

Fiscal Year 2022 Budget Update

Connect for Health Colorado Finance and Operations Committee
July 26, 2021



Recent Events Impacting the Budget

Subsequent to approval of the original fiscal year 2022 budget in May, a number of events have occurred impacting the budget:

- State Exchange Modernization Grant Program (CMS) – Federal funds were made available, partly in response to required technology changes due the new subsidy structure in the American Rescue Plan Act, to state based exchanges to “enable Exchanges to modernize or update any system, program, or technology utilized by such Exchange to ensure such Exchange is compliant with all applicable requirements”. Funding is anticipated to be \$1,333,333. C4HCO submitted the grant application on July 19, 2021.
- Statements of work were entered into with the State through the Health Insurance Affordability Enterprise “for implementation costs and consumer enrollment, outreach, and education activities regarding health care coverage” as stipulated in SB 20-215. Funding for technology implementation related to the HIAE programs totaled \$1,400,000. Funding for outreach activities related to the program totaled \$1,130,000. All funds will be used in FY 22.
- Higher enrollments due to American Rescue Plan Act. At the time of the original budget the impacts of the ARPA were difficult to estimate. Based on increased enrollment levels experienced during the current ARP open enrollment period we increased average enrollments for the fiscal year by 5%

Fiscal Year 2022 Budget Change Request

With this increased funding we are requesting the following increases in budgeted expenditures. This increased spending is due in part to specific requirements in the Federal and State funding received.

The total FY 2022 budget increase request is **\$5,134,000**. These new expenditures are offset by increases in revenues of \$4,706,000 resulting from additional federal and state funding and higher enrollments due to the American Rescue Plan Act's increased subsidies. The shortfall between the new revenues and proposed expenditures will be funded by a higher level of cash/working capital than what was anticipated at the end of fiscal year 2021. The combined result of these changes is the cash balance at the end of FY 2022 is projected to be \$1.8 million higher than what was anticipated in the original budget. The following is a breakdown of the budget change request:

- Increase technology (operations & capex) and related support expenditures by \$3,816,000.
- Increase service center costs by \$188,000 – this is for increased fulfillment/noticing costs as the result of more accurate historical volume data from our new vendor and the expected increase in noticing from the Easy Enrollment rollout in early 2022.
- Increase Marketing and Outreach costs by \$1,130,000 – in accordance with the HIAE funding deliverables.

More detail is provided on subsequent pages related to the increase technology and outreach costs.

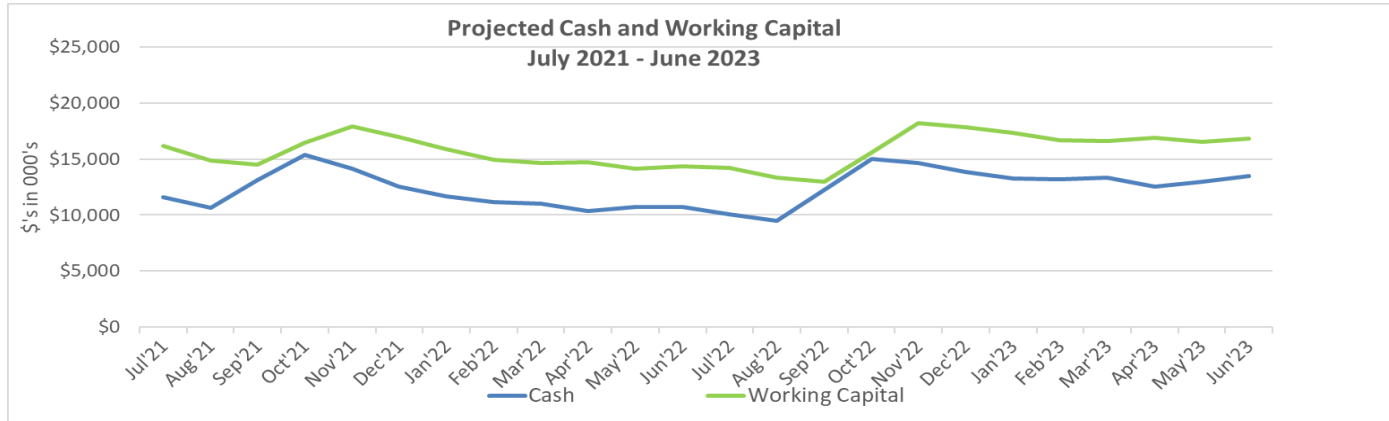
Updated FY 22 Budget and FY 23 Projection Comparison to Original Budget

\$'s in 000's

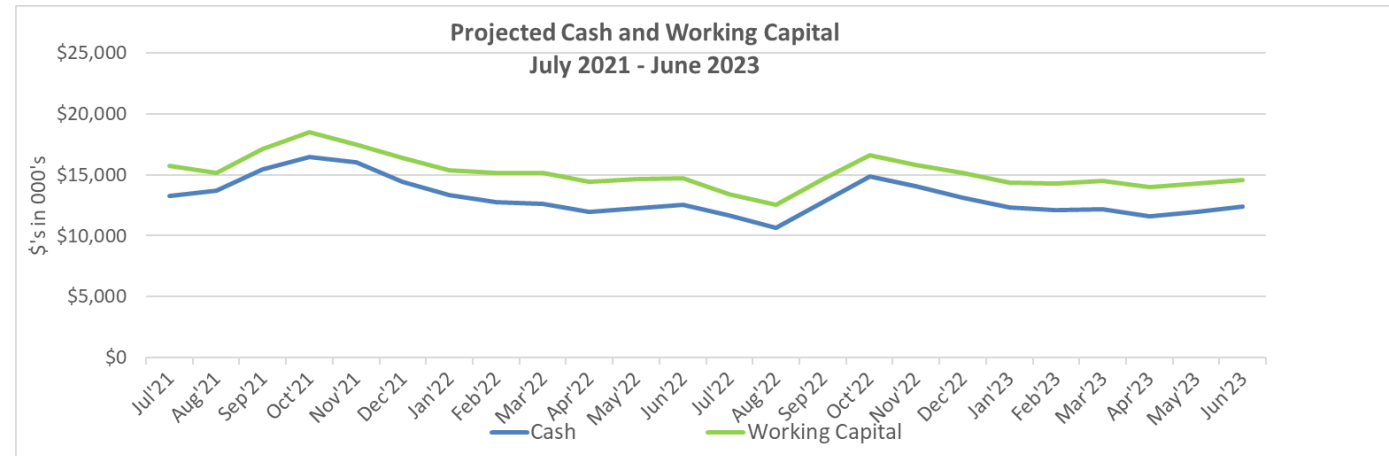
| | FY 2022 Budget | | | FY 2023 Projection | | |
|---------------------------------------|----------------|---------------|---------------------------------------|--------------------|---------------|---|
| | Original | Updated | Fiscal Year 2022 Budget Changes | Original | Updated | Fiscal Year 2023 Projection Changes |
| Revenues | | | | | | |
| Carrier Fees | 32,013 | 33,608 | 1,594 | 32,430 | 34,841 | 2,411 |
| Tax Credit Donations | 5,000 | 5,000 | - | 5,000 | 5,000 | - |
| HIAE | | 2,530 | 2,530 | | - | - |
| ARP | | 1,111 | 1,111 | | 222 | 222 |
| Cost Reimbursements | 3,997 | 3,468 | (529) | 4,082 | 3,460 | (623) |
| Interest/Other | 36 | 36 | - | 36 | 36 | - |
| Total Revenue | 41,046 | 45,753 | 4,706 | 41,548 | 43,559 | 2,011 |
| Operating Expenses | | | | | | |
| Technology & Operations | 11,789 | 13,952 | 2,162 | 9,585 | 11,621 | 2,036 |
| Customer Service | 10,124 | 10,312 | 188 | 10,026 | 10,214 | 188 |
| Marketing and Outreach | 6,143 | 7,269 | 1,127 | 6,198 | 6,194 | (4) |
| Support Services | 9,214 | 9,525 | 311 | 9,470 | 9,502 | 32 |
| Total Operating Expenses | 37,270 | 41,058 | 3,788 | 35,279 | 37,531 | 2,252 |
| Net Income Before Depreciation | 3,777 | 4,695 | 918 | 6,269 | 6,028 | (242) |
| Depreciation | 3,648 | 3,703 | 55 | 4,414 | 4,866 | 452 |
| Net Profit/Loss | 129 | 992 | 863 | 1,856 | 1,162 | (694) |
| Capital Expenditures | 7,136 | 8,482 | 1,346 | 3,899 | 5,943 | 2,044 |
| Ending Cash Balance | 10,699 | 12,527 | 1,828 | 13,503 | 12,421 | (1,083) |

Cash/Working Capital Projections Original Vs Updated

Original Budget



Updated Budget



- Average cash levels are higher in the updated budget for fiscal year 2022.
- Working capital is slightly lower in the updated projections primarily due to a recent policy to increasing turn around time on carrier fee payments – more in line with industry standards
- Working capital and cash are slightly lower in year 2 due to an assumption that higher technology spending will continue into the first half of the fiscal year.

Technology Budget Increase

The increase in technology and related support expenditures of \$3,816,000 consists of the following items:

- Additional in-house technology staffing to support new projects and continue transition to building in-house subject matter expertise – total add of 15 staff in 2nd quarter of FY 22 – **\$1.5 million**
- Temporary increase/extension of technology contractors to support new development activities - **\$2.1 million**
- Increase in hosting/support costs **\$200,000**

The following pages contain an updated list of the projects anticipated to be funded in FY 2022.

Estimated Technology Project Costs (July 2021-June 2022)

| Projects Planned through June 2022 | Estimated Cost for FY2022 |
|---|---------------------------|
| 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. | \$1,500,000 |
| HIAE Phase 1 - Implement technology updates to facilitate access to and enrollment in a state subsidy for a subset of exchange customers. | \$700,000 |
| 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 - Compare plans, APTC slider, provider search and Spanish translation | \$500,000 |
| Replacement of Mulesoft Middleware - Identify and replace API services currently in MuleSoft product. Results in costs savings to C4 | \$750,000 |
| HIAE Phase 2* - Implement technology updates to facilitate access to and enrollment in 2 nd phase of state subsidies per the HIAE legislation | \$1,500,000 |

Estimated Technology Project Costs (July 2021-June 2022) (Continued)

| Projects Planned through June 2022 | Estimated Cost for FY2022 |
|---|---------------------------|
| Enhanced Decision Support Tool and Colorado Connect Integration * – Development of a robust decision support tool that will allow customers to compare on and off exchange offerings and educate consumers on options available to them. Tool will integrate into both Exchange and Colorado Connect product offerings and enrollment tools. (new project) | \$1,500,000 |
| Renewals Enhancements * – Improvements to the renewals process and customer experience and noticing for 1/1/23 effective dates. (new project) | \$750,000 |
| Standardized Plans * – Updates to shopping portal and supporting plan management process to accommodate standardized plans for 2023. (new project) | \$300,000 |
| Additional Development Projects - (to be prioritized – 30+ projects on list) | \$1,250,000 |
| Total Estimated Project Costs - FY 2022 | \$9,750,000 |

Marketing and Outreach Budget Increase

The increase in Marketing and Outreach expenditures of \$1,130,000 (funded by HIAE contract) consists of the following items:

- Marketing/Outreach - funding for ad buy/campaign outreach to the uninsured
 - \$250k English Media
 - \$300k Latinx Bilingual Media
 - \$100k Reserved for Open Enrollment HIAE promotion

- Assistance Network - Expanding Outreach and Enrollment services by focusing on staff count across the state
 - \$350k awarded to vetted CBO's with strong experience with community outreach/education
 - 13 Orgs applied
 - One-time funding Awards of \$5k-\$30k
 - Focus on Community outreach/education, local marketing, expanded capacity for enrollment assistance