



CONNECT for HEALTH
COLORADO®

4600 South Ulster Street | Suite 300
Denver, CO 80237

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 2ND QUARTER FISCAL YEAR 2022

DATE: 1/20/2022

| Key Performance Indicators | Status | YTD - 6 Months Ending 12.31.21 | | |
|--|--------|--------------------------------|---------|-------------|
| | | Actual | Target | % of Target |
| Effectuated Enrollment (average) | | 165,830 | 166,086 | 99.8% |
| Net Operating Margin | (1) | 18.2% | 13.8% | |
| Per Member Per Month (PMPM) - Carrier Fees | | \$16.2 | \$16.3 | 99.6% |
| Per Member Per Month (PMPM) - Operating Expenses | (2) | \$19.1 | \$20.3 | 94.1% |
| Days Cash on Hand | | 157.0 | 120.0 | 130.8% |
| Working Capital Ratio | (3) | 4.2 | 3.9 | 106.6% |

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

(2) Net of Medicaid reimbursed expenses

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

Key metrics through the 2nd quarter were within expectations. Net operating margin exceeded expectations due to lower operating expenses. Overall, cash and working capital metrics are exceeding targets.

| Financial Results (in 000's) | Status | YTD - 6 Months Ending 12.31.21 | | |
|-------------------------------------|--------|--------------------------------|---------------|---------------|
| | | Actual | Budget | % of Budget |
| Revenues | | | | |
| Program Revenue | | 6,896 | 6,896 | 100.0% |
| Carrier Fees | | 16,149 | 16,241 | 99.4% |
| Grant/Other Revenue | | 2,483 | 2,492 | 99.6% |
| Total Revenue | | 25,528 | 25,629 | 99.6% |
| Expenditures | | | | |
| Technology | | 5,117 | 5,556 | 92.1% |
| Customer Service | | 4,961 | 5,378 | 92.2% |
| Personnel | | 6,038 | 6,221 | 97.1% |
| Marketing and Outreach | | 3,563 | 3,727 | 95.6% |
| Facilities | | 429 | 442 | 97.0% |
| Support Services | | 645 | 628 | 102.7% |
| Other | | 128 | 147 | 87.1% |
| Total Expenditures | | 20,880 | 22,100 | 94.5% |
| Earnings Before Depreciation | | 4,647 | 3,529 | 131.7% |
| Earnings After Depreciation | | 2,522 | 1,815 | 139.0% |
| Capital Expenditures | | 2,891 | 4,222 | 68.5% |
| Cash Flows | | 3,323 | 1,133 | 293.2% |
| Cash | | 15,699 | 14,397 | 109.1% |
| Working Capital | | 20,614 | 17,129 | 120.3% |

Financial results through the first 6 months of the fiscal year exceeded the budgeted expectations with overall earnings coming in nearly \$700,000 better than budget (\$2.5 million compared to \$1.8 million budgeted). These higher earnings were primarily the result of lower expenditures for the period – further discussed below.

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

Revenue

Revenues were \$100,000 below expectations for the 6 month period driven primarily by slightly lower than expected enrollment levels.

Expenditures

Overall, total expenditures (operating and capital) were \$2.5 million under budget for the 6 months. The primary drivers behind these lower expenses were lower technology and service center expenses than what was anticipated in the budget. Technology costs made up \$1.6 million of the budget variance. These lower expenses reflect the tightness of the technology employment market which resulted in delays in getting to budgeted resource levels. These challenges lessened some in the 2nd quarter. While still working towards the goal of insourcing key technology resources, management is expecting to rely on contractors to fill the resource shortfalls.

Service center costs were considerably under budget for the period (\$400,000) primarily the result of lower open enrollment call volumes and associated staffing costs.

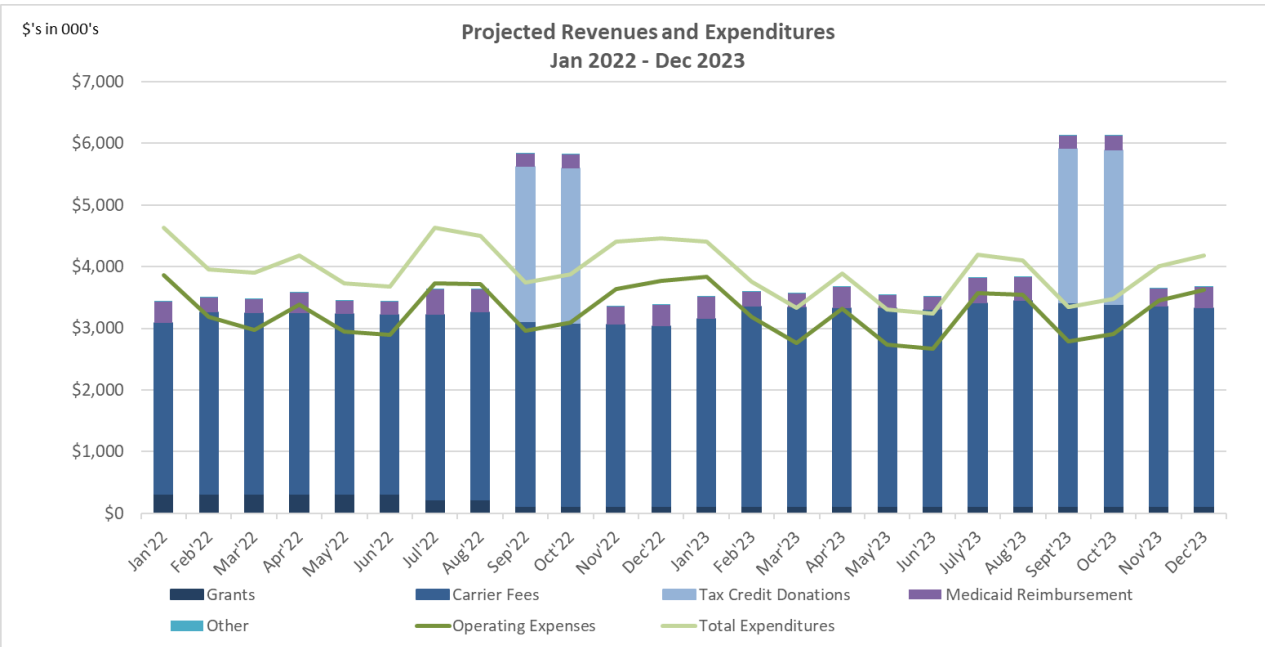
Cash

Cash balances of \$15.7 million exceeded budget targets by \$1.3 million at December 31. Due in part to higher outstanding receivables than forecasted, working capital is running \$3.5 million higher than expected levels. As the result of recent changes in banking relationships, cash balances are currently being held in depository accounts and investment options are being evaluated given the changing interest rate conditions.

PROJECTIONS

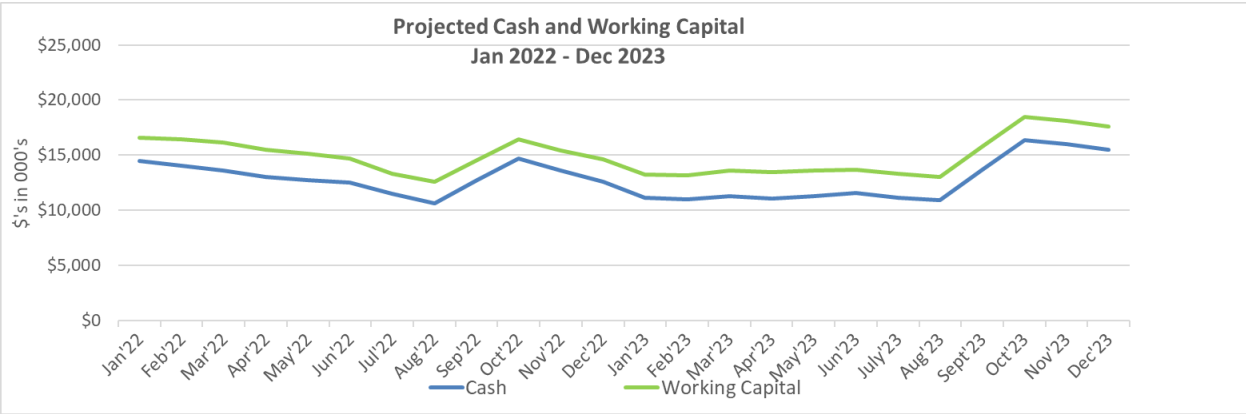
As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long- range financial projections. Open Enrollment plan submissions for plan year 2022 are tracking close to budgeted projections resulting in no changes to the remainder of the current fiscal year revenue projections. Expenses were increased in our projections to reflect higher technology expenses expected in 2023 due to the delays in resourcing in the first 6 months of the fiscal year. Beyond the current fiscal year, we have assumed for projection purposes a 10% increase in carrier fee revenues and a reduced level of continued funding for the Health Insurance Affordability Enterprise program.

The result of these changes to the projections are reflected in the graphs below.

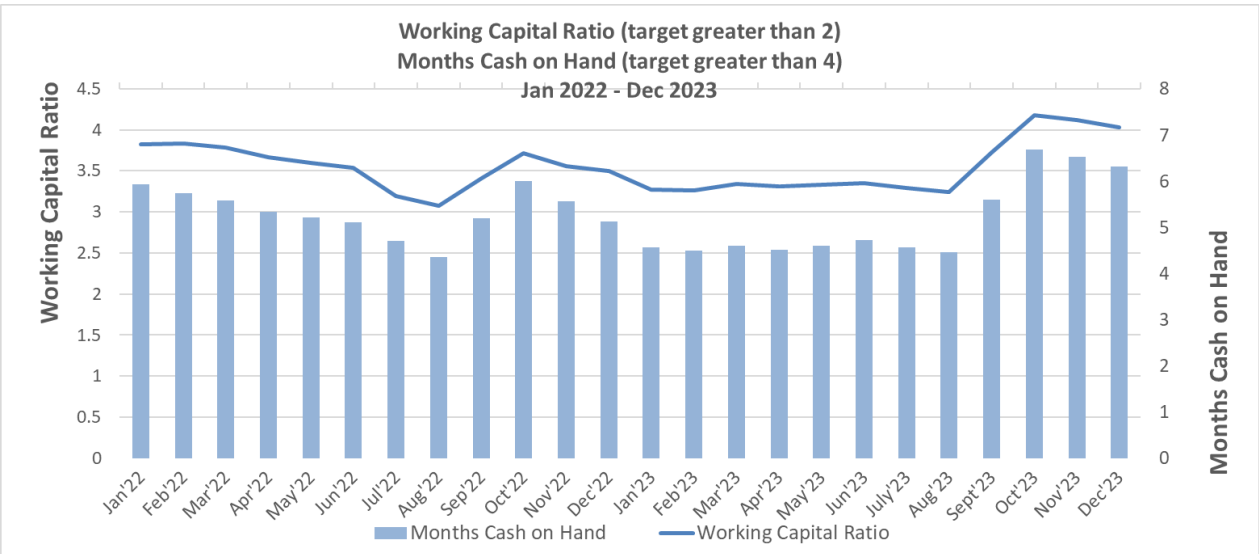


The revenue and expenditure projections show a continued higher level of total expenditures (light green line) for the next 12 months due to the increased level of technology development work. Through the improvements gained by the technology modernization effort and reduced software development activity in the future, expenditures are forecasted to drop to a more sustainable level in 2023.

Cash is forecasted to remain between \$10 and \$16 million for the 24 month period (blue line in graph below). Working capital – cash and accounts receivable less payables – reflects ability/buffer to cover immediate obligations – the projections show working capital in the range of \$14 to \$18 million.



The working capital ratio (shown as the blue line in the graph below) is the ratio of cash & accounts receivable to payables – industry standard is to exceed a ratio of 2. The forecasted range is 3.2 to 4.2. Months cash on hand measures the number of months of operating expenses the cash balance will cover. Target is 4 months or more. Current projection is 4 to 6.5 for the 24 month period from January 2022 to December 2023.



Connect for Health Colorado
Statement of Revenues, Expenses, and Changes in Net Position

| | FY 2022 | | |
|---|--------------------------|-------------------|---------------------|
| | 6 months ending 12/31/21 | | |
| | Actual | Budget | Actual vs Budget |
| REVENUE | | | |
| Carrier Fee - Individual | 16,129,838 | 16,228,675 | (98,837) |
| Carrier Fee SHOP | - | - | - |
| Carrier Fee Vision | 19,482 | 12,000 | 7,482 |
| ARP Grant | 444,332 | 444,332 | - |
| HIAE Grant - Technology | 900,000 | 900,000 | - |
| HIAE Grant - Outreach | 1,130,000 | 1,130,000 | - |
| Tax Credit Donations | 5,000,000 | 5,000,000 | - |
| Medicaid Cost Reimbursement | 1,896,051 | 1,896,051 | 0 |
| Interest Income | 179 | 18,000 | (17,821) |
| Other revenue | 8,007 | - | 8,007 |
| Total Revenue | 25,527,889 | 25,629,058 | (101,169) |
| EXPENSES | | | |
| Technology | | | |
| Maintenance & Operation | 1,257,475 | 1,329,957 | (72,481) |
| Software/Licenses/Subscriptions (Tech) | 825,267 | 834,768 | (9,501) |
| Hosting | 719,681 | 684,978 | 34,703 |
| DDI (Design, Dev., Implementation) | 4,839,691 | 5,631,433 | (791,743) |
| Capitalized DDI | (2,525,034) | (2,924,697) | 399,663 |
| Total Technology | 5,117,080 | 5,556,439 | (439,359) |
| Customer Service | | | |
| Customer Service Support | 2,265,502 | 2,780,777 | (515,275) |
| Member Services | 2,006,119 | 1,859,450 | 146,669 |
| Medical Assistance | 689,019 | 738,209 | (49,190) |
| Total Customer Service | 4,960,641 | 5,378,436 | (417,795) |
| Personnel | | | |
| Salaries & Wages - Other | 4,738,720 | 5,569,761 | (831,041) |
| Taxes and Benefits | 1,665,512 | 2,046,636 | (381,124) |
| Capitalized Salaries | (366,419) | (1,395,550) | 1,029,132 |
| Total Personnel | 6,037,814 | 6,220,847 | (183,033) |
| Marketing and Outreach | | | |
| Media Buys - Radio/TV/Web | 1,761,524 | 1,430,000 | 331,524 |
| Outreach Services-Events, Sponsorships | 150,905 | 132,502 | 18,403 |
| Marketing Services | 32,273 | 80,004 | (47,731) |
| Assistance Network | 1,618,091 | 2,084,086 | (465,995) |
| Total Marketing and Outreach | 3,562,793 | 3,726,592 | (163,799) |
| Facilities | | | |
| Occupancy | 251,334 | 278,708 | (27,374) |
| Supplies & Materials | 14,660 | 8,907 | 5,753 |
| Postage/Shipping | 820 | 4,452 | (3,632) |
| Printing/Copying/Shred | 6,564 | 6,541 | 23 |
| Phone/Internet | 62,547 | 60,222 | 2,325 |
| Equipment/Furniture and Fixture | 92,845 | 83,403 | 9,442 |
| Total Facilities | 428,770 | 442,233 | (13,463) |
| Support services | | | |
| Public Affairs Services | 53,000 | 50,998 | 2,002 |
| Professional Services | 260,294 | 369,320 | (109,026) |
| Training and Development | 11,949 | 112,744 | (100,795) |
| H/R Services | 291,216 | 40,754 | 250,462 |
| Legal Services | 212 | 12,450 | (12,239) |
| Audit Services | 28,340 | 42,000 | (13,660) |
| Total Support Services | 645,010 | 628,266 | 16,744 |
| Other | | | |
| Insurance | 49,092 | 56,250 | (7,158) |
| Conferences/Meetings | 13,019 | 25,750 | (12,731) |
| Memberships/Dues/Subscriptions (Non-Tech) | 50,914 | 58,752 | (7,838) |
| Travel/Meals/Lodging | 12,136 | 4,198 | 7,938 |
| Other - G&A | 3,203 | 2,400 | 803 |
| Total Other | 128,363 | 147,350 | (18,987) |
| Total Expenses | 20,880,471 | 22,100,163 | (1,219,692) |
| Net Income Before Depreciation | 4,647,418 | 3,528,895 | 1,118,523 |
| Depreciation | 2,125,748 | 1,714,225 | 411,522 |
| Net Income | 2,521,671 | 1,814,670 | 707,001 |

Connect for Health Colorado

Statement of Financial Position

| | FY 2022 | |
|--|--------------------------|--------------------------|
| | 12/31/2021 | |
| | Actual | Budget |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | 15,699,432 | 14,396,541 |
| Accounts receivable (net) | 11,436,960 | 8,632,637 |
| Prepaid expenses | 1,581,691 | 1,874,952 |
| Security deposits | 43,787 | 43,787 |
| Total Current assets: | <u>28,761,871</u> | <u>24,947,917</u> |
| Noncurrent assets: | | |
| Investment in Subsidiary | (13,518) | 25,000 |
| Capital assets: | | |
| Web portal development | 61,793,717 | 63,124,324 |
| Software | 19,154,275 | 19,154,275 |
| Leasehold improvements | 2,013,305 | 2,013,305 |
| Office equipment | 1,163,977 | 1,163,977 |
| Furniture and fixtures | 1,235,663 | 1,235,663 |
| Less accumulated depreciation | (69,701,272) | (69,589,253) |
| Total Capital assets | <u>15,659,665</u> | <u>17,102,291</u> |
| Total Noncurrent assets: | <u>15,646,147</u> | <u>17,127,291</u> |
| Total Assets: | <u>44,408,018</u> | <u>42,075,208</u> |
| Liabilities and net position: | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 2,477,509 | 2,503,815 |
| Accrued liabilities | 2,728,237 | 1,942,509 |
| Payroll liabilities | 1,317,125 | 1,453,391 |
| Total Current liabilities: | <u>6,522,871</u> | <u>5,899,715</u> |
| Long-term liabilities: | | |
| Deferred rent long term | 107,653 | 134,108 |
| Total Long-term liabilities: | <u>107,653</u> | <u>134,108</u> |
| Total Liabilities: | <u>6,630,524</u> | <u>6,033,823</u> |
| Net position: | | |
| Unrestricted | 37,777,494 | 36,041,385 |
| Total Net position: | <u>37,777,494</u> | <u>36,041,385</u> |
| Total liabilities and net position: | <u>44,408,018</u> | <u>42,075,208</u> |