs for supporting a higher overall level of staffing due primarily to internalization of technology and service center functions.

Support Services (\$'s in 000's)	FY21 Projected	FY22 Budget	FY23 Forecast	FY 21 vs FY22 % Change
Personnel	\$5,365	\$5,718	\$5,872	6.6%
Facilities	\$605	\$698	\$697	15.3%
Support Services Contractors/Consulting	\$2,067	\$2,328	\$2,347	12.6%
Corporate Office	\$151	\$165	\$208	9.5%
Insurance	\$114	\$134	\$134	17.4%
Other	\$102	\$183	\$211	79.7%
Total	\$8,404	\$9,225	\$9,470	9.8%