



CONNECT for **HEALTH**
COLORADO®

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE

4600 South Ulster Street | Suite 300
Denver, CO 80237

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 3RD QUARTER FISCAL YEAR 2021

DATE: 4/23/2021

Key Performance Indicators	Status	YTD - 9 Months Ending 03.31.21		
		Actual	Target	% of Target
Effectuated Enrollment (average)		156,360	145,400	107.5%
Net Operating Margin	(1)	7.2%	4.2%	
Per Member Per Month (PMPM) - Carrier Fees		\$16.5	\$16.8	98.0%
Per Member Per Month (PMPM) - Operating Exp.		\$21.3	\$22.7	93.8%
Days Cash on Hand	(2)	118.1	120.0	98.4%
Working Capital Ratio	(3)	4.5	3.75	120.4%

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

(2) Based on FY21 budgeted daily operating expenses

(3) Current assets divided by current liabilities (target reflects budget - overall target is to exceed 2.0)

Financial Results (in 000's)	Status	YTD - 9 Months Ending 03.31.21		
		Actual	Budget	% of Budget
Revenues				
Program Revenue		7,497	7,504	99.9%
Carrier Fees		23,153	21,963	105.4%
Grant/Other Revenue		1,660	1,564	106.2%
Total Revenue		32,310	31,031	104.1%
Expenditures				
Technology		8,330	7,122	117.0%
Customer Service		9,631	9,539	101.0%
Personnel		7,492	7,914	94.7%
Marketing and Outreach		3,156	3,373	93.6%
Facilities		621	687	90.3%
Support Services		589	834	70.6%
Other		159	249	63.9%
Total Expenditures		29,977	29,718	100.9%
Earnings Before Depreciation		2,333	1,313	177.7%
Capital Expenditures		5,255	5,063	103.8%
Cash Flows		(3,403)	(1,132)	300.6%
Cash		11,690	13,960	83.7%
Working Capital		18,408	17,106	107.6%

Enrollment and earnings metrics through the 3rd quarter exceeded targets. Enrollment levels continue to exceed budgeted expectations as the result of the COVID special enrollment period in 2020 and the current uninsured special enrollment period allowing for enrollment outside of the normal Nov-January annual enrollment period.

Due in part to delays in receiving Medicaid reimbursements, the days cash on hand metric was slightly below the 120 day target. Subsequent to March 31 the expected quarterly payments were received. Overall there continues to be pressure on cash flows as the result of higher technology spending due to recent legislative actions at the federal and state levels.

Financial results through the 3rd quarter of fiscal year 2021 came in better than expected. For the 9 months ending March 31, overall earnings (excluding depreciation) were nearly \$2.3 million - exceeding budget expectations by \$1 million.

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

Revenue

Revenues exceeded the budget target for the 3rd quarter by \$1.3 million. Revenues from fees with issuers were higher as the result of enrollments being over 7% higher than budget expectations. Revenues for Medicaid reimbursements are estimated to be on target – this estimate will be revised upon finalization of the first 3 quarters cost allocation with HCPF.

Expenditures

Overall, operating expenses came in close to budget (\$259,000 lower) for the 9 month period. Combined technology operating and capital expenses came in \$1.4 million higher than the original budget. This overage was expected as part of the increased technology spending approved by the Board. All other expenses were running at or below the original budgeted expectations.

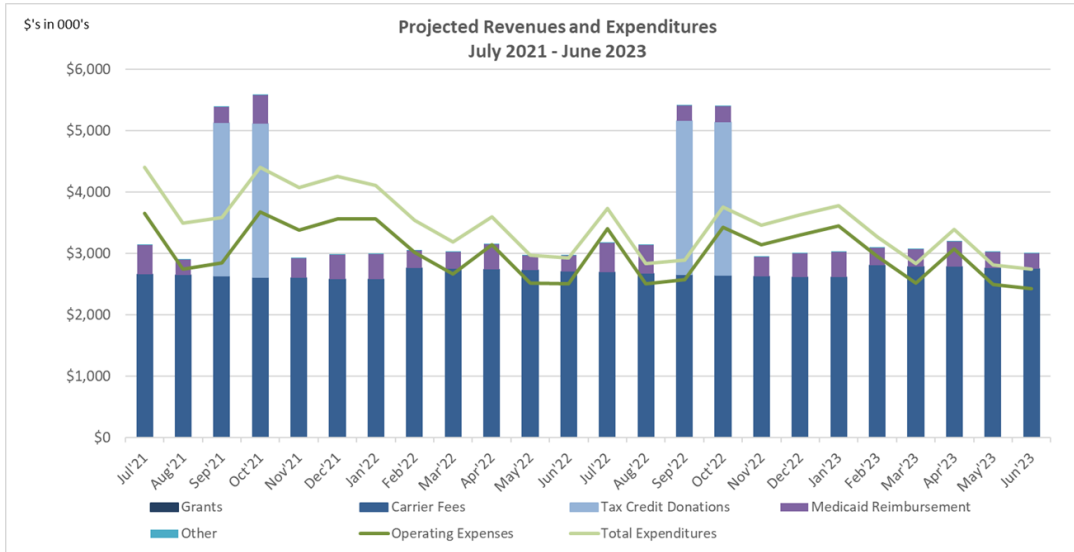
Cash

Due to receivable payment delays mentioned above, cash levels are below budgeted levels by \$2.3 million. Taking into account outstanding receivables, working capital is running \$1.3 million higher than forecasted levels. Excess cash is invested in a combination of money market and certificates of deposit. The average interest rate earned on these invested funds was .5% through March, lower than the budgeted earnings rate of 1%. This earnings rate on invested funds is expected to remain lower than budgeted levels for the remainder of the year.

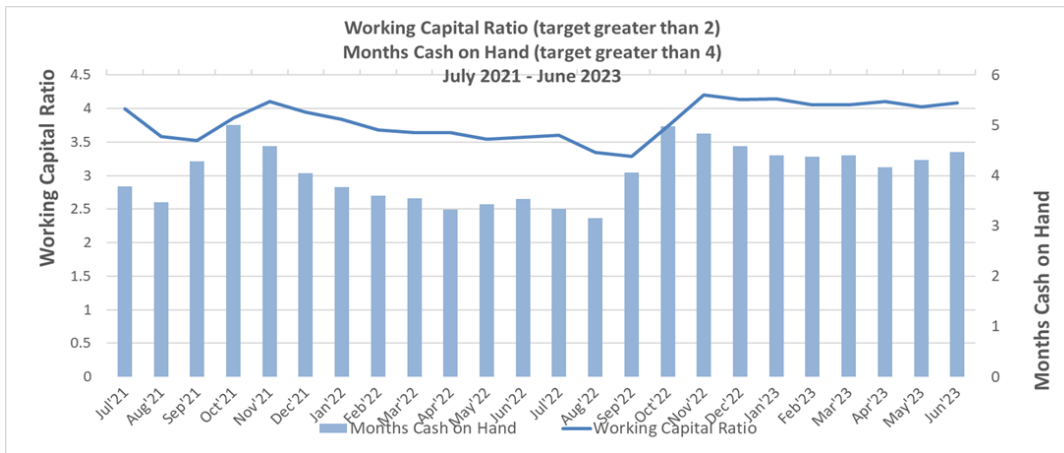
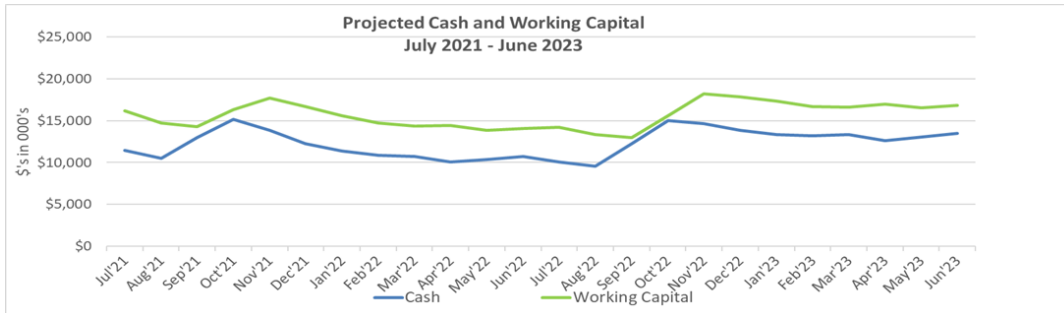
24 MONTH PROJECTIONS

Projections are rolled forward every quarter to reflect our best financial estimates for the next 24 months. For this quarterly report we are leveraging the FY 22 proposed baseline budget information for our 24 month projections. Overall, the proposed baseline budget for FY 22 targets earnings after depreciation to be positive. Cash measures for the 24 months remain tight due to the continued high level of technology investment going into FY 22. The baseline budget assumes enrollment levels stay modest and are not

significantly impacted by the American Rescue Plan. The 24 month projections below reflect the financial assumptions in the proposed baseline FY 22 budget and FY 23 forecast.



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 is forecasted to remain between \$10 and \$15 million for the 24 month period. Working capital – cash and accounts receivable less payables – reflects ability/buffer to cover immediate obligations – the baseline budget projects working capital in the range of \$14 to \$18 million. The 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 for the 24 month period from July 2021 to June 2023.

Statement of Revenues, Expenses, and Changes in Net Position

	FY 2021		
	9 months ending 03/31/21		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	23,124,227	21,945,315	1,178,912
Carrier Fee SHOP	-	-	-
Carrier Fee Vision	28,711	18,000	10,711
Grants	1,613,104	1,464,134	148,970
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	2,496,836	2,504,393	(7,557)
Interest Income	39,885	99,500	(59,615)
Other revenue	7,482	-	7,482
Total Revenue	32,310,245	31,031,342	1,278,903
EXPENSES			
Technology			
Maintenance & Operation	2,474,489	4,849,391	(2,374,902)
Software/Licenses/Subscriptions (Tech)	1,070,349	626,002	444,347
Hosting	1,598,825	1,443,550	155,275
DDI (Design, Dev., Implementation)	3,186,110	202,589	2,983,521
Total Technology	8,329,774	7,121,532	1,208,242
Customer Service			
Customer Service Support	5,375,782	4,127,256	1,248,526
Customer Service Infrastructure/Facility	3,096,281	4,339,384	(1,243,102)
Medical Assistance	1,158,630	1,072,614	86,016
Total Customer Service	9,630,693	9,539,254	91,439
Personnel			
Salaries & Wages - Other	5,383,865	5,514,366	(130,501)
Taxes and Benefits	2,108,216	2,399,692	(291,476)
Total Personnel	7,492,080	7,914,058	(421,977)
Marketing and Outreach			
Media Buys - Radio/TV/Web	1,273,880	1,271,051	2,829
Outreach Services-Events, Sponsorships	138,491	198,276	(59,785)
Marketing Services	52,396	214,172	(161,777)
Assistance Network	1,691,015	1,689,200	1,815
Total Marketing and Outreach	3,155,781	3,372,699	(216,918)
Facilities			
Occupancy	379,609	434,727	(55,118)
Supplies & Materials	11,526	23,967	(12,441)
Postage/Shipping	4,789	2,151	2,638
Printing/Copying/Shred	9,763	14,940	(5,177)
Phone/Internet	88,634	112,500	(23,866)
Equipment/Furniture and Fixture	126,441	99,090	27,351
Total Facilities	620,761	687,375	(66,614)
Support services			
Public Affairs Services	69,999	57,600	12,399
Professional Services	358,911	393,002	(34,091)
Training and Development	28,791	137,031	(108,239)
H/R Services	69,498	186,268	(116,770)
Legal Services	25,722	30,150	(4,428)
Audit Services	36,085	30,000	6,085
Total Support Services	589,006	834,051	(245,045)
Other			
Insurance	70,661	71,100	(439)
Conferences/Meetings	13,298	32,654	(19,356)
Memberships/Dues/Subscriptions (Non-Tech)	70,478	91,737	(21,259)
Travel/Meals/Lodging	1,466	53,124	(51,658)
Other - G&A	3,439	720	2,719
Total Other	159,343	249,335	(89,992)
Total Expenses	29,977,438	29,718,303	259,135
Net Income Before Depreciation	2,332,807	1,313,039	1,019,768
Depreciation	2,392,202	2,392,202	-
Net Income	(59,395)	(1,079,163)	1,019,768

Connect for Health Colorado Statement of Financial Position

	FY 2021 3/31/2021	
	Actual	Budget
Assets:		
Current assets:		
Cash and cash equivalents	11,689,526	13,960,100
Accounts receivable (net)	11,952,355	9,364,131
Prepaid expenses	1,512,139	1,589,978
Security deposits	43,787	55,448
Total Current assets:	<u>25,197,807</u>	<u>24,969,657</u>
Noncurrent assets:		
Long-term Prepaids	688,605	1,118,393
Investment in Subsidiary	25,000	
Capital assets:		
Web portal development	57,455,144	57,262,673
Software	19,154,275	19,154,275
Leasehold improvements	2,013,305	2,013,305
Office equipment	1,071,027	1,071,027
Furniture and fixtures	1,235,663	1,235,663
Less accumulated depreciation	<u>(66,443,154)</u>	<u>(65,889,921)</u>
Total Capital assets	<u>14,486,261</u>	<u>14,847,022</u>
Total Noncurrent assets:	<u>15,199,866</u>	<u>15,965,415</u>
Total Assets:	<u>40,397,673</u>	<u>40,935,071</u>
Liabilities and net position:		
Liabilities:		
Current liabilities:		
Accounts payable	1,656,283	3,311,164
Accrued liabilities	2,142,412	1,842,509
Payroll liabilities	1,434,866	1,064,160
Total Current liabilities:	<u>5,233,561</u>	<u>6,217,833</u>
Long-term liabilities:		
Deferred rent long term	145,566	134,048
Total Long-term liabilities:	<u>145,566</u>	<u>134,048</u>
Total Liabilities:	<u>5,379,126</u>	<u>6,351,881</u>
Net position:		
Unrestricted	<u>35,018,546</u>	<u>34,583,190</u>
Total Net position:	<u>35,018,546</u>	<u>34,583,190</u>
Total liabilities and net position:	<u>40,397,673</u>	<u>40,935,071</u>