

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 1ST QUARTER FISCAL YEAR 2023

DATE: 10/20/2022

Key Performance Indicators	Status	YTD - 3 Months Ending 9.30.22		
		Actual	Target	% of Target
Effectuated Enrollment (average)		181,026	178,700	101.3%
Net Operating Margin	(1)	21.7%	18.7%	
Per Member Per Month (PMPM) - Carrier Fees		\$16.2	\$16.7	97.0%
Per Member Per Month (PMPM) - Operating Expenses	(2)	\$15.9	\$17.0	93.6%
Days Cash on Hand		120.0	120.0	100.0%
Working Capital Ratio	(3)	4.3	4.6	94.4%

(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)

Average enrollment levels for the quarter were slightly above targeted levels. The positive revenue impact of these higher enrollments was offset by lower than anticipated per member carrier fees.

Financial Results (in 000's)	Status	YTD - 3 Months Ending 9.30.22		
		Actual	Budget	% of Budget
Revenues				
Program Revenue		3,500	3,505	99.9%
Carrier Fees		8,783	8,938	98.3%
Grant/Other Revenue		25	6	422.2%
Total Revenue		12,308	12,449	98.9%
Expenditures				
Technology		4,181	3,896	107.3%
Customer Service		1,832	2,037	89.9%
Personnel		4,317	4,654	92.8%
Marketing and Outreach		934	1,043	89.5%
Facilities		249	252	98.5%
Support Services		218	389	56.1%
Other		86	100	86.1%
Total Expenditures		11,816	12,372	95.5%
Capital Expenditures		(2,179)	(2,256)	96.6%
Earnings Before Depreciation		2,670	2,332	114.5%
Earnings After Depreciation		1,540	1,484	103.8%
Cash Flows		(113)	(917)	
Cash		13,800	11,879	116.2%
Working Capital		19,033	17,074	111.5%

The 1st quarter of the fiscal year is usually the most profitable quarter given the influx of tax credit donations along with lower operating expenses during the quarter compared to open enrollment quarters. The actual results for the quarter exceeded the budgeted expectations with overall earnings coming in nearly 15% better than budget (\$2.7 million compared to \$2.3 million budgeted). These higher earnings were the result of lower expenditures for the quarter – 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 slightly (\$141,000) below expectations for the 1st quarter. The lower overall revenues were driven by lower per member issuer fees than anticipated in the budget. This was offset some by higher enrollments.

Expenditures

Overall, expenditures came in under budget for the quarter by \$556,000. The primary drivers behind these lower expenses included savings from staffing efficiencies in the service center operations \$200,000. Other positive variances were in the outreach and support services which are expected to be timing differences between the budget and actual expenditures. We expect to see some of the expenses budgeted in this quarter coming in subsequent quarters. Technology expenditures were running over budget by nearly \$300,000 due to the use of more contractors than anticipated. This overage was countered by lower personnel expenditures than budgeted by a similar amount.

Cash

Cash came in higher than forecasted levels for the quarter by nearly \$2 million at \$13.8 million. This is attributable to lower expenditures for the quarter and the estimated beginning of the year cash in the budget being lower than the actual year-end balance.

The cash metric of days cash on hand was on target at 120 days. 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.

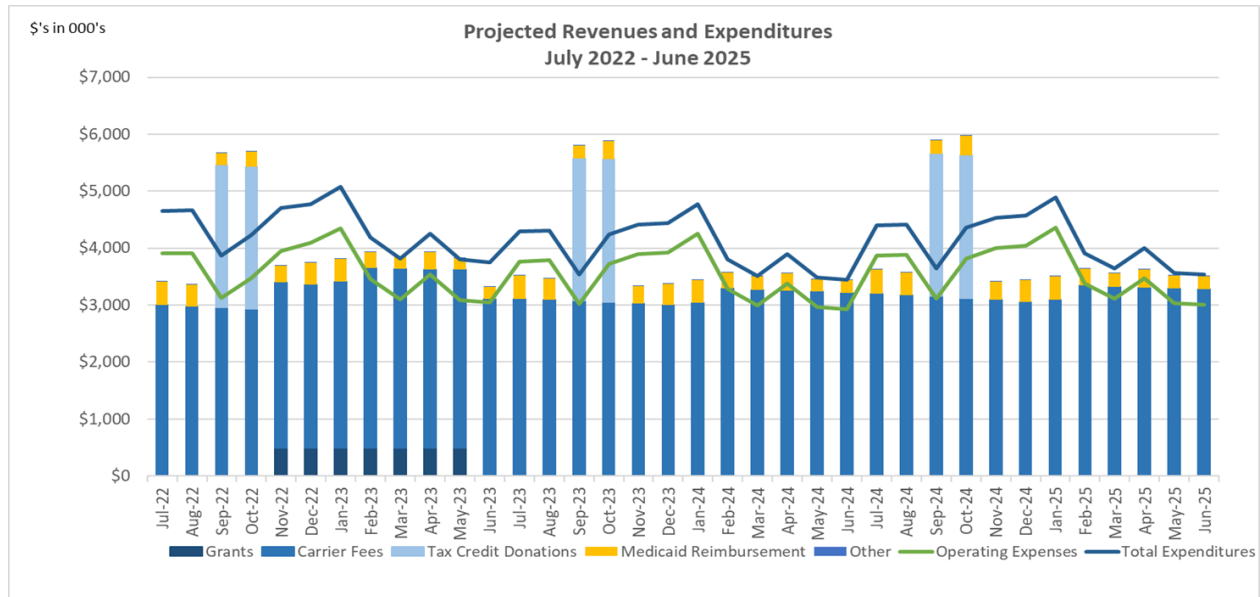
Cash during the quarter was in a combination of operating bank accounts, short-term treasuries and money market accounts. Short-term rates increased dramatically during the quarter resulting in higher expected interest income for the quarter. Short-term treasuries yielded over 2% during the quarter. With higher interest earnings available, the finance team is focusing on having our excess cash invested. This includes the planned movement of cash to a liquid investment pool in the 2nd qtr.

PROJECTIONS

As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long- range financial projections. Enrollments so far have not fluctuated enough to adjust our projections from the budget established in June. We will have a better picture of 2023 plan year enrollments after the 2nd quarter

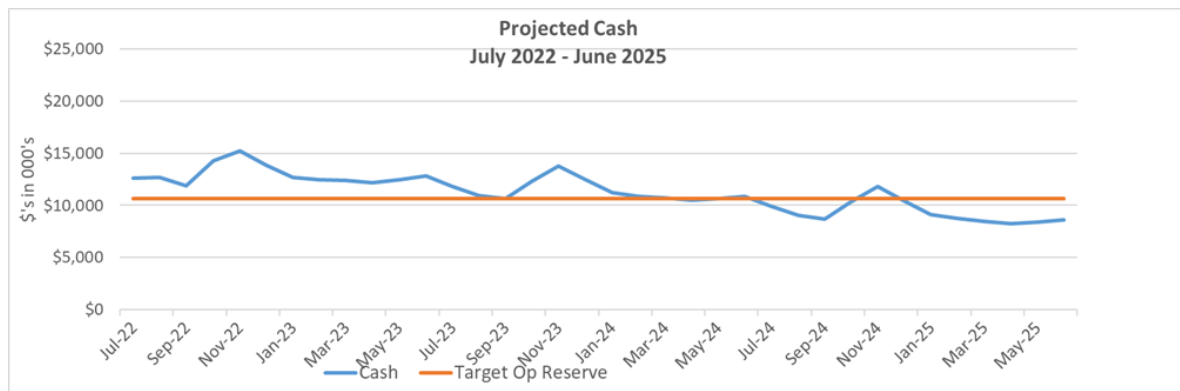
and will revise revenue projections accordingly. With the exiting of Bright Health from the market we will be focusing on those impacted customers to enroll them in a comparable plan with our other carriers to alleviate the risk of a loss in enrollments in 2023.

While expenses for the first quarter were below budget, we will be reforecasting expenditures during 2nd qtr to determine if any of the savings will continue into the future quarters. The organization is also currently going through an analysis of projects for the remainder of this year and next fiscal year that may result in revisions to future projections.

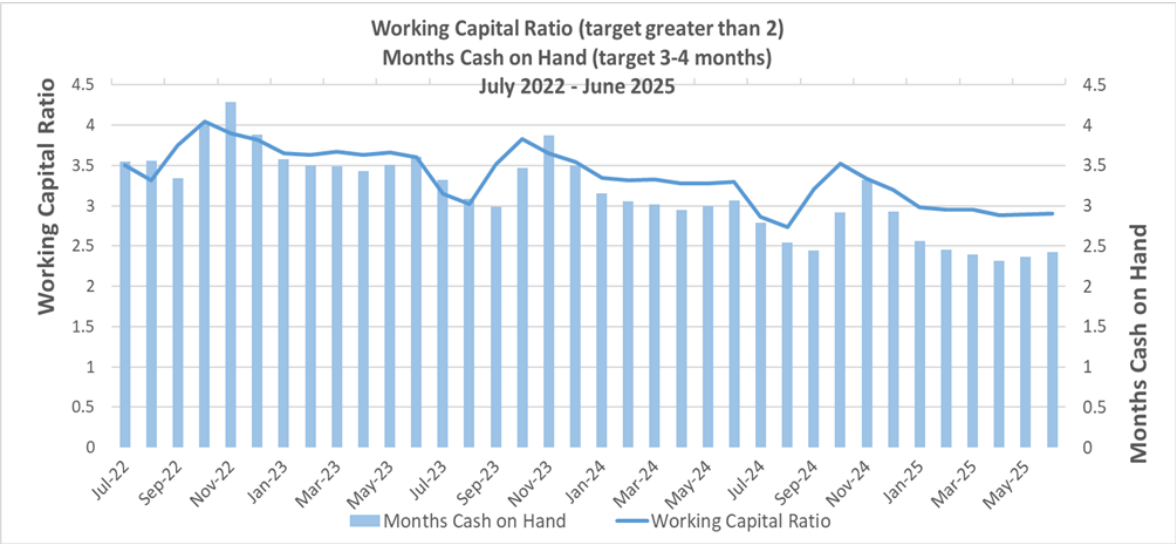


The projection above shows a continued higher level of capital expenditures for the current fiscal year (difference between the green and blue lines) due to the increased level of technology development work. Through the improvements gained by the technology modernization effort and reduced software development activity in the future, expenditures are forecasted to drop to a sustainable level in FY 24 and 25.

As discussed in the FY23 budget presentation, cash is forecasted to drop below targets in future years. The organization will be focusing attention on rebuilding cash levels and to start building reserves over the next 3 years.



The working capital ratio (shown as the blue line in the graph below) is the ratio of cash & accounts receivable to payables – target is to exceed a ratio of 2. The forecasted range is 2.8 to 4.0 over the next 3 years. While we remain above the industry benchmark of 2.0, the decrease in the ratio over the 3 years will be addressed as part of the rebuilding of cash reserves. Months cash on hand measures the number of months of operating expenses the cash balance will cover. Current target is 4 months. Our projections show the measure to vary from 2.4 to 4.5 for the next 3 years.



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

	FY 2023		
	3 months ending 9/30/22		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	8,771,804	8,925,013	(153,209)
Carrier Fee Vision	10,921	12,600	(1,679)
Tax Credit Donations	2,500,000	2,500,000	-
Medicaid Cost Reimbursement	1,000,000	1,005,143	(5,143)
Interest Income	21,480	6,000	15,480
Other revenue	3,854	-	3,854
Total Revenue	12,308,058	12,448,756	(140,698)
EXPENSES			
Technology			
Maintenance & Operation	596,416	1,501,523	(905,107)
Software/Licenses/Subscriptions (Tech)	500,860	434,523	66,337
Hosting	317,981	446,739	(128,758)
DDI (Design, Dev., Implementation)	2,765,509	1,513,599	1,251,910
Capitalized DDI	(1,815,093)	(1,290,360)	(524,733)
Total Technology	2,365,672	2,606,024	(240,352)
Customer Service			
Customer Operations - external	830,805	616,650	214,155
Customer Operations - internal	1,001,035	1,420,823	(419,788)
Total Customer Service	1,831,840	2,037,473	(205,633)
Personnel			
Salaries & Wages - Other	3,247,955	3,446,136	(198,181)
Taxes and Benefits	1,068,677	1,207,590	(138,913)
Capitalized Salaries	(363,458)	(965,234)	601,776
Total Personnel	3,953,174	3,688,492	264,681
Marketing and Outreach			
Media Buys - Radio/TV/Web	112,727	71,500	41,227
Outreach Services-Events, Sponsorships	52,195	71,250	(19,055)
Marketing Services	9,092	50,610	(41,518)
Assistance Network	760,267	850,000	(89,733)
Total Marketing and Outreach	934,281	1,043,360	(109,079)
Facilities			
Occupancy	173,379	175,005	(1,626)
Supplies & Materials	1,786	5,553	(3,767)
Postage/Shipping	621	938	(317)
Printing/Copying/Shred	3,227	3,260	(33)
Phone/Internet	16,111	18,265	(2,154)
Equipment/Furniture and Fixture	53,583	49,474	4,110
Total Facilities	248,707	252,494	(3,787)
Support services			
Public Affairs Services	28,000	18,999	9,001
Professional Services	110,581	200,950	(90,369)
Training and Development	5,542	64,671	(59,130)
H/R Services	50,756	69,832	(19,076)
Legal Services	108	2,500	(2,392)
Audit Services	23,300	32,000	(8,700)
Total Support Services	218,287	388,952	(170,665)
Other			
Insurance	29,879	30,500	(622)
Conferences/Meetings	5,445	16,234	(10,789)
Memberships/Dues/Subscriptions (Non-Tech)	29,467	31,361	(1,895)
Travel/Meals/Lodging	20,900	19,570	1,330
Other - G&A	124	2,001	(1,877)
Total Other	85,814	99,667	(13,853)
Total Operating Expenses	9,637,775	10,116,462	(478,688)
Net Income Before Depreciation	2,670,283	2,332,294	337,990
Depreciation	1,130,415	848,379	282,037
Net Income	1,539,868	1,483,915	55,953

Connect for Health Colorado Statement of Financial Position

	FY 2023 9/30/2022	
	Actual	Budget
Assets:		
Current assets:		
Cash and cash equivalents	13,800,393	11,878,949
Accounts receivable (net)	10,942,132	9,952,070
Prepaid expenses	1,330,201	1,830,976
Security deposits	43,787	43,787
Total Current assets:	26,116,512	23,705,782
Noncurrent assets:		
Investment in Subsidiary	(32,958)	(13,518)
Capital assets:		
Web portal development	68,078,673	67,400,301
Software	19,154,275	19,154,275
Leasehold improvements	2,013,305	2,013,305
Office equipment	2,068,909	1,163,977
Furniture and fixtures	1,241,043	1,241,043
Less accumulated depreciation	(72,924,627)	(72,434,833)
Total Capital assets	19,631,579	18,538,069
Total Noncurrent assets:	19,598,621	18,524,551
Total Assets:	45,715,133	42,230,333
Liabilities and net position:		
Liabilities:		
Current liabilities:		
Accounts payable	1,957,496	1,814,068
Accrued liabilities	2,591,896	1,942,509
Payroll liabilities	1,160,444	1,000,000
Total Current liabilities:	5,709,836	4,756,577
Long-term liabilities:		
Lease Payable	962,322	79,453
Total Long-term liabilities:	962,322	79,453
Total Liabilities:	6,672,158	4,836,030
Net position:		
Unrestricted	39,042,976	37,394,302
Total Net position:	39,042,976	37,394,302
Total liabilities and net position:	45,715,133	42,230,332