

**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 4TH QUARTER FY 2022 (PRELIMINARY)

**DATE:** 7/21/2022

**OVERVIEW (12 months ending 6/30/22)**

| Key Performance Indicators                       | Status | YTD - 12 Months Ending 6.30.22 |         |             |
|--|--------|--------------------------------|---------|-------------|
|  |        | Actual                         | Target  | % of Target |
| Effectuated Enrollment (average)                 |        | 172,715                        | 172,445 | 100.2%      |
| Net Operating Margin                             | (1)    | 13.2%                          | 10.3%   |             |
| Per Member Per Month (PMPM) - Carrier Fees       |        | \$16.4                         | \$16.2  | 101.0%      |
| Per Member Per Month (PMPM) - Operating Expenses | (2)    | \$17.6                         | \$18.2  | 97.1%       |
| Days Cash on Hand                                |        | 139.1                          | 120.0   | 115.9%      |
| Working Capital Ratio                            | (3)    | 4.2                            | 3.5     | 118.9%      |

(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)

KPI's met or exceeded expectations for the year with the net operating margin coming in 3 percentage points higher than the target.

| Financial Results (in 000's)        | Status | YTD - 12 Months Ending 6.30.22 |               |               |
|-------------------------------------|--------|--------------------------------|---------------|---------------|
|                                     |        | Actual                         | Budget        | % of Budget   |
| <b>Revenues</b>                     |        |                                |               |               |
| Program Revenue                     |        | 8,390                          | 8,468         | 99.1%         |
| Carrier Fees                        |        | 34,010                         | 33,608        | 101.2%        |
| Grant/Other Revenue                 |        | 3,651                          | 3,677         | 99.3%         |
| <b>Total Revenue</b>                |        | <b>46,051</b>                  | <b>45,753</b> | <b>100.7%</b> |
| <b>Expenditures</b>                 |        |                                |               |               |
| Technology                          |        | 9,909                          | 10,209        | 97.1%         |
| Customer Service                    |        | 9,321                          | 10,313        | 90.4%         |
| Personnel                           |        | 13,187                         | 12,813        | 102.9%        |
| Marketing and Outreach              |        | 5,301                          | 5,428         | 97.7%         |
| Facilities                          |        | 822                            | 896           | 91.7%         |
| Support Services                    |        | 1,154                          | 1,073         | 107.6%        |
| Other                               |        | 270                            | 326           | 82.8%         |
| <b>Total Expenditures</b>           |        | <b>39,964</b>                  | <b>41,058</b> | <b>97.3%</b>  |
| <b>Earnings Before Depreciation</b> |        | <b>6,087</b>                   | <b>4,695</b>  | <b>129.7%</b> |
| <b>Earnings After Depreciation</b>  |        | <b>1,735</b>                   | <b>992</b>    | <b>174.9%</b> |
| Capital Expenditures                |        | 7,242                          | 8,096         | 89.4%         |
| Cash Flows                          |        | 1,537                          | (736)         | -208.8%       |
| Cash                                |        | 13,913                         | 12,527        | 111.1%        |
| Working Capital                     |        | 17,586                         | 14,744        | 119.3%        |

The organization finished the year exceeding its overall financial goals. For the fiscal year, earnings from operations (before depreciation) exceeded budget by \$1.4 million. The largest drivers of this variance for the year were lower customer service expenditures.

Detailed financial statements are attached to this memo. Since this is year-end, additional pre-audit reconciliations will be performed on the accounting records which may result in some movement in the preliminary financial results being reported at this time. The following are high level explanations of budget to actual variances.

### **Revenue**

Overall, revenues were close to budgeted expectations coming in \$300,000 higher than budget. Revenues from fees with issuers were slightly higher (1.2% higher than budget). Program revenues, including Medicaid expense reimbursements and issuer donations were slightly below budget as were other revenues that included the federal ARP grant proceeds and the health insurance affordability fee enterprise funding from the State. These revenue variances were small.

### **Expenditures**

Total expenditures (operating and capital) for the year were \$1.9 million lower than budgeted levels. A significant portion of the underage (\$1 million) was due to savings in our customer service center operations through a combination of lower call volumes and restructuring of operations in conjunction with our contractor. We saw a similar level of underage in our technology expenditures primarily due to difficulties in the first half of the year in finding resources due to the tight labor market. Personnel expenses were slightly higher than expected but when you take out the impacts of capitalizing wages (which show up in our capital expenditures) personnel expenses were below budget. Support services were higher than budget by nearly 8% due primarily to higher staff recruiting costs.

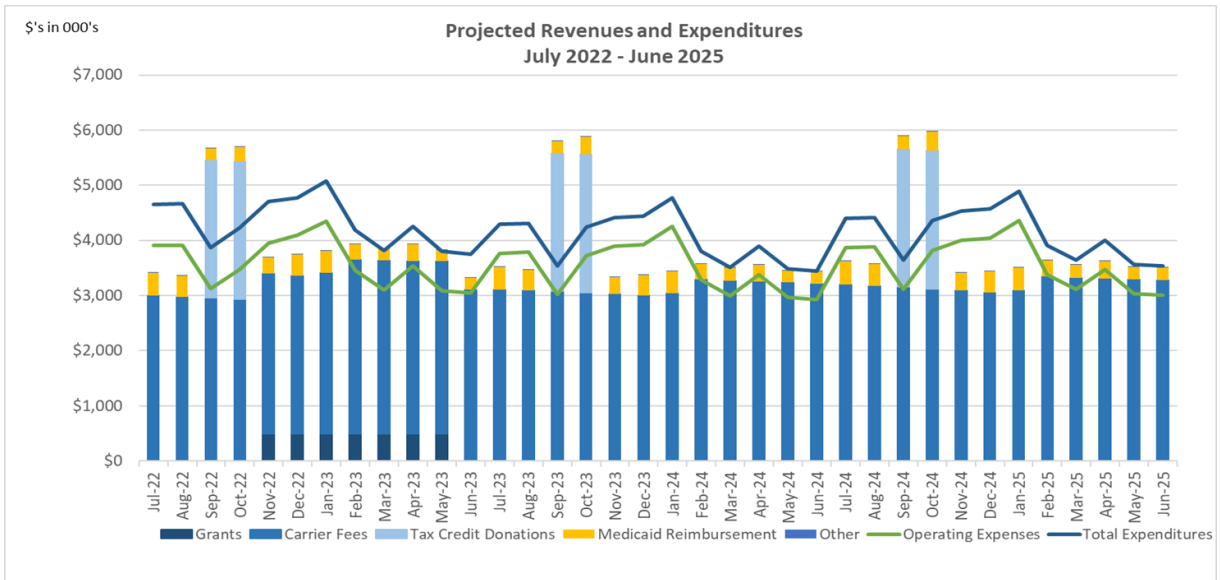
### **Cash**

Cash came in higher than expected for the end of the year by \$1.4 million (\$13.9 million) reflecting the lower expenditures levels. The cash metric of days cash on hand slightly exceeded the target (139 days vs 120 days). Given the elevated investment in technology going into the next fiscal year we expect to see continued pressure on our cash position. Overall, our working capital (current assets less liabilities) is exceeding target and well exceeds industry norms. This reflects our ability to cover our current expenditures with our cash and receivables.

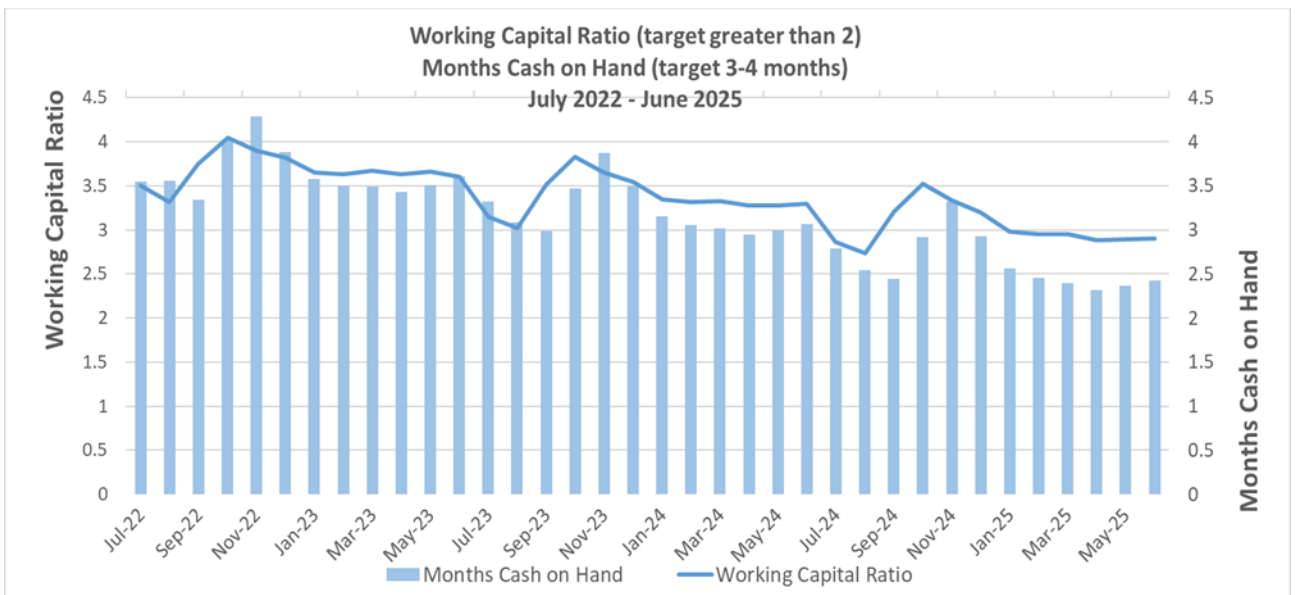
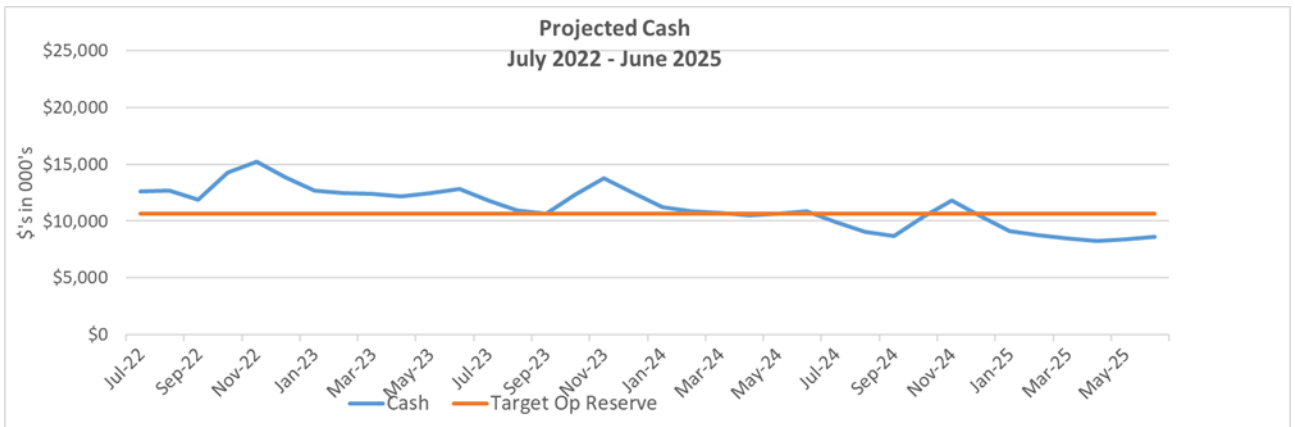
Excess cash is currently residing in money market funds and short-term U.S. treasuries. We have seen a recent uptick in rates on treasuries (over 1% on 30 day t-bills) that warrants moving out of a strictly cash position. We are in the process of evaluating longer term maturities along with the use of investment advisory services. We will report back to the Committee on our findings.

### **36 MONTH PROJECTIONS**

No significant changes have occurred since the approval of the fiscal year 2023 budget. We are still awaiting the federal actions on extending the American Rescue Plan at which time we will be updating our projections and possibly budget. Below are our 36 months projections for the period covering July 1, 2022 thru June 30, 2025. We will continue to revise these projections as newer information becomes available.



No change at this time in our cash projection and working capital that were shared as part of the budget approval process.



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

|   | FY 2022                  |                   |                     |
|---|--------------------------|-------------------|---------------------|
|   | 12 months ending 6/30/22 |                   |                     |
|   | Actual                   | Budget            | Actual vs<br>Budget |
| <b>REVENUE</b>                            |                          |                   |                     |
| Carrier Fee - Individual                  | 33,960,065               | 33,583,514        | 376,551             |
| Carrier Fee SHOP                          | -                        | -                 | -                   |
| Carrier Fee Vision                        | 49,511                   | 24,000            | 25,511              |
| ARP Grant                                 | 1,107,393                | 1,110,833         | (3,440)             |
| HIAE Grant - Technology                   | 1,400,000                | 1,400,000         | -                   |
| HIAE Grant - Outreach                     | 1,130,000                | 1,130,000         | -                   |
| Tax Credit Donations                      | 5,000,000                | 5,000,000         | -                   |
| Medicaid Cost Reimbursement               | 3,389,952                | 3,468,406         | (78,454)            |
| Interest Income                           | 452                      | 36,000            | (35,548)            |
| Other revenue                             | 13,503                   | -                 | 13,503              |
| <b>Total Revenue</b>                      | <b>46,050,876</b>        | <b>45,752,753</b> | <b>298,123</b>      |
| <b>EXPENSES</b>                           |                          |                   |                     |
| <b>Technology</b>                         |                          |                   |                     |
| Maintenance & Operation                   | 2,665,420                | 2,661,500         | 3,920               |
| Software/Licenses/Subscriptions (Tech)    | 1,653,457                | 1,657,929         | (4,472)             |
| Hosting                                   | 1,480,369                | 1,519,956         | (39,587)            |
| DDI (Design, Dev., Implementation)        | 10,248,724               | 9,518,977         | 729,747             |
| Capitalized DDI                           | (6,139,131)              | (5,149,233)       | (989,898)           |
| <b>Total Technology</b>                   | <b>9,908,840</b>         | <b>10,209,129</b> | <b>(300,289)</b>    |
| <b>Customer Service</b>                   |                          |                   |                     |
| Customer Service Support                  | 4,220,719                | 5,105,921         | (885,202)           |
| Member Services                           | 3,800,593                | 3,655,631         | 144,962             |
| Medical Assistance                        | 1,299,668                | 1,551,560         | (251,892)           |
| <b>Total Customer Service</b>             | <b>9,320,980</b>         | <b>10,313,112</b> | <b>(992,132)</b>    |
| <b>Personnel</b>                          |                          |                   |                     |
| Salaries & Wages - Other                  | 10,513,063               | 11,822,179        | (1,309,116)         |
| Taxes and Benefits                        | 3,770,914                | 4,323,325         | (552,411)           |
| Capitalized Salaries                      | (1,097,212)              | (3,332,938)       | 2,235,726           |
| <b>Total Personnel</b>                    | <b>13,186,764</b>        | <b>12,812,566</b> | <b>374,198</b>      |
| <b>Marketing and Outreach</b>             |                          |                   |                     |
| Media Buys - Radio/TV/Web                 | 2,505,673                | 2,105,000         | 400,673             |
| Outreach Services-Events, Sponsorships    | 201,229                  | 195,004           | 6,225               |
| Marketing Services                        | 52,185                   | 160,012           | (107,827)           |
| Assistance Network                        | 2,541,783                | 2,968,172         | (426,389)           |
| <b>Total Marketing and Outreach</b>       | <b>5,300,870</b>         | <b>5,428,188</b>  | <b>(127,318)</b>    |
| <b>Facilities</b>                         |                          |                   |                     |
| Occupancy                                 | 505,511                  | 566,364           | (60,853)            |
| Supplies & Materials                      | 20,250                   | 17,814            | 2,436               |
| Postage/Shipping                          | 2,435                    | 8,900             | (6,465)             |
| Printing/Copying/Shred                    | 13,390                   | 15,366            | (1,976)             |
| Phone/Internet                            | 104,839                  | 120,444           | (15,605)            |
| Equipment/Furniture and Fixture           | 175,298                  | 166,806           | 8,492               |
| <b>Total Facilities</b>                   | <b>821,722</b>           | <b>895,694</b>    | <b>(73,972)</b>     |
| <b>Support services</b>                   |                          |                   |                     |
| Public Affairs Services                   | 91,000                   | 88,996            | 2,004               |
| Professional Services                     | 478,211                  | 588,650           | (110,439)           |
| Training and Development                  | 25,184                   | 224,088           | (198,904)           |
| H/R Services                              | 486,771                  | 75,604            | 411,167             |
| Legal Services                            | 5,172                    | 24,900            | (19,729)            |
| Audit Services                            | 67,955                   | 71,000            | (3,045)             |
| <b>Total Support Services</b>             | <b>1,154,292</b>         | <b>1,073,238</b>  | <b>81,054</b>       |
| <b>Other</b>                              |                          |                   |                     |
| Insurance                                 | 115,243                  | 112,500           | 2,743               |
| Conferences/Meetings                      | 14,269                   | 41,450            | (27,181)            |
| Memberships/Dues/Subscriptions (Non-Tech) | 102,397                  | 117,512           | (15,115)            |
| Travel/Meals/Lodging                      | 31,590                   | 49,896            | (18,306)            |
| Other - G&A                               | 6,555                    | 4,800             | 1,755               |
| <b>Total Other</b>                        | <b>270,053</b>           | <b>326,158</b>    | <b>(56,105)</b>     |
| <b>Total Expenses</b>                     | <b>39,963,521</b>        | <b>41,058,085</b> | <b>(1,094,564)</b>  |
| <b>Net Income Before Depreciation</b>     | <b>6,087,355</b>         | <b>4,694,668</b>  | <b>1,392,687</b>    |
| Depreciation                              | 4,352,531                | 3,702,621         | 649,910             |
| <b>Net Income</b>                         | <b>1,734,824</b>         | <b>992,047</b>    | <b>742,777</b>      |

## Connect for Health Colorado Statement of Financial Position

|  | FY 2022<br>6/30/2022     |                          |                         |
|--|--------------------------|--------------------------|-------------------------|
|  | Actual                   | Budget                   | Actual vs<br>Budget     |
| <b>Assets:</b>                             |                          |                          |                         |
| Current assets:                            |                          |                          |                         |
| Cash and cash equivalents                  | 13,913,347               | 12,527,221               | 1,386,126               |
| Accounts receivable (net)                  | 9,155,805                | 8,023,092                | 1,132,713               |
| Prepaid expenses                           | 1,670,377                | 1,264,217                | 406,160                 |
| Security deposits                          | 43,787                   | 43,787                   | (0)                     |
| Total Current assets:                      | <u>24,783,316</u>        | <u>21,858,317</u>        | <u>2,924,999</u>        |
| Noncurrent assets:                         |                          |                          |                         |
| Investment in Subsidiary                   | (13,518)                 | 25,000                   |                         |
| Capital assets:                            |                          |                          |                         |
| Web portal development                     | 66,138,608               | 66,998,210               | (859,602)               |
| Software                                   | 19,154,275               | 19,154,275               | 0                       |
| Leasehold improvements                     | 2,013,305                | 2,013,305                | 0                       |
| Office equipment                           | 1,163,977                | 1,163,977                | (0)                     |
| Furniture and fixtures                     | 1,241,043                | 1,235,663                | 5,380                   |
| Less accumulated depreciation              | (71,928,056)             | (71,278,146)             | (649,910)               |
| Total Capital assets                       | <u>17,783,152</u>        | <u>19,287,284</u>        | <u>(1,504,133)</u>      |
| Total Noncurrent assets:                   | <u>17,769,634</u>        | <u>19,312,284</u>        | <u>(1,504,133)</u>      |
| <b>Total Assets:</b>                       | <b><u>42,552,950</u></b> | <b><u>41,170,601</u></b> | <b><u>1,382,349</u></b> |
| <b>Liabilities and net position:</b>       |                          |                          |                         |
| Liabilities:                               |                          |                          |                         |
| Current liabilities:                       |                          |                          |                         |
| Accounts payable                           | 1,610,093                | 2,410,360                | (800,267)               |
| Accrued liabilities                        | 2,512,420                | 1,942,509                | 569,911                 |
| Payroll liabilities                        | 1,360,764                | 1,453,391                | (92,627)                |
| Total Current liabilities:                 | <u>5,483,277</u>         | <u>5,806,260</u>         | <u>(322,983)</u>        |
| Long-term liabilities:                     |                          |                          |                         |
| Deferred rent long term                    | 79,026                   | 134,108                  | (55,082)                |
| Total Long-term liabilities:               | <u>79,026</u>            | <u>134,108</u>           | <u>(55,082)</u>         |
| Total Liabilities:                         | <u>5,562,303</u>         | <u>5,940,368</u>         | <u>(378,065)</u>        |
| Net position:                              |                          |                          |                         |
| Unrestricted                               | 36,990,647               | 35,230,234               | 1,760,413               |
| Total Net position:                        | <u>36,990,647</u>        | <u>35,230,234</u>        | <u>1,760,413</u>        |
| <b>Total liabilities and net position:</b> | <b><u>42,552,950</u></b> | <b><u>41,170,602</u></b> | <b><u>1,382,348</u></b> |