

Fiscal Year 2023 Budget Preliminary Discussion

Finance and Operations Committee

March 28, 2022



Fiscal Year 2023* Budget Process

- Initial C4HCO staff input collected (Feb/March)
- Preliminary budget forecasts prepared (March)
- Preliminary budget discussion at March 28th Finance and Operations Committee
- Refinement of revenue and expenditure budgets (April)
- Budget presentation at May 2nd Finance and Operations Committee
- Refinements made per Finance and Operations Committee comments
- Budget presentation at May 9 Board of Directors Meeting (pending recommendation from Committee)
- If needed, May 23 Finance and Operations Committee meeting and June 13 Board of Directors Meeting to finalize budget.

*Fiscal Year 2023 period = July 2022 – June 2023

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Current Budgeting Uncertainties

- American Rescue Plan (ARP) enrollment and expenditure impacts
 - Extension beyond plan year 2022 is uncertain
 - Potential negative impact on enrollments of 10-15%
 - Technology cost for changing subsidies back to prior levels

- Health Insurance Affordability Fee Enterprise enrollment and expenditure impacts
 - Phase 2 enrollments (qualified individuals – non ACA) open enrollment starts November 2022
 - Subsidies available for up to 9,100 individuals
 - Uncertainty regarding first year enrollment levels
 - Significant costs associated with the technology development and outreach

- Easy E Enrollment Impact – 1st year of program underway, original estimate of 1,000 enrollments based on Maryland's experience. Expect most enrollments to come through in April.
- Impact of new State public option proposed legislation – too early to determine impacts.
- Impact of end of Public Health Emergency – timing and enrollment impacts uncertain
- 2022 legislation impacts still to be determined

Enrollment Forecasting Scenarios

Scenario – Low

- American Rescue Plan subsidies are **not extended** beyond 2022 plan year (**15% reduction** in enrollments over 2022 levels).
- Tax Time enrollments come in at original projections of **1,000 new enrollments** in 2022 and 750 new enrollments in 2023
- End of Public Health Emergency – August 2022 end spread over 12 months resulting in total new enrollments of **3,000** over the 12 months.
- Health Insurance Affordability Enterprise phase 2 enrollments for 2023 estimated to be **1,500**.
- Average premiums between 2022 and 2023 stay flat standardized plan impact counters inflation

Scenario – Mid

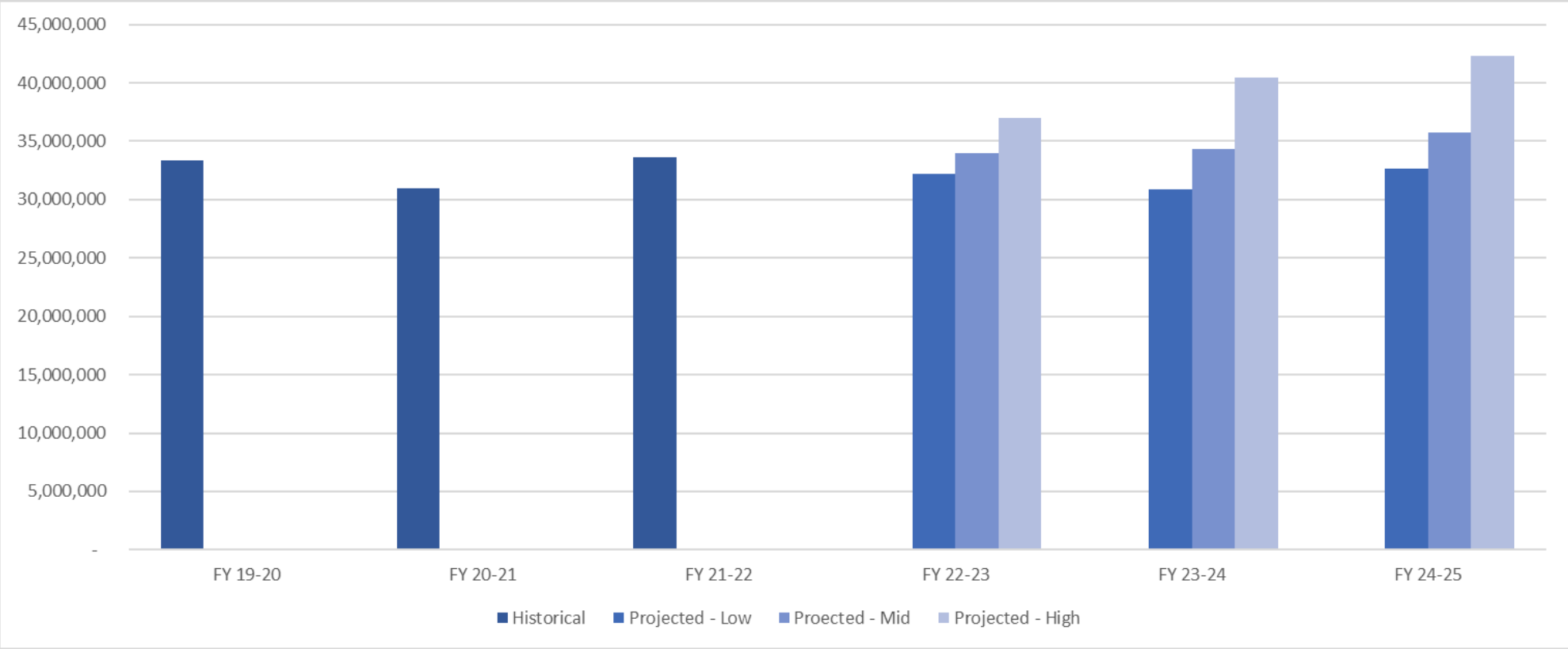
- American Rescue Plan subsidies are **not extended** beyond 2022 plan year (**10% reduction** in enrollments over 2022 levels).
- Tax Time enrollments come in higher than original projections - **1,500 new enrollments** in 2022 and 1000 new enrollments in 2023
- End of Public Health Emergency – August 2022 end spread over 12 months resulting in total new enrollments of **6,000** over the 12 months.
- Health Insurance Affordability Enterprise phase 2 enrollments for 2023 estimated to be **3,000**.
- Average premiums between 2022 and 2023 increase **2.5%** – standardized plan impact counters inflation

Forecasting Scenarios

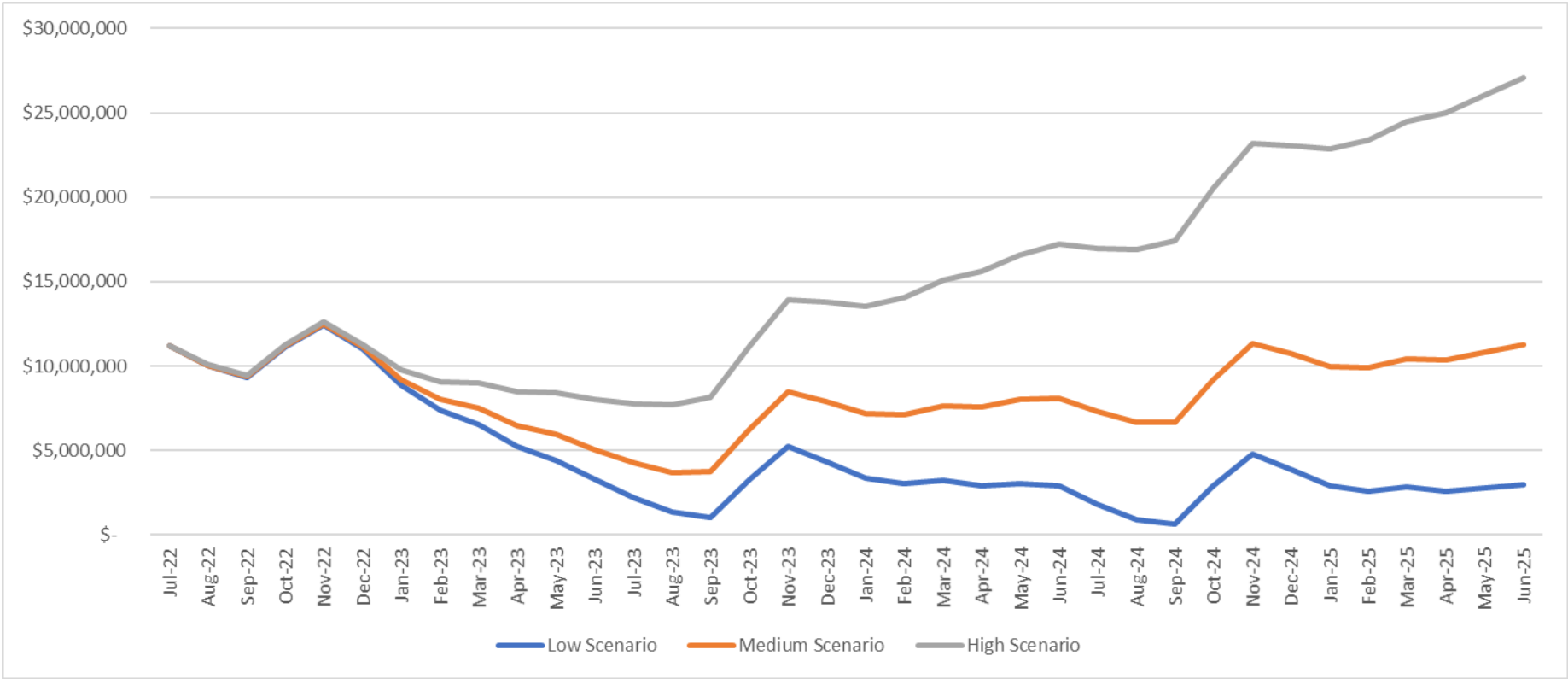
Scenario – High

- American Rescue Plan subsidies are **extended** beyond 2022 plan year.
- Tax Time enrollments come in higher than original projections – **2,000** new enrollments in 2022 and 1,500 new enrollments in 2023
- End of Public Health Emergency – August 2022 end spread over 12 months resulting in total new enrollments of **10,000** over the 12 months.
- Health Insurance Affordability Enterprise phase 2 enrollments for 2023 estimated to be **5,000** .
- Average premiums between 2022 and 2023 increase **5%**

Issuer Fee Revenue by Scenario



Cash Balances by Scenario



Projected cash based on each scenarios enrollment assumptions less overall targeted expenditure level that results in annual breakeven under the low scenario in fiscal year 24 and 25.



Preliminary Observations

- Low scenario and mid scenario require some level of additional funding or more expense reductions in FY 23 to meet minimal cash requirements.
- FY 23 assumes a continuation of significant technology investments to support HIAE implementation and compliance related projects.
- FY 24 and 25 cash projections for all 3 scenarios forces expenditure levels to match projected revenue streams under the low scenario. This results in significantly lower expenditures levels than the previous 3 years of average annual expenditures.
- Only the high scenario allows for sufficient future cash flows to support the building of capital reserves for future infrastructure development needs beyond maintenance and operations.

Further Expenditures Analysis to be Conducted

- With the completion of the legacy replacement project at the start of the next fiscal year we will be refining our estimates of expenditure levels dedicated to the maintenance and operations of the new platform.
- In addition, we will be refining the estimates of the ongoing cost of maintaining the separate platform created to support HIAE non-ACA enrollments via Colorado Connect.
- Costs associated with supporting the HIAE program – both technology implementation and outreach costs.
- Refining of customer service costs based on current discussions with service center vendor.
- Determining service center technology costs related to supporting HIAE customers.
- Other internal/support service costs will be examined to determine potential for delaying costs until enrollment levels can be predicted.