Proposed Fiscal Year 2024* Budget

Connect for Health Colorado Executive and Finance Committee

April 24, 2023

* July 2023 – June 2024

Key Budget Assumptions

- Medical and dental enrollments based on current 2023 enrollment levels and assumes historical trends for activity (adds/terminations) during the plan year and renewals for plan year 2024.
- Medicaid unwind enrollments assumed to provide an additional 4,000 enrollments spread throughout the fiscal year. Pilot outreach program may indicate higher/lower enrollments and need for budget revisions to support additional outreach beyond pilot.
- Average gross premium levels based on actuals for plan year 2023, assumes no increase for plan year 2024.
- New tax time enrollments assumed to be lower than 1st year of program – 1,000 enrollments assumed.
- No additional SB81 program donations assumed to be received in the fiscal year (budget will be amended if donations are received in the fall).
- Additional buffer of service center staffing budgeted to cover potential demands from Medicaid unwind and other unforeseen drivers of increased call volume.

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Fiscal Year 2024 Strategic Focus Areas

- **Preparing systems and processes for additional volume**
  - Enhance data management and quality
  - Implement robust performance monitoring and testing
  - Improve issuer data exchange
- **Customer decision support**
  - Replace and improve customer decision support tools
  - Improve health insurance literacy and provide opportunities to educate customers
  - Strengthen and expand our outreach, Broker and Assister network
- **Integrating and modernizing application and eligibility processes**
  - Provide a streamlined application and shopping experience for customers
  - Further modernize and improve our eligibility technology
  - Enable us to provide additional products to Connect for Health Colorado customers
- **Medicaid to Marketplace Bridge**
  - Work with Department of Health Care Policy & Financing, Regional Accountable Entities (RAEs) and other partners to ensure people losing Medicaid or CHP+ transition to Marketplace as appropriate
  - Increase outreach presence and Assistance Network staffing in rural communities and to support people who face barriers to health coverage

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Proposed FY24 Budget Overview
Fiscal Year Comparisons (FY19 – FY24)

$'s in 000's	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024 Budget	% Change FY23 vs FY24
Revenues							
Issuer Fees	36,084	33,368	30,963	34,008	36,938	40,024	8%
Tax Credit Donations	5,000	5,000	5,000	5,000	6,890	5,000	-27%
Grants/Contracts	1,300	500	175	3,637	3,500	-	-100%
Cost Reimbursements	3,690	6,250	5,089	3,348	4,109	3,903	-5%
SaaS Fees (CoCo)					993	2,000	101%
Interest/Other	619	282	53	16	367	292	-20%
Total Revenue	**46,694**	**45,400**	**41,281**	**46,009**	**52,796**	**51,219**	**-3%**
Operating Expenses							
Technology & Operations	13,724	12,101	12,432	19,236	12,187	12,451	2%
Customer Operations	14,899	16,143	9,195	8,342	9,521	8,416	-12%
Marketing and Outreach	4,677	4,992	5,014	6,633	6,857	6,892	1%
Support Services	7,739	10,560	10,937	13,217	14,222	17,253	21%
Total Operating Expenses	**41,039**	**43,796**	**37,578**	**47,429**	**42,786**	**45,013**	**5%**
Net Income Before Depreciation	**5,654**	**1,604**	**3,702**	**(1,419)**	**10,009**	**6,207**	**-38%**
Depreciation	4,902	2,455	3,525	4,219	4,319	4,613	7%
Net Profit/Loss	**752**	**(852)**	**178**	**(5,638)**	**5,690**	**1,594**	**-72%**
Capital Expenditures	**2,661**	**8,488**	**6,723**	**6,969**	**8,752**	**6,045**	**-31%**
Average Cash Balance	**24,410**	**19,467**	**13,291**	**13,323**	**15,025**	**15,638**	**4%**

Further breakdowns and explanations provided on detail slides

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3 Year Projections
Fiscal Year FY23 – FY25

| $'s in 000's	Fiscal Year 2023	Fiscal Year 2024 Budget	Fiscal Year 2025 Forecast	Fiscal Year 2026 Forecast
Revenues				
Carrier Fees	36,938	40,024	41,333	42,385
Tax Credit Donations	6,890	5,000	5,000	5,000
Grants/Contracts	3,500	-	-	-
Cost Reimbursements	4,109	3,903	3,934	4,071
Interest/Other	1,360	2,292	2,326	2,366
Total Revenue	**52,796**	**51,219**	**52,593**	**53,821**
Operating Expenses				
Technology & Operations	12,187	12,451	12,517	12,800
Customer Operations	9,521	8,416	8,536	8,762
Marketing and Outreach	6,857	6,892	6,542	6,608
Support Services	14,222	17,253	17,865	18,478
Total Operating Expenses	**42,786**	**45,013**	**45,460**	**46,648**
Net Income Before Depreciation	**10,009**	**6,207**	**7,133**	**7,173**
Depreciation	4,319	4,613	4,007	4,710
Net Profit/Loss	**5,690**	**1,594**	**3,126**	**2,463**
Capital Expenditures	**8,752**	**6,045**	**5,882**	**5,989**
Average Cash Balance	**15,025**	**15,638**	**15,795**	**15,973**

- No additional SB81 donations or additional grant contract revenue assumed for the 3 year budget/projection period
- Slight increase in issuer fee revenue based on historical renewal and new business enrollments for plan years 2024-26.
- Continuation of ARP enhanced tax credits beyond 2025.
- Average premium levels are assumed to remain unchanged over the 3 years.
- No additional funding nor costs are assumed for implementation of state or federally driven projects beyond FY23
- 3 year expense levels assume similar staffing/contractor mix for the entire period

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Revenue - Summary Comparison
FY22, FY23, FY24 Budget
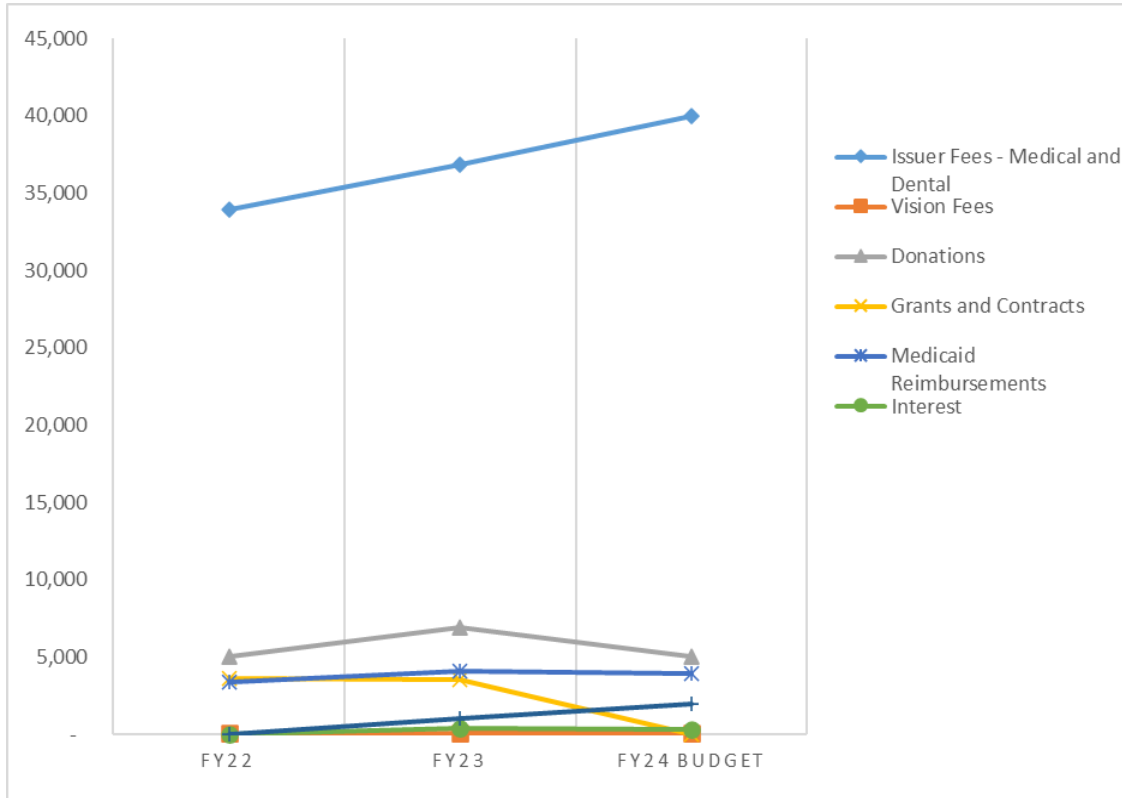
REVENUE	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Issuer Fees - Medical and Dental	33,960	36,887	39,973	8%
Vision Fees	48	50	50	0%
Donations	5,000	6,890	5,000	-27%
Grants and Contracts	3,637	3,500	-	-100%
Medicaid Reimbursements	3,348	4,109	3,903	-5%
Interest	4	367	292	-20%
SaaS Fees (CoCo)	12	993	2,000	101%
Total	46,009	52,796	51,219	-3%

- Issuer fee revenue growth for FY24 attributable primarily to increased average premium levels for plan year 2023 and Medicaid unwind (4,000 enrollments assumed).
- No additional SB 81 Marketing and Outreach funding – potential future budget supplement
- No additional funding in FY 24 to support HIAE program implementation projects (grants and contracts)
- Monthly average enrollment termination rate similar to historical rate of 2.5%
- SaaS fees cover C4HCO costs in supporting Colorado Connect enrollments – further refinement of these fees in process, FY24 reflects 12 month of fees vs 6 months for FY23

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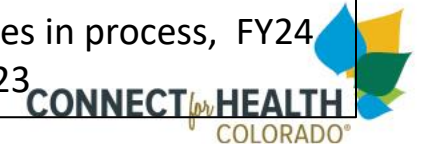
Expenditures - Summary Comparison
FY22, FY23, FY24 Budget
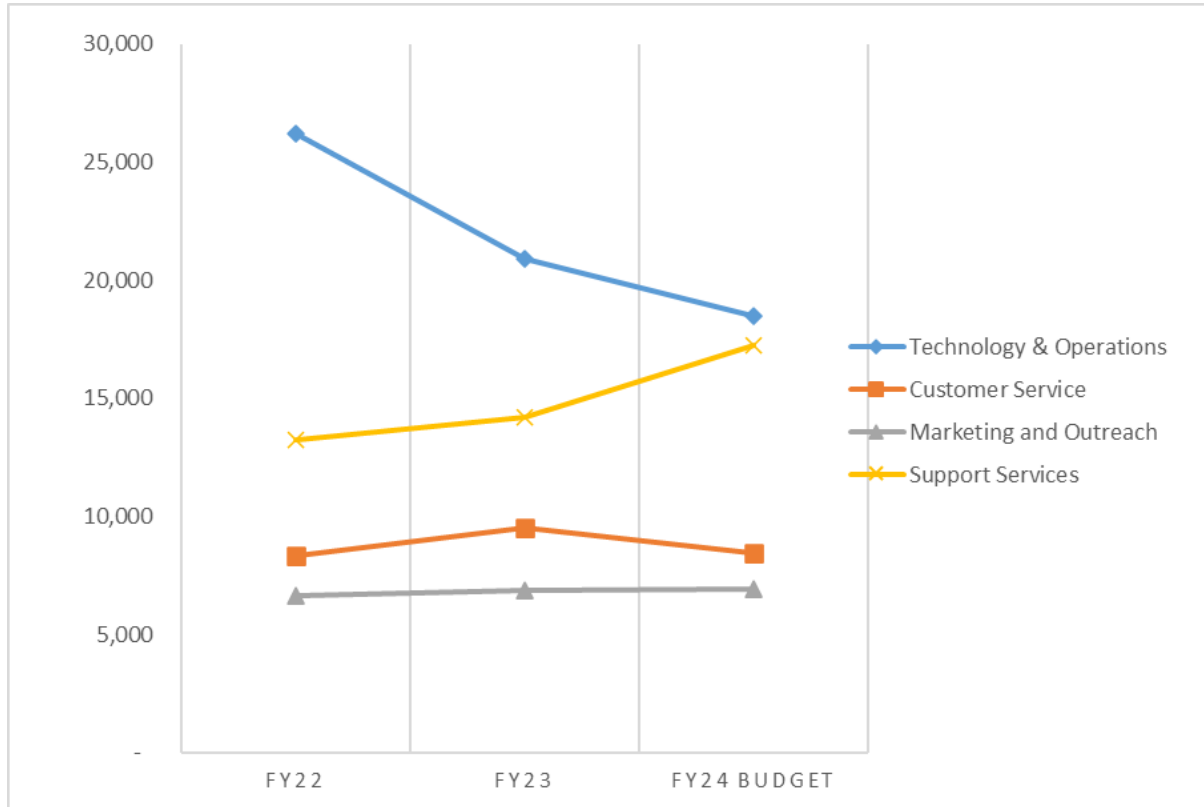
Expenditures ($'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Technology & Operations	26,205	20,939	18,496	-12%
Customer Service	8,342	9,521	8,416	-12%
Marketing and Outreach	6,633	6,857	6,892	1%
Support Services	13,217	14,222	17,253	21%
Total Expenditures	**54,397**	**51,538**	**51,057**	**-1%**
Without Capex	47,429	42,786	45,013	5%

- Overall expenditures are expected to decrease slightly in FY 24. See more detailed explanations of budget lines on following slides
- Operating expenses (without capex) are increasing as the result of more emphasis on operations in FY24.
- Technology expenses include both operational costs and development costs (Capex), along with health plan operations

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Technology and Operations Expense Comparison
FY22, FY23, FY24 Budget
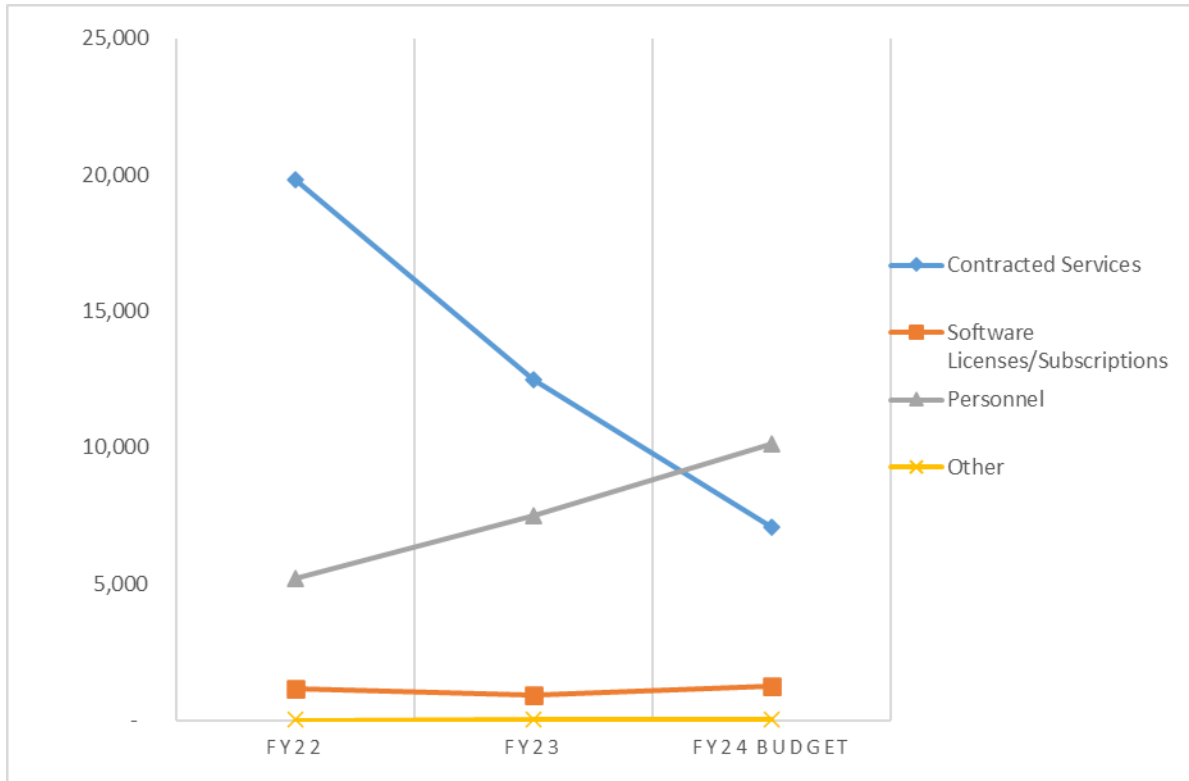
Technology and Operations ($'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Contracted Services	19,829	12,491	7,068	-43%
Software Licenses/Subscriptions	1,139	904	1,241	37%
Personnel	5,216	7,503	10,141	35%
Other	21	41	47	14%
Total With Capex	26,205	20,939	18,496	-12%
CapEx	6,969	8,752	6,045	-31%
Total Without Capex	19,236	12,187	12,451	2%

- Budget reflects continuation of internally staffing key technology positions – 35% increase in personnel expense line and 43% decrease in contracted services
- Capital expenditure decrease is the result of legacy replacement project ending and HIAE implementation efforts in FY 23 and increased emphasis on operational improvements in FY24
- Software licenses increase due to purchase of new tools to support operational improvements
- See following page for list of current priority areas for FY 24.

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Technology Initiatives* – Fiscal Year 2024

"Must-Do" Compliance and Critical Business Activities
- Move of Federal data connections to C4HCO
- Colorado Connect renewals
- Resume manual verifications (Post PHE)

Eligibility Modernization
- Replace existing eligibility system - completed by fall of 2024
- Enhance family glitch functionality

Prepare for Additional System Volume
- Issuer electronic data interchange improvements
- Data quality improvements
- Technical debt projects
- Automation of processes

Decision Support
- User research
- New decision support features in shopping portal (major changes require completion of eligibility modernization - not anticipated in FY 24)

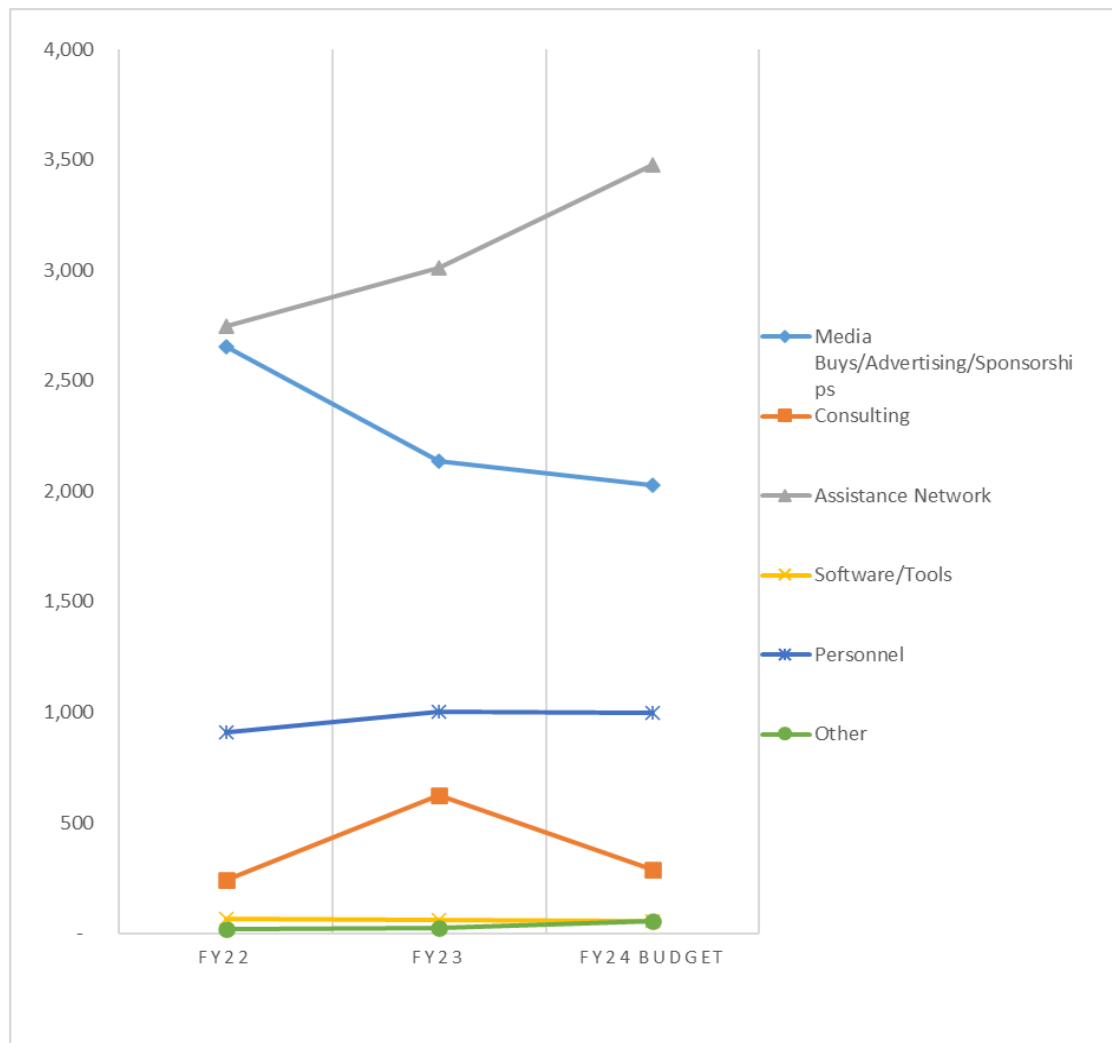* Partial list, initiatives are subject to change based upon changing demands and limited resource availability

Customer Operations Expense Comparison
FY22, FY23, FY24 Budget
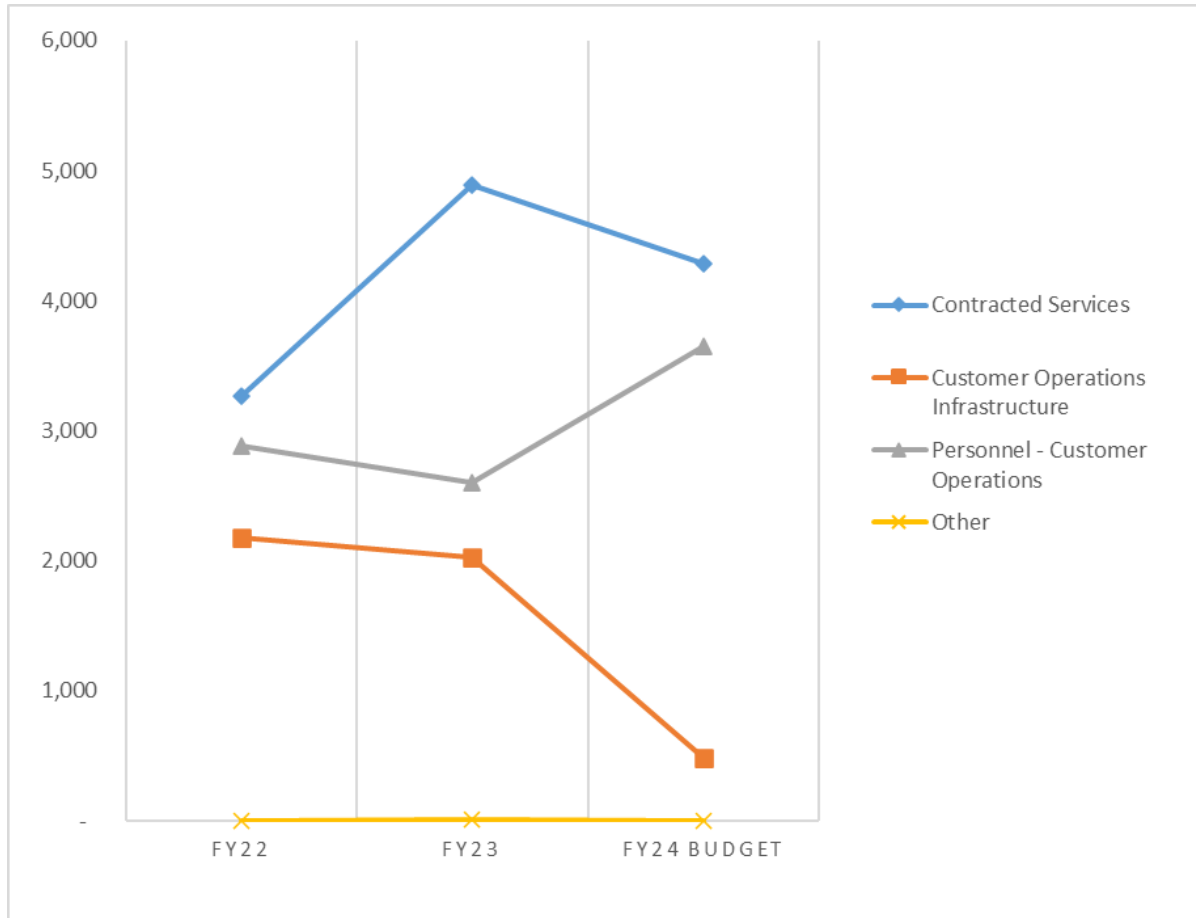
Customer Operations ($'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Contracted Services	3,271	4,885	4,281	-12%
Customer Operations Infrastructure	2,181	2,026	485	-76%
Personnel - Customer Operations	2,888	2,603	3,645	40%
Other	3	6	5	-25%
Total	8,342	9,521	8,416	-12%

- Service center contracted services decrease reflects discontinuance of outsourced service center – offset some by direct use of contractors to provide flexibility in staffing levels
- Higher personnel costs resulting from full year impact of internalization of key customer operations functions
- Infrastructure cost reduction due to bringing service center technology contracting and management in-house (CRM and omnichannel automation system)

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Marketing and Outreach Expense Comparison
FY22, FY23, FY24 Budget

Marketing and Outreach ($'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Media Buys/Advertising/Sponsorships	2,652	2,134	2,028	-5%
Consulting	242	625	285	-54%
Assistance Network	2,749	3,012	3,475	15%
Software/Tools	65	60	57	-5%
Personnel	908	1,003	995	-1%
Other	18	23	52	124%
Total	6,633	6,857	6,892	1%

- Slight decrease in media buys resulting from availability of SB81 funds in FY23 to support media/advertising beyond base level.
- Assistance network funding increased through use of remaining FY23 SB81 funds to support additional efforts to support Medicaid unwind and renewals.
- Consulting expense decrease reflects use of SB81 funds in FY23 to support HCPF outreach efforts.
- Additional marketing and outreach expenditures will be evaluated if additional SB81 funds become available – future budget supplement.
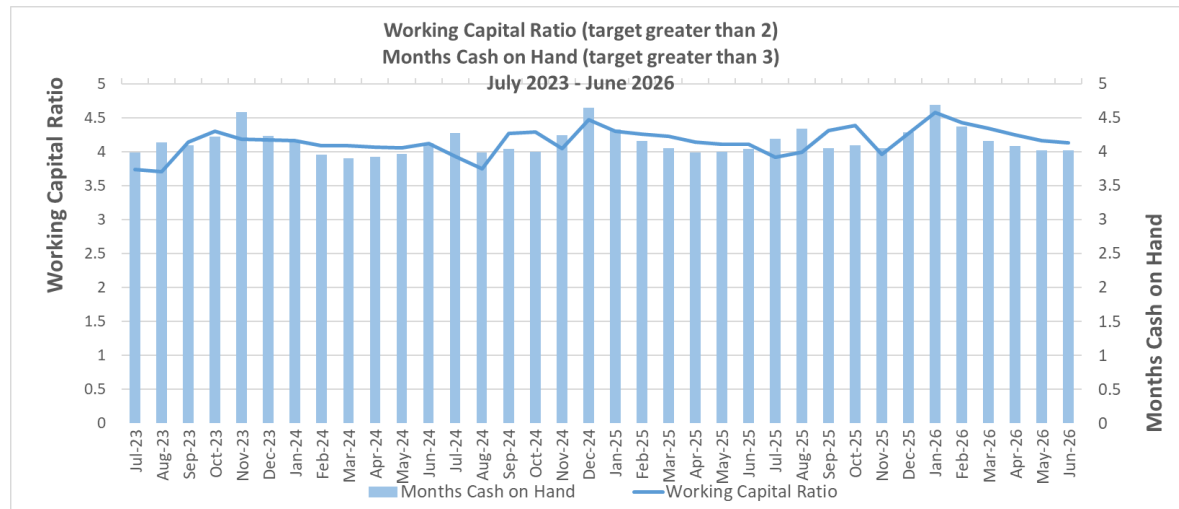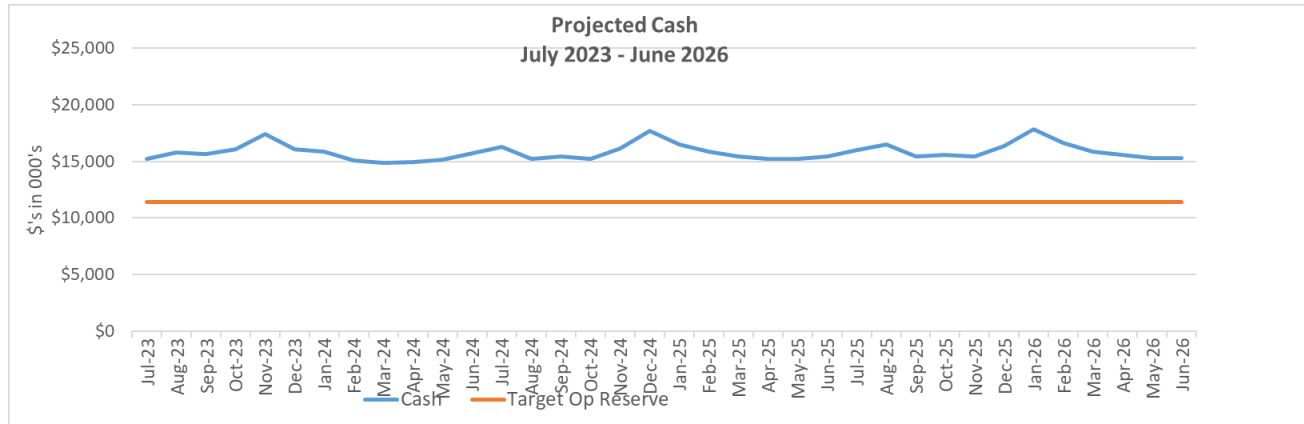
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Support Services Expense Comparison
FY22, FY23, FY24 Budget
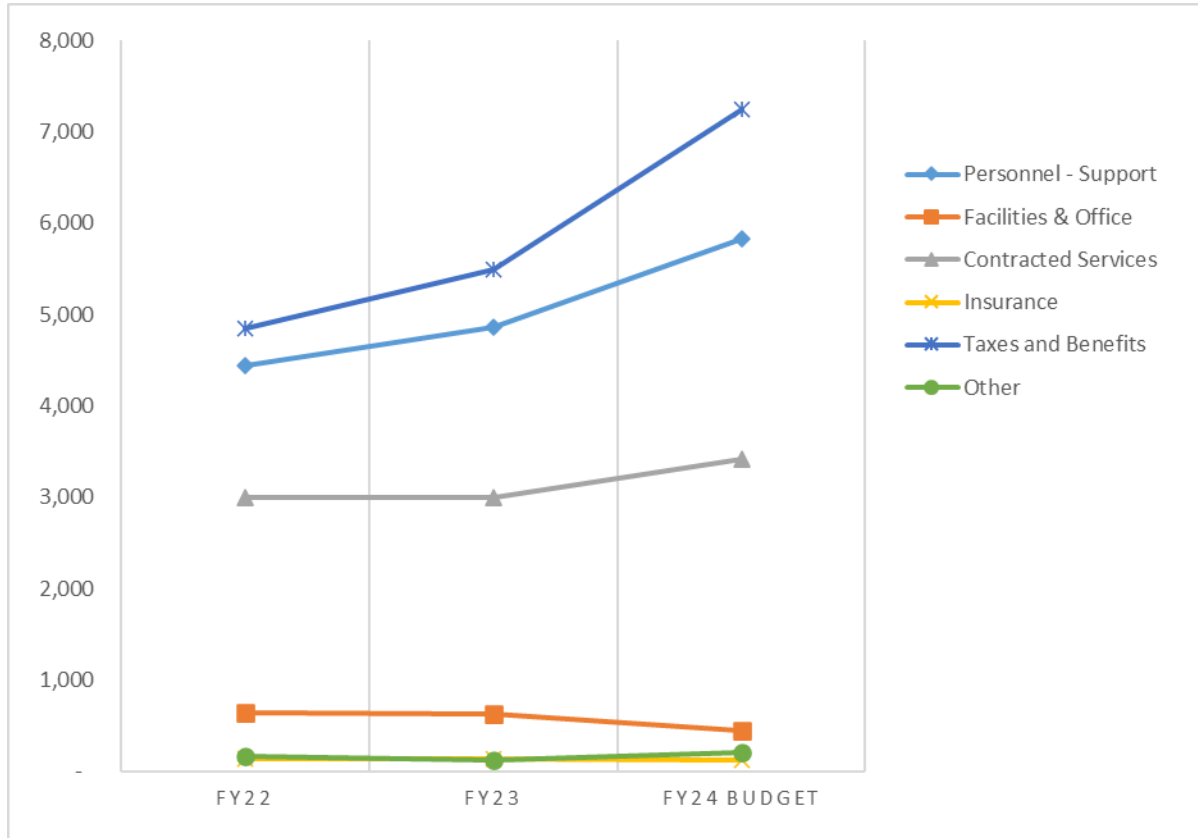
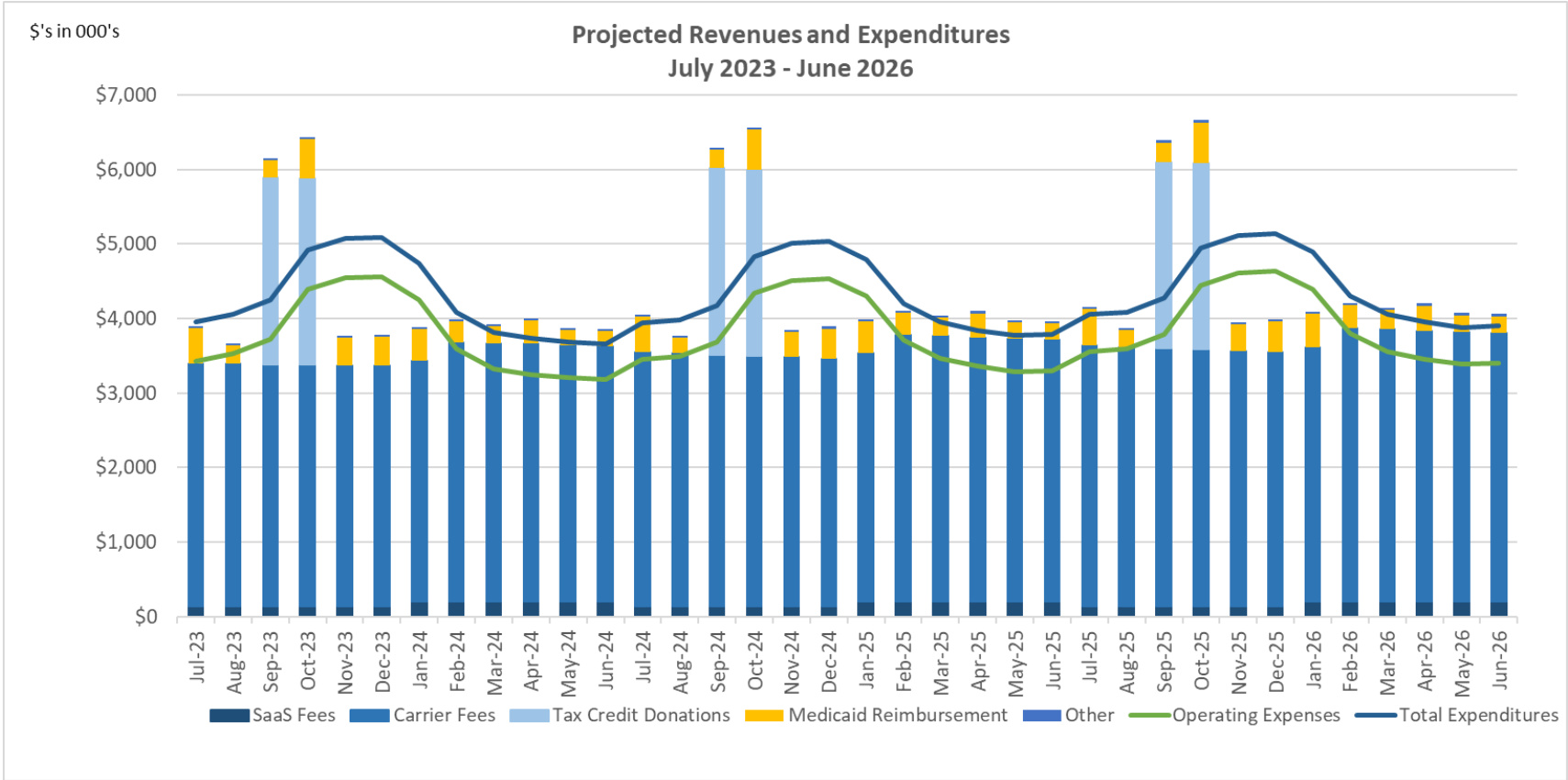| Support Services ($'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Personnel - Support	4,436	4,857	5,831	20%
Facilities & Office	646	627	449	-28%
Contracted Services	3,000	2,990	3,413	14%
Insurance	132	131	115	-12%
Taxes and Benefits	4,844	5,492	7,246	32%
Other	160	124	199	60%
Total	13,217	14,222	17,253	21%

- Support services personnel/contractors include corporate functions (HR, training, Finance, Legal, Facilities, Admin), Policy and Research, Internal IT, Privacy and Security.
- Support personnel increase is the result of increases and internalization of HR and Payroll staff along with reclassing of executive staff from technology and marketing to support group.
- Taxes and Benefits reflects fringe costs for **all** C4HCO staff – increase is in line with increase in total C4HCO staff (due to internalization efforts with technology and customer operations) along with inflationary impacts.
- Facility decrease result of space reductions and renegotiation of of lease.

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Cash and Liquidity Metrics
3 Year Projection

Projected Cash
July 2023 - June 2026

Working Capital Ratio (target greater than 2)
Months Cash on Hand (target greater than 3)
July 2023 - June 2026

- Cash levels for the period range from $15 to $18 million.
- Working capital ratio measures the liquidity available to cover obligations. Ratio of cash & accounts receivable to payables – target is to exceed a ratio of 2. Budget/forecast ranges from 3.5 to 4.5.
- Months cash on hand is the number of months of operating expenses the cash balance will cover. Target range is 3-4 months. Budget/forecast is consistently above 4.
- 3 year forecast shows limited change in cash position over the period – in order to further grow cash reserves above the operating reserve it will require adjustments to costs (operating and/or capital) or additional revenues in future years.

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Projected Revenues and Expenditures – 3 years

$'s in 000's

Projected Revenues and Expenditures
July 2023 - June 2026

Legend: SaaS Fees, Carrier Fees, Tax Credit Donations, Medicaid Reimbursement, Other, Operating Expenses, Total Expenditures

- Depicted in the graph is the seasonal variation in the revenue streams (bars) and expenditures (lines).
- Fluctuations result in changes in cash balances of $3 million during the year

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3 Year Financial Goals and Strategies

Goal: Maintain targeted operating reserves and build capital reserves

Proposed Targets:

- Maintain average operating cash balance of 3 months of average operating expenses ($10.5 million)
- Build a sufficient capital reserve beyond the operating reserve level of $10.5 million. Goal of $10 million in capital reserves to allow for future initiatives and predictability in project funding/planning. Current plan shows a $5 million reserve at the end of the 3 years forecasted (2026)
- **Potential Strategies:**
- Revenue Growth
    - Expand efforts in capturing enrollments from Medicaid transitions
    - Focus additional efforts on potential new individual market enrollments (e.g., family glitch, small business/HRA enrollments, COBRA)
    - Expanded marketing efforts for year-round outreach and awareness (SB81)
    - Improvements to the shopping and enrollment experience (e.g., enhanced decision support, improved issuer, assister & broker tools, enhanced integration/API capabilities) that makes C4HCO the platform of choice by customers, issuers, brokers and administrative vendors for individual plan shopping and enrollment
    - Leverage Colorado Connect flexibility in providing additional products & services (e.g., consulting, small business, ancillary benefits).
- Expense Management
    - Continuous improvement in processes/products that improves efficiencies without detriment to customers
    - Insourcing of resources for key strategic areas of service/product delivery and customer interaction
    - Increase diligence on evaluating new projects balancing compliance with ROI
    - Build a flexible cost structure that can economically flex up for unexpected demands