

Proposed Fiscal Year 2024* Budget

Connect for Health Colorado Board of Directors Meeting
May 8, 2023



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.

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

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%
Service 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	14,126	12,837	13,287	21,073	14,528	15,765	9%
Customer Operations	15,649	17,494	10,799	9,402	10,718	10,238	-4%
Marketing and Outreach	4,936	5,357	5,401	6,890	7,156	7,374	3%
Support Services	6,329	8,108	8,091	10,063	10,383	11,636	12%
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	15,273	15,638	2%

Further breakdowns and explanations provided on detail slides

3 Year Projections

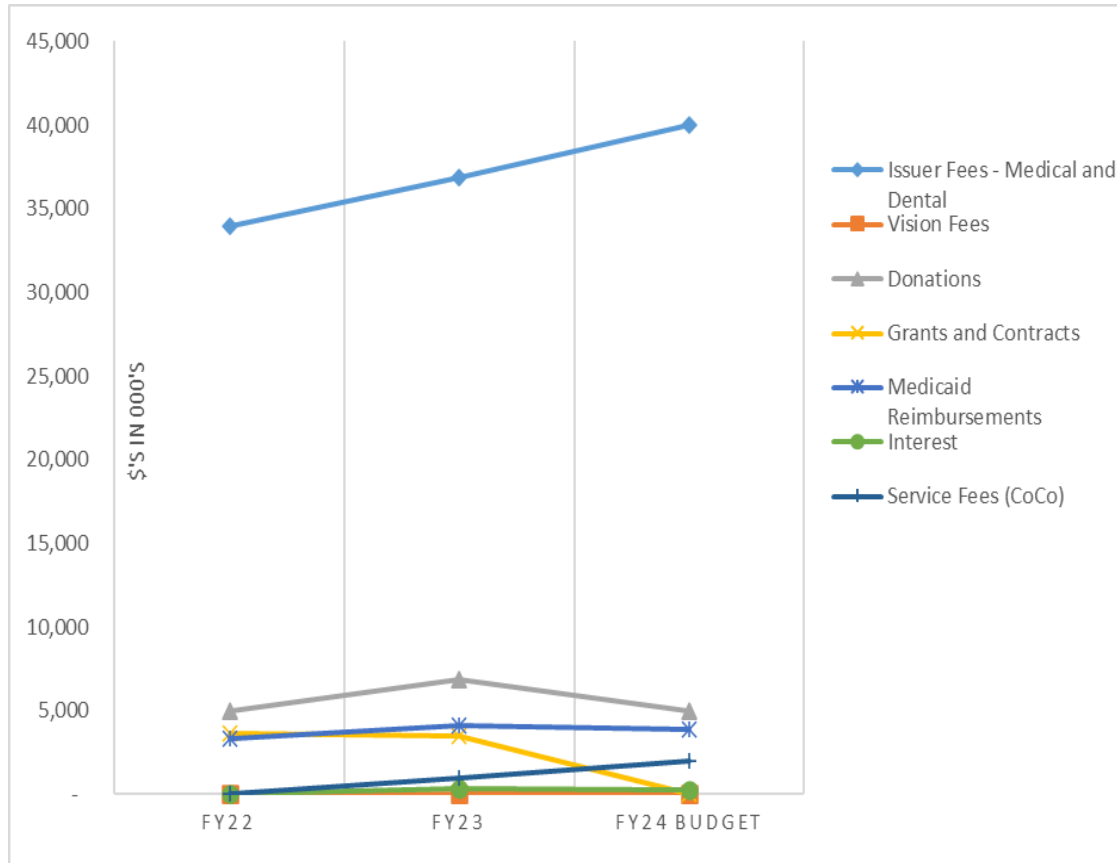
Fiscal Year FY23 – FY25

\$'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
Service Fees (CoCo)	993	2,000	2,000	2,000
Interest/Other	367	292	326	366
Total Revenue	52,796	51,219	52,593	53,821
Operating Expenses				
Technology & Operations	14,528	15,765	15,929	16,268
Customer Operations	10,718	10,238	10,393	10,655
Marketing and Outreach	7,156	7,374	7,033	7,110
Support Services	10,383	11,636	12,105	12,615
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	15,273	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.
- FY26 assumes 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

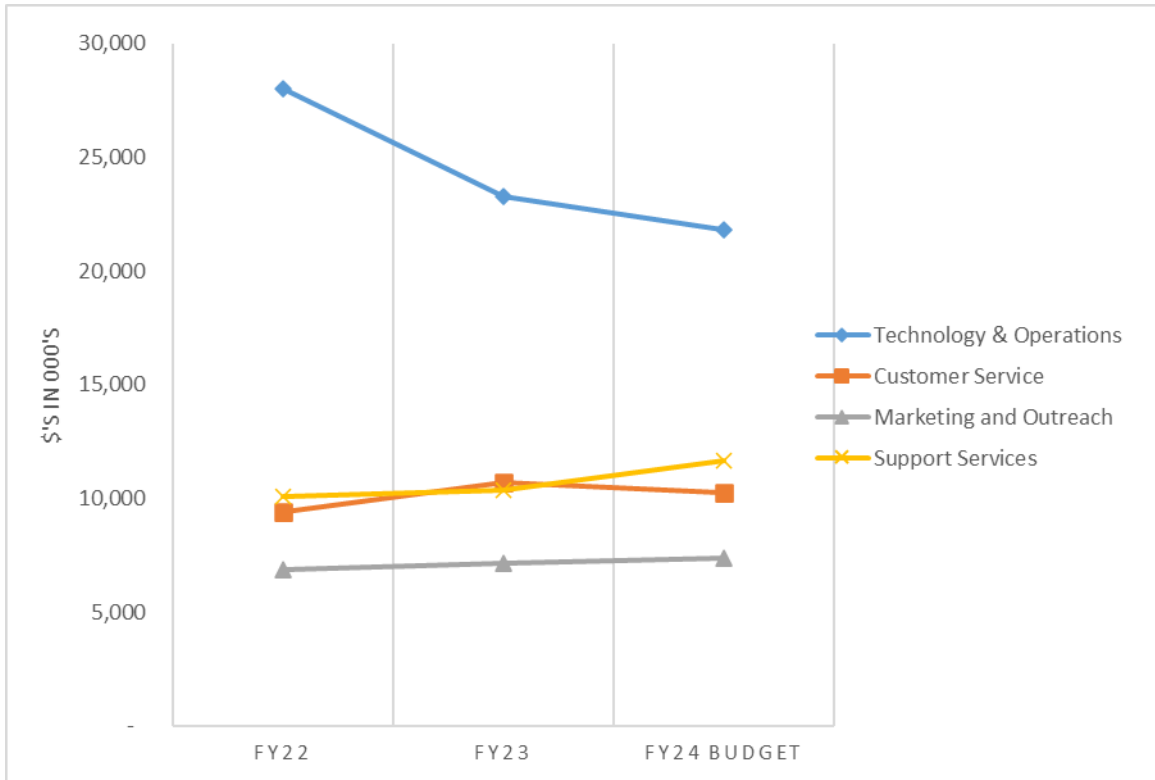
Revenue - Summary Comparison FY22, FY23, FY24 Budget



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%
Service 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%
- Service fees cover expected 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

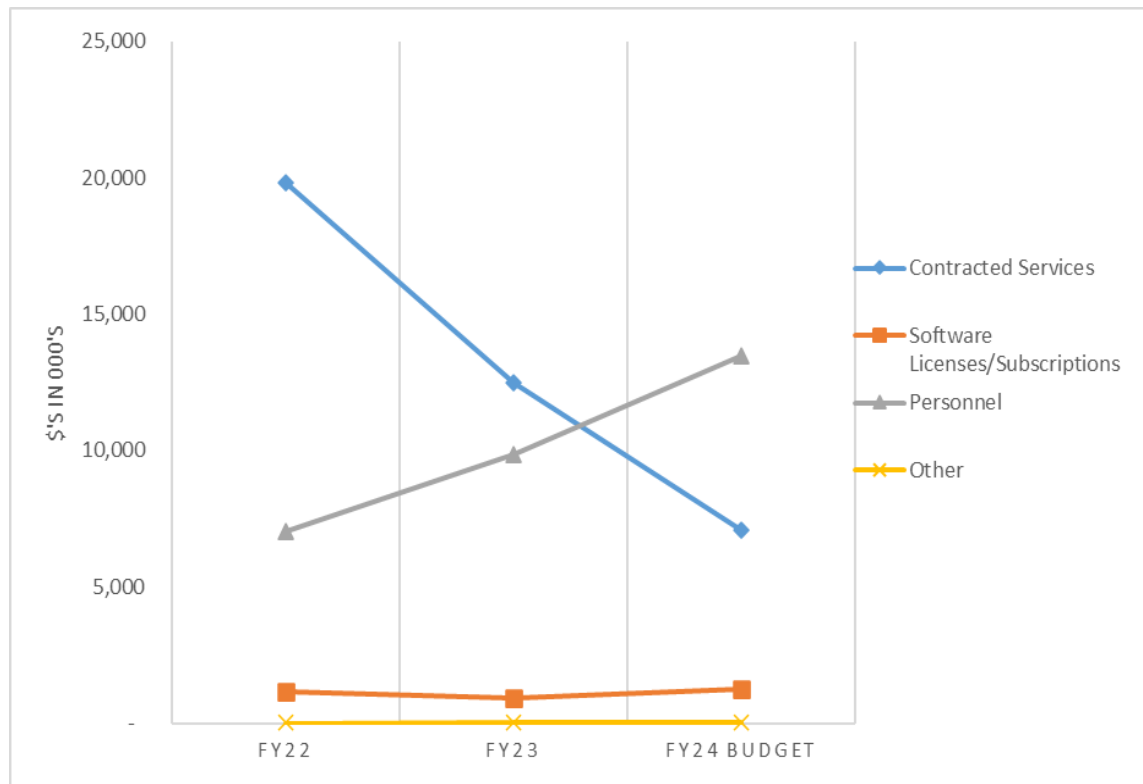
Expenditures - Summary Comparison FY22, FY23, FY24 Budget



Expenditures (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Technology & Operations	28,042	23,280	21,809	-6%
Customer Service	9,402	10,718	10,238	-4%
Marketing and Outreach	6,890	7,156	7,374	3%
Support Services	10,063	10,383	11,636	12%
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

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	7,053	9,845	13,454	37%
Other	21	41	47	14%
Total With Capex	28,042	23,280	21,809	-6%
CapEx	6,969	8,752	6,045	-31%
Total Without Capex	21,073	14,528	15,765	9%

- Expenditure reduction reflects continuation of internally staffing key technology positions – 37% 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 completed in FY 23 along with 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.

Technology Initiatives* – Fiscal Year 2024

“Must-Do” Compliance and Critical Business Activities

- Move of Federal data connections to C4HCO
- 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

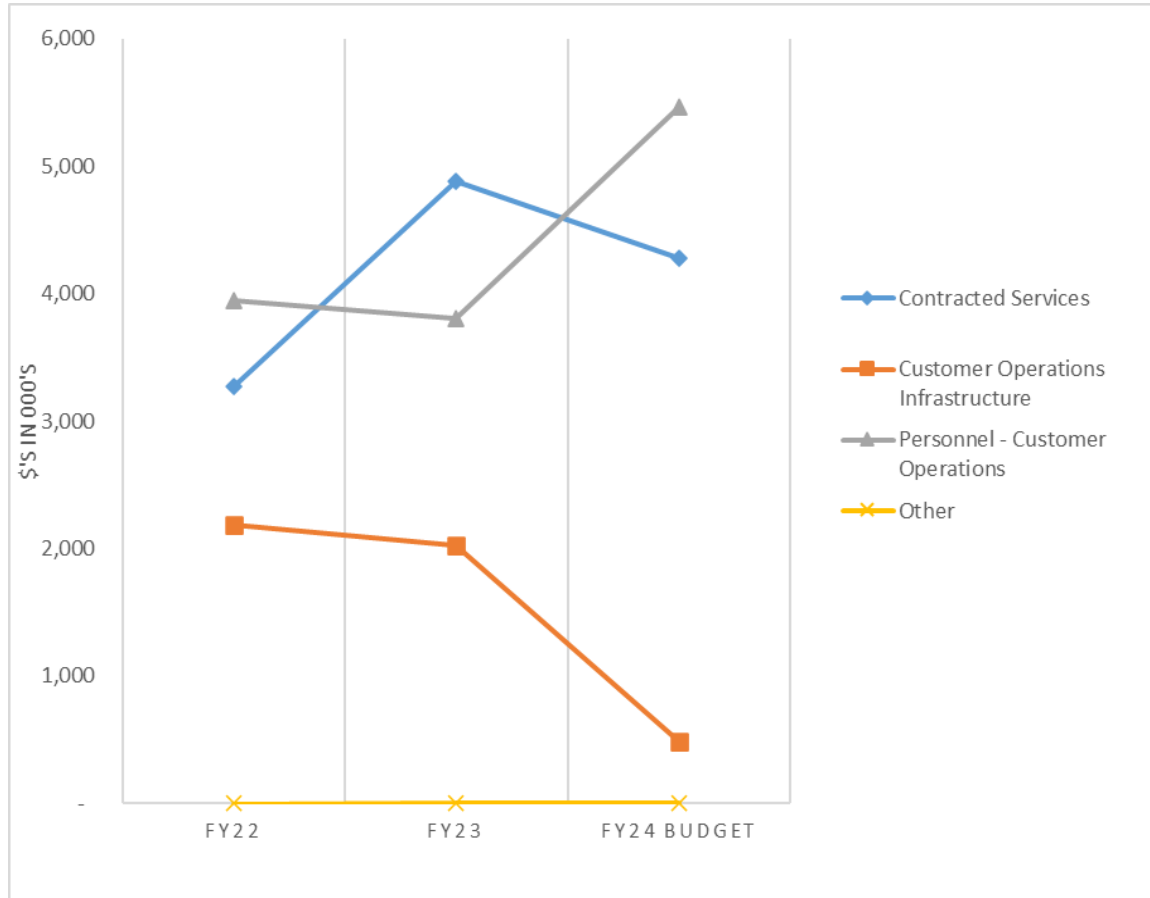
- Issuer electronic data interchange improvements
- Data quality improvements
- Technical debt projects
- Automation of processes

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

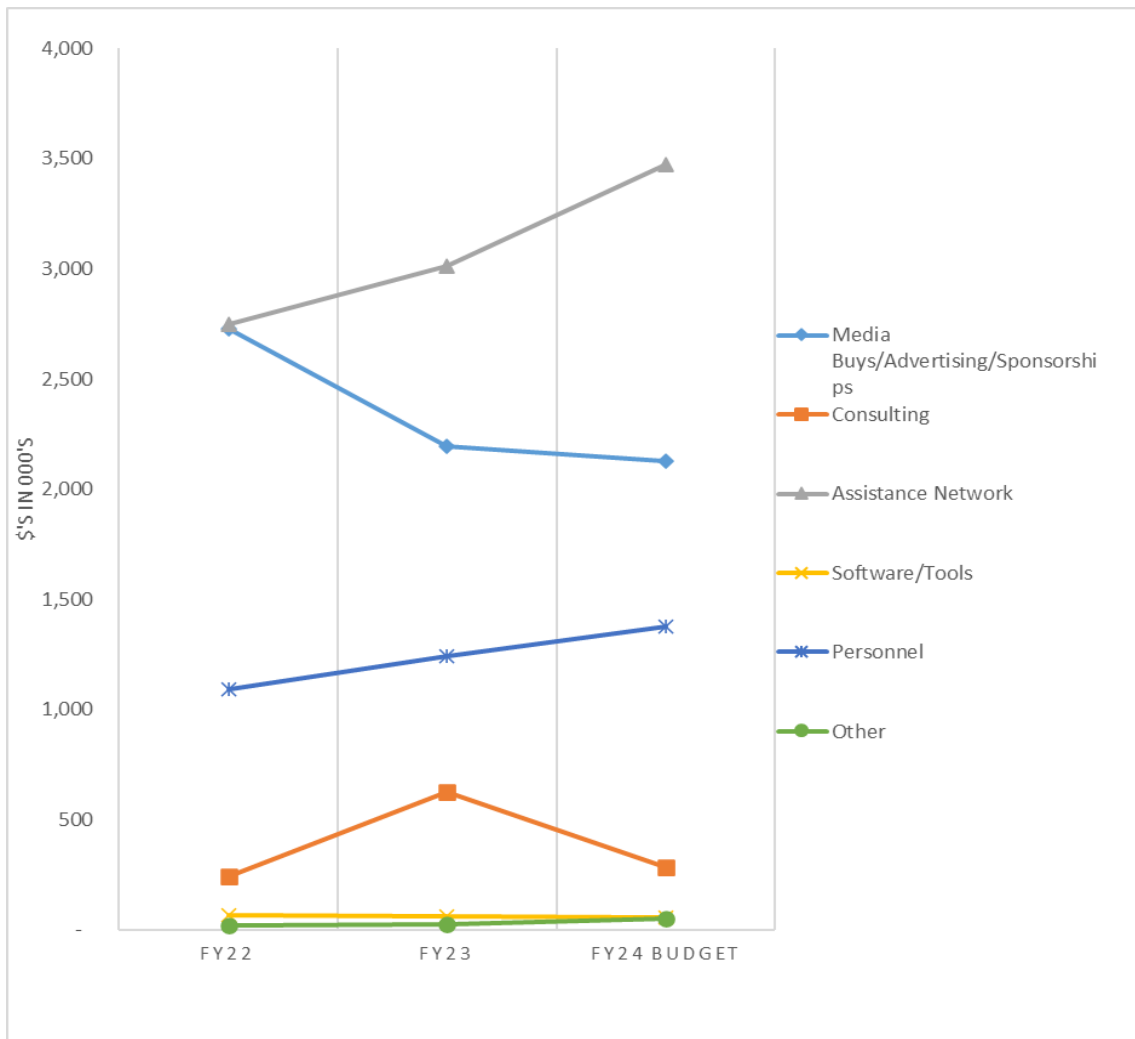
Customer Operations Expense Comparison FY22, FY23, FY24 Budget



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	3,948	3,801	5,468	44%
Other	3	6	5	-25%
Total	9,402	10,718	10,238	-4%

- 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)

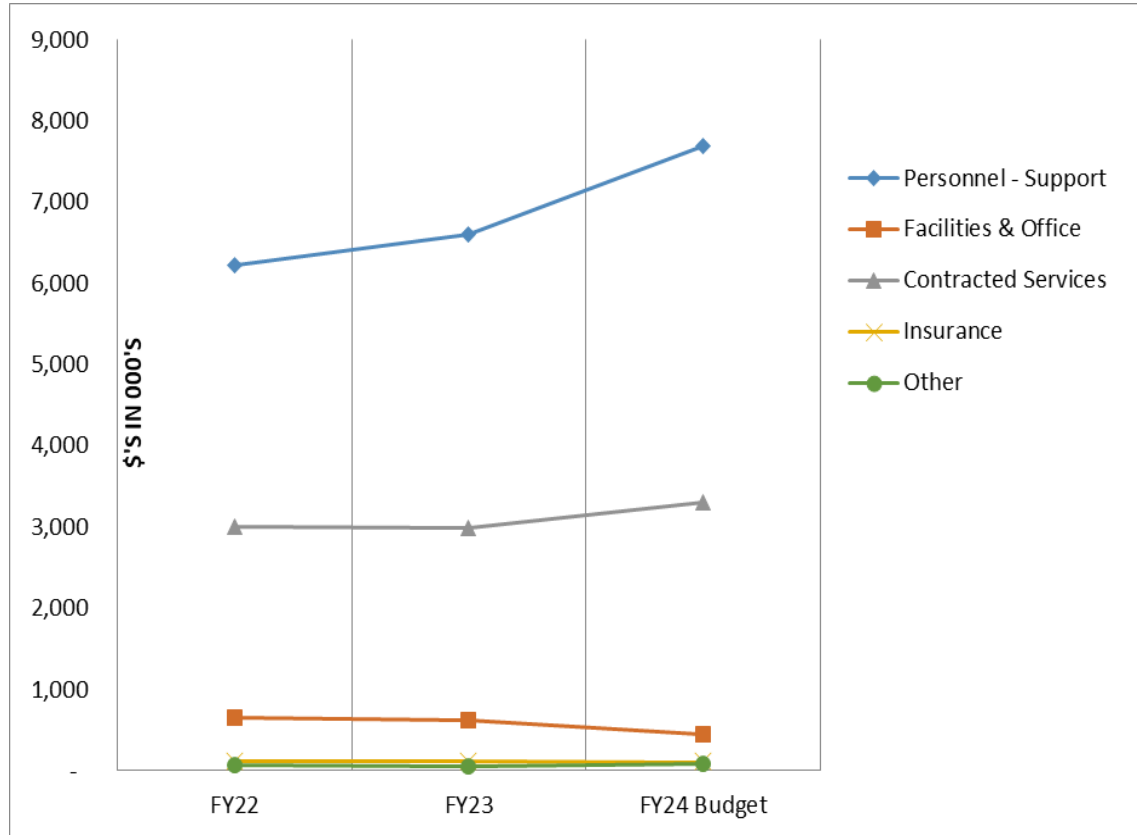
Marketing and Outreach Expense Comparison FY22, FY23, FY24 Budget



Marketing and Outreach (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Media Buys/Advertising/Sponsorships	2,725	2,193	2,128	-3%
Consulting	242	625	285	-54%
Assistance Network	2,749	3,012	3,475	15%
Software/Tools	65	60	57	-5%
Personnel	1,091	1,243	1,376	11%
Other	18	23	52	124%
Total	6,890	7,156	7,374	3%

- 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.

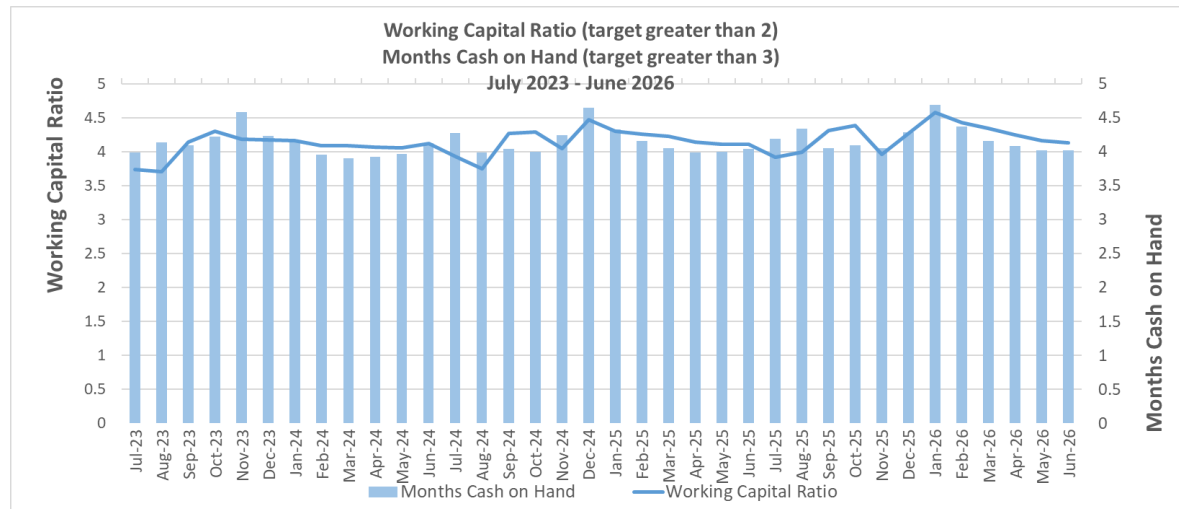
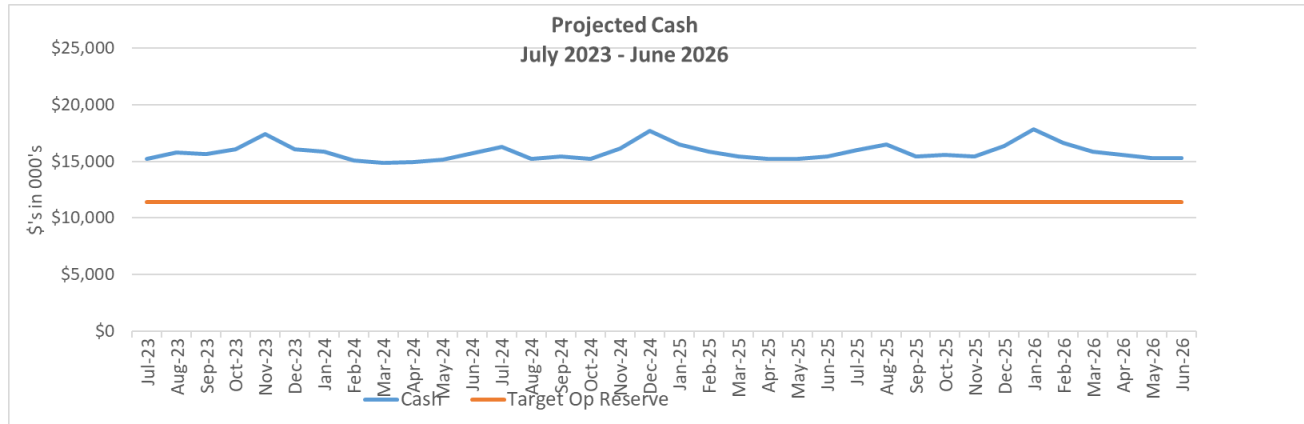
Support Services Expense Comparison FY22, FY23, FY24 Budget



Support Services (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Personnel - Support	6,228	6,595	7,681	16%
Facilities & Office	646	627	449	-28%
Contracted Services	3,000	2,990	3,305	11%
Insurance	115	117	115	-2%
Other	74	53	86	62%
Total	10,063	10,383	11,636	12%

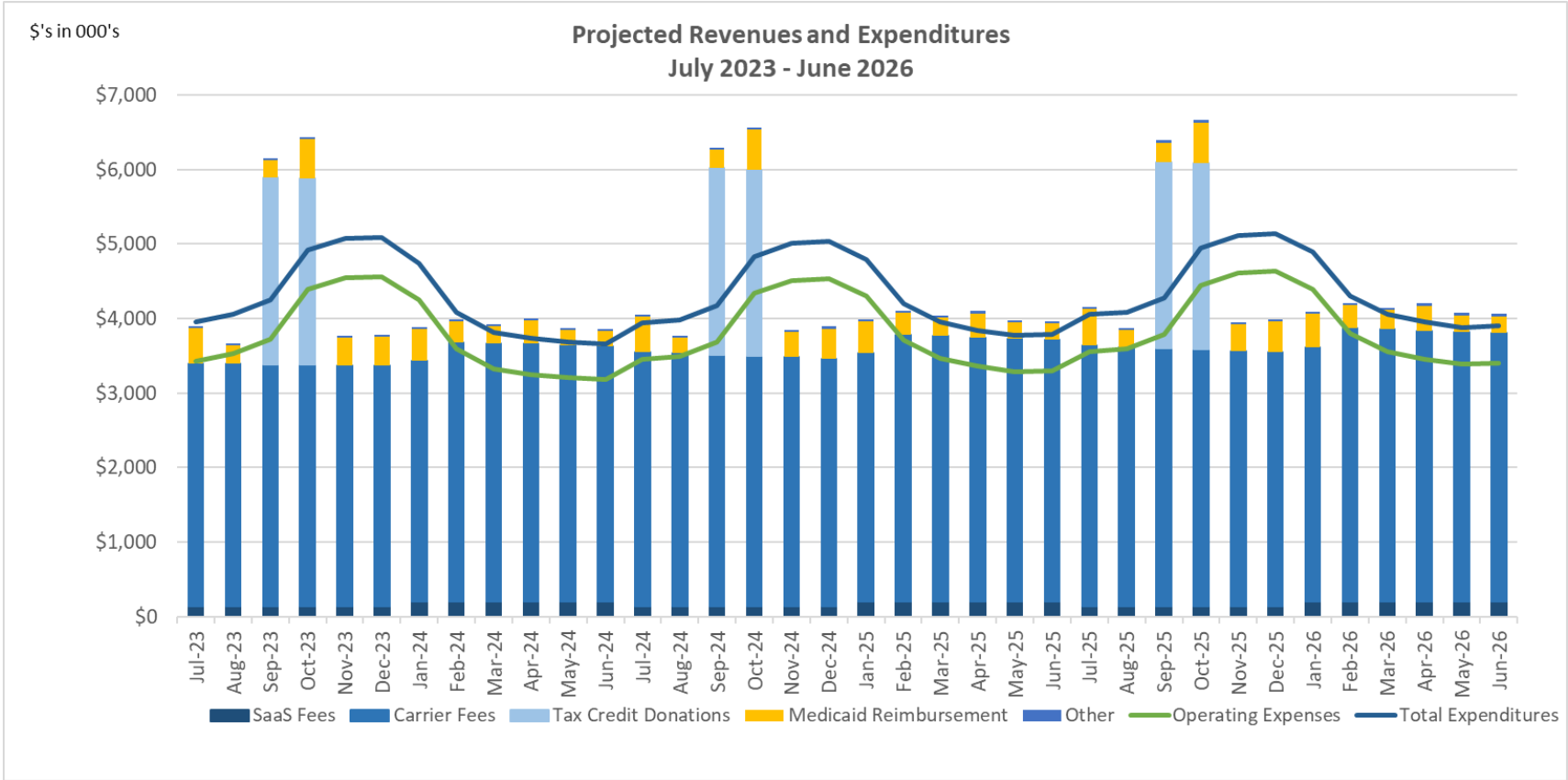
- Support services personnel/contractors include corporate functions (HR, training, Finance, Legal, Facilities, Admin), Policy and Research, Internal IT, Privacy and Security and Business Intelligence.
- Organization wide staffing levels for C4HCO increase by 35% compared to FY23 as the result of completion of internalization of technology and service center resources resulting in the need for increased support services.
- Personnel increases included additions to the HR team and internalization of the payroll function along with an analyst addition to the BI team.
- Facility decrease is the result of space reductions and renegotiation of lease.

Cash and Liquidity Metrics 3 Year Projection



- 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.

Projected Revenues and Expenditures – 3 years



- 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

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