



**CONNECT** for **HEALTH**  
COLORADO®

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**TO:** CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE  
**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER  
**SUBJECT:** QUARTERLY FINANCIAL REPORT 2ND QUARTER FISCAL YEAR 2023  
**DATE:** 1/19/2023

Key Performance Indicators	Status	YTD - 6 Months Ending 12.31.22		
		Actual	Target	% of Target
Effectuated Enrollment (average)		178,800	176,192	101.5%
Net Operating Margin	(1)	22.0%	15.8%	
Per Member Per Month (PMPM) - Carrier Fees		\$16.1	\$16.7	96.8%
Per Member Per Month (PMPM) - Operating Expenses	(2)	\$17.9	\$20.0	89.5%
Days Cash on Hand		125.5	120.0	104.6%
Working Capital Ratio	(3)	4.2	3.9	107.8%

(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 12.31.22		
		Actual	Budget	% of Budget
<b>Revenues</b>				
Program Revenue		7,109	6,916	102.8%
Carrier Fees		17,309	17,629	98.2%
Grant/Other Revenue		2,979	2,902	102.7%
<b>Total Revenue</b>		<b>27,397</b>	<b>27,447</b>	<b>99.8%</b>
<b>Expenditures</b>				
Technology		7,992	7,745	103.2%
Customer Service		4,564	5,379	84.8%
Personnel		8,700	9,352	93.0%
Marketing and Outreach		3,265	3,455	94.5%
Facilities		514	507	101.4%
Support Services		508	918	55.3%
Other		152	191	79.5%
<b>Total Expenditures</b>		<b>25,695</b>	<b>27,549</b>	<b>93.3%</b>
Capital Expenditures		(4,339)	(4,444)	97.6%
<b>Earnings Before Depreciation</b>		<b>6,041</b>	<b>4,342</b>	<b>139.1%</b>
<b>Earnings After Depreciation</b>		<b>3,734</b>	<b>2,316</b>	<b>161.2%</b>
Cash Flows		522	1,178	44.3%
Cash		14,435	13,974	103.3%
Working Capital		19,693	15,431	127.6%

Financial results through the first 6 months of the fiscal year exceeded the budgeted expectations with overall earnings before depreciation coming in \$1.7 million better than budget (\$6 million compared to \$4.3 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 slightly below (\$50,000) budgeted levels for the 6 month period driven primarily by lower average premium levels.

### **Expenditures**

Overall, total expenditures (operating and capital) were \$2.0 million under budget for the 6 months. A significant contributor to the lower expenditures was from staffing challenges faced by the customer service contractor. Additionally, due to delays in hirings C4HCO personnel expenses were lower than planned. Finally, outreach expenses were budgeted higher than what was expensed during the period – it is expected these expenses will be incurred over the remainder of the year.

### **Cash**

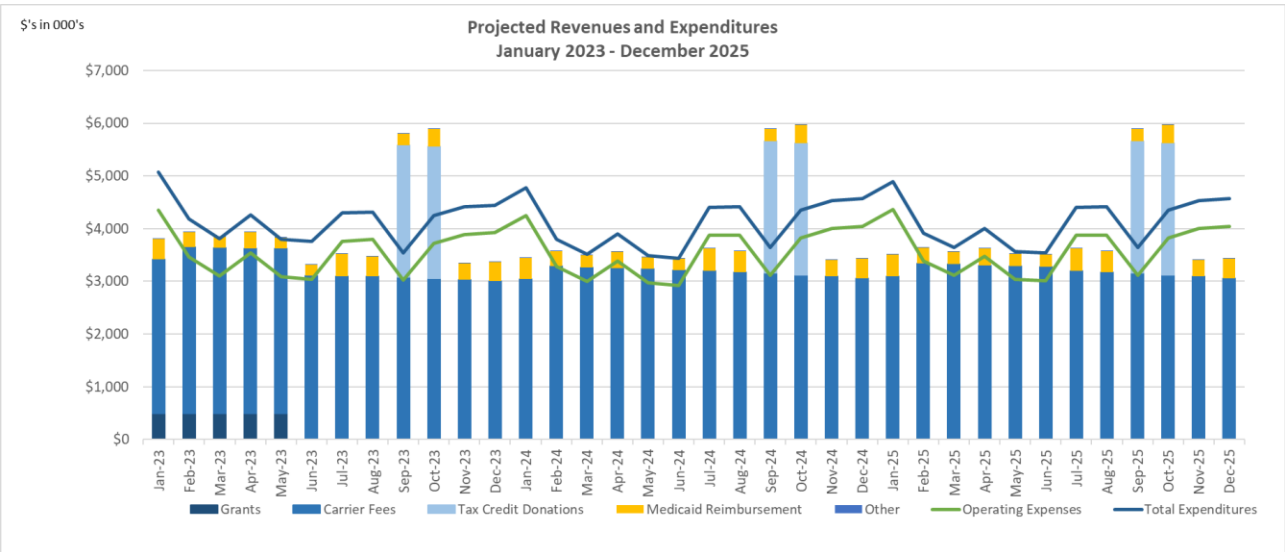
Cash balances of \$14.4 million exceeded budget targets by \$460,000 at December 31. Due in part to higher outstanding receivables than forecasted, working capital is running \$4.3 million higher than expected levels. Payments for these receivables was received subsequent to the end of the quarter.

Thanks to higher interest rates, interest earnings on cash invested exceeded budget levels by over \$70,000.

### **PROJECTIONS**

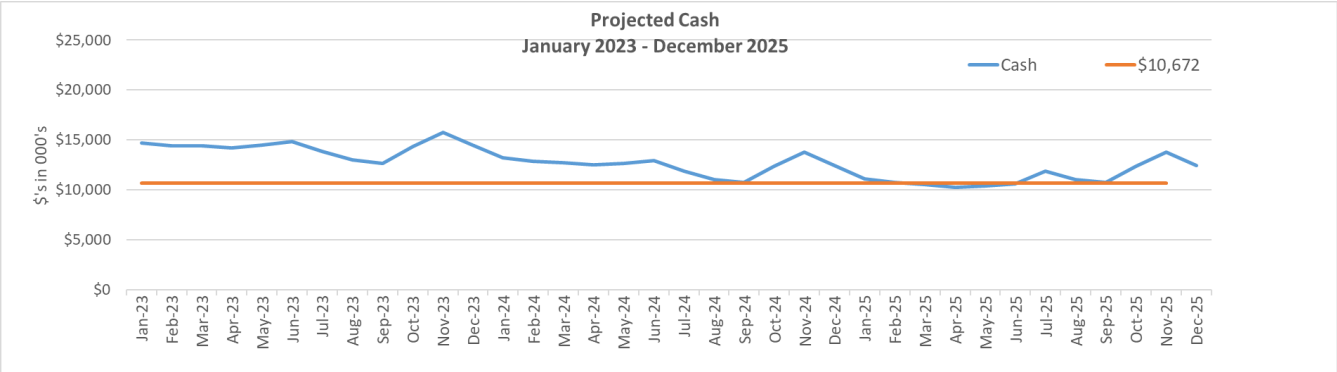
As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long- range financial projections. Open Enrollment plan submissions for plan year 2023 are tracking close to budgeted projections resulting in no changes to the remainder of the current fiscal year revenue projections at this time. We are anticipating additional enrollments still from customers impacted by the Bright Health and Oscar issuers leaving the market. While expenses are tracking below budget we anticipate that variance to diminish in the 2<sup>nd</sup> half of the year and run closer to budgeted levels.

We have extended our projections based on our current information as depicted in the graphs below.

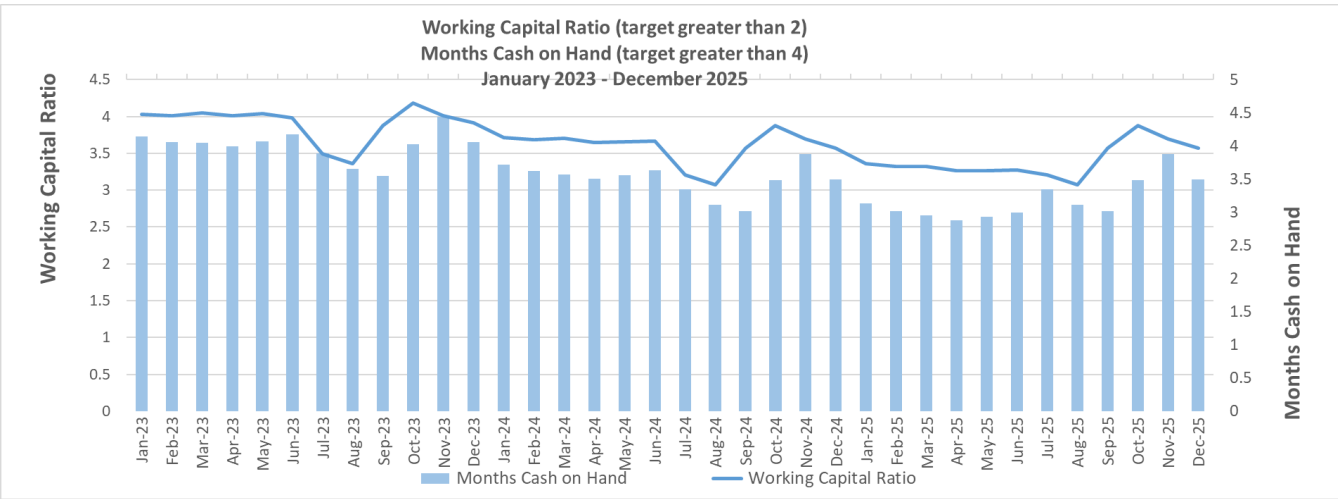


The projection above shows a continued higher level of capital expenditures for the current fiscal year (difference between the green and blue lines) due to the increased level of technology development work. Through the improvements gained by the technology modernization efforts, utilization of in-house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

Cash is forecasted to close to current targets (red line) 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 3.0 to 4.2 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 2.7 to 4.5 for the next 3 years.



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

	FY 2023		
	6 months ending 12/31/22		
	Actual	Budget	Actual vs Budget
<b>REVENUE</b>			
Carrier Fee - Individual	17,287,525	17,604,068	(316,543)
Carrier Fee Vision	21,558	25,200	(3,642)
Tax Credit Donations	5,000,000	5,000,000	-
Tax Credit Donations - SB81	1,889,743	1,889,743	-
Medicaid Cost Reimbursement	2,108,624	1,915,550	193,074
Interest Income	83,289	12,000	71,289
Other revenue	6,197	-	6,197
<b>Total Revenue</b>	<b>27,396,936</b>	<b>27,446,561</b>	<b>(49,625)</b>
<b>EXPENSES</b>			
Technology			
Maintenance & Operation	1,350,344	3,015,328	(1,664,985)
Software/Licenses/Subscriptions (Tech)	830,820	868,696	(37,876)
Hosting	760,804	893,478	(132,674)
DDI (Design, Dev., Implementation)	5,049,747	2,967,931	2,081,816
Capitalized DDI	(3,975,093)	(2,516,474)	(1,458,619)
<b>Total Technology</b>	<b>4,016,622</b>	<b>5,228,959</b>	<b>(1,212,338)</b>
Customer Service			
Customer Operations - external	1,873,405	1,911,621	(38,216)
Customer Operations - internal	2,690,283	3,467,189	(776,906)
<b>Total Customer Service</b>	<b>4,563,688</b>	<b>5,378,810</b>	<b>(815,122)</b>
Personnel			
Salaries & Wages - Other	6,569,279	6,903,746	(334,467)
Taxes and Benefits	2,130,367	2,448,554	(318,187)
Capitalized Salaries	(363,458)	(1,927,724)	1,564,266
<b>Total Personnel</b>	<b>8,336,187</b>	<b>7,424,576</b>	<b>911,612</b>
Marketing and Outreach			
Media Buys - Radio/TV/Web	1,305,895	1,238,724	67,171
Outreach Services-Events, Sponsorships	145,016	427,500	(282,484)
Marketing Services	69,578	89,221	(19,643)
Assistance Network	1,744,599	1,700,000	44,599
<b>Total Marketing and Outreach</b>	<b>3,265,088</b>	<b>3,455,445</b>	<b>(190,357)</b>
Facilities			
Occupancy	349,008	352,047	(3,040)
Supplies & Materials	6,821	11,106	(4,285)
Postage/Shipping	1,645	1,875	(230)
Printing/Copying/Shred	6,453	6,519	(66)
Phone/Internet	31,957	36,529	(4,572)
Equipment/Furniture and Fixture	118,490	98,948	19,542
<b>Total Facilities</b>	<b>514,373</b>	<b>507,024</b>	<b>7,349</b>
Support services			
Public Affairs Services	44,667	37,998	6,669
Professional Services	260,589	557,499	(296,910)
Training and Development	8,718	129,343	(120,625)
H/R Services	159,872	140,384	19,487
Legal Services	687	5,000	(4,313)
Audit Services	33,535	48,000	(14,465)
<b>Total Support Services</b>	<b>508,067</b>	<b>918,224</b>	<b>(410,157)</b>
Other			
Insurance	58,172	61,000	(2,828)
Conferences/Meetings	8,457	20,635	(12,178)
Memberships/Dues/Subscriptions (Non-Tech)	50,834	66,723	(15,889)
Travel/Meals/Lodging	34,700	39,139	(4,440)
Other - G&A	124	4,002	(3,878)
<b>Total Other</b>	<b>152,286</b>	<b>191,499</b>	<b>(39,213)</b>
<b>Total Operating Expenses</b>	<b>21,356,312</b>	<b>23,104,537</b>	<b>(1,748,225)</b>
<b>Net Income Before Depreciation</b>	<b>6,040,624</b>	<b>4,342,024</b>	<b>1,698,601</b>
Depreciation	2,306,251	2,026,070	280,181
<b>Net Income</b>	<b>3,734,374</b>	<b>2,315,954</b>	<b>1,418,420</b>

## Connect for Health Colorado Statement of Financial Position

	FY 2023 12/31/2022	
	Actual	Budget
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	14,435,248	13,973,769
Accounts receivable (net)	11,498,320	6,864,567
Prepaid expenses	990,818	1,405,776
Security deposits	43,787	43,787
Total Current assets:	<u>26,968,173</u>	<u>22,287,899</u>
Noncurrent assets:		
Investment in Subsidiary	(32,958)	(13,518)
Capital assets:		
Web portal development	70,238,673	69,588,905
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	<u>(74,100,462)</u>	<u>(73,612,524)</u>
Total Capital assets	<u>20,615,744</u>	<u>19,548,982</u>
Total Noncurrent assets:	<u>20,582,786</u>	<u>19,535,464</u>
<b>Total Assets:</b>	<b><u>47,550,959</u></b>	<b><u>41,823,363</u></b>
<b>Liabilities and net position:</b>		
Liabilities:		
Current liabilities:		
Accounts payable	2,135,731	2,464,803
Accrued liabilities	3,134,051	1,942,509
Payroll liabilities	971,117	1,000,000
Total Current liabilities:	<u>6,240,899</u>	<u>5,407,312</u>
Long-term liabilities:		
Lease Payable	962,322	79,453
Total Long-term liabilities:	<u>962,322</u>	<u>79,453</u>
Total Liabilities:	<u>7,203,221</u>	<u>5,486,765</u>
Net position:		
Unrestricted	40,347,738	36,336,598
Total Net position:	<u>40,347,738</u>	<u>36,336,598</u>
<b>Total liabilities and net position:</b>	<b><u>47,550,959</u></b>	<b><u>41,823,363</u></b>