

# Proposed Fiscal Year 2024\* Budget

Connect for Health Colorado Board of Directors  
June 12, 2023



# Key Budget Assumptions

- Medical and dental enrollments based on current 2023 enrollment levels and assumes historical trends for activity (adds/terminations) for the remainder of plan year 2023 and similar renewal/new customer %'s for plan year 2024 (excluding Medicaid Unwind impacts).
- Medicaid unwind enrollments assumed to provide an additional 14,000 enrollments spread throughout the fiscal year. Pilot outreach program to provide feedback on success of outreach and assist in directing of resources.
- 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 1<sup>st</sup> year of program – 1,000 enrollments assumed.
- No additional SB81 program donations or other legislatively based revenues assumed to be received in the fiscal year (budget will be amended if donations/revenues are received).
- Additional buffer of service center staffing budgeted to cover potential demands from Medicaid unwind and other unforeseen drivers of increased call volume.

# Changes from Prior Budget Version

- Increased enrollment assumption due to the Medicaid Unwind from 4,000 to 14,000 - spread evenly over the fiscal year (\$1.1 million issuer fee revenue impact)
- Increased marketing/outreach expenses by \$475,000 (usage will be determined by evaluation of Medicaid Unwind outreach initiatives)
- Increased customer service expenses by \$360,000 (additional outbound/outreach support – will be evaluated as part of pilot program)
- Increased support services by \$90,000 (additional training and business analysis/reporting)
- Increased technology related expenditures by \$1 million to reflect updated contractor costs and overall resource needs to address revised initiatives (see page 10).
- Adjusted expected Medicaid cost reimbursements to reflect more recent reimbursement levels. (\$250,000 reduction)
- Changes resulted in earnings reduction of \$100,000 from the prior budget version and an increase in capital expenditures of \$900,000.
- Historical expenditures adjusted to provide improved comparability with proposed budget

# 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 and integration
- **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
<b>Revenues</b>							
Issuer Fees	36,084	33,368	30,963	34,008	36,938	41,173	11%
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	3,639	-11%
Service Fees (CoCo)					993	2,000	101%
Interest/Other	619	282	53	16	367	292	-20%
<b>Total Revenue</b>	<b>46,694</b>	<b>45,400</b>	<b>41,281</b>	<b>46,009</b>	<b>52,796</b>	<b>52,105</b>	<b>-1%</b>
<b>Operating Expenses</b>							
Technology & Operations	14,126	12,837	13,287	14,105	14,528	15,892	9%
Customer Operations	15,649	17,494	10,799	9,402	10,718	10,601	-1%
Marketing and Outreach	4,936	5,357	5,401	6,890	7,156	7,849	10%
Support Services	6,329	8,108	8,091	10,063	10,383	11,727	13%
<b>Total Operating Expenses</b>	<b>41,039</b>	<b>43,796</b>	<b>37,578</b>	<b>40,460</b>	<b>42,786</b>	<b>46,069</b>	<b>8%</b>
<b>Net Income Before Depreciation</b>	<b>5,654</b>	<b>1,604</b>	<b>3,702</b>	<b>5,549</b>	<b>10,009</b>	<b>6,036</b>	<b>-40%</b>
Depreciation	4,902	2,455	3,525	4,219	4,319	4,544	5%
<b>Net Profit/Loss</b>	<b>752</b>	<b>(852)</b>	<b>178</b>	<b>1,331</b>	<b>5,690</b>	<b>1,492</b>	<b>-74%</b>
<b>Capital Expenditures</b>	<b>2,661</b>	<b>8,488</b>	<b>6,723</b>	<b>6,969</b>	<b>8,752</b>	<b>7,067</b>	<b>-19%</b>
<b>Average Cash Balance</b>	<b>24,410</b>	<b>19,467</b>	<b>13,291</b>	<b>13,323</b>	<b>15,273</b>	<b>14,756</b>	<b>-3%</b>

Further breakdowns and explanations provided on detail slides

# 3 Year Projections

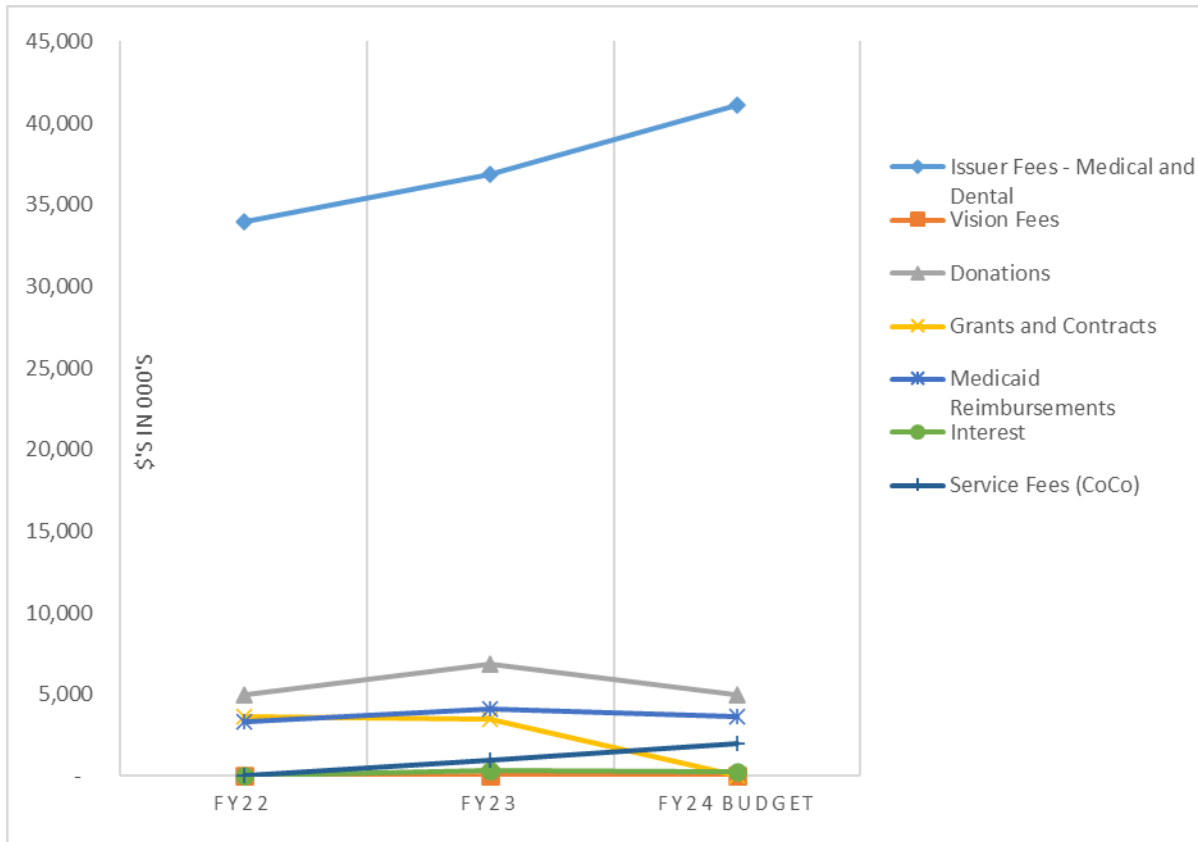
## Fiscal Year FY23 – FY25

*\$'s in 000's*

	Fiscal Year 2023	Fiscal Year 2024 Budget	Fiscal Year 2025 Forecast	Fiscal Year 2026 Forecast
<b>Revenues</b>				
Carrier Fees	36,938	41,173	43,847	45,212
Tax Credit Donations	6,890	5,000	5,000	5,000
Grants/Contracts	3,500	-	-	-
Cost Reimbursements	4,109	3,639	3,596	3,743
Service Fees (CoCo)	993	2,000	2,000	2,000
Interest/Other	367	292	326	366
<b>Total Revenue</b>	<b>52,796</b>	<b>52,105</b>	<b>54,769</b>	<b>56,321</b>
<b>Operating Expenses</b>				
Technology & Operations	14,528	15,892	16,344	16,787
Customer Operations	10,718	10,601	10,447	10,805
Marketing and Outreach	7,156	7,849	7,408	7,485
Support Services	10,383	11,727	12,073	12,590
<b>Total Operating Expenses</b>	<b>42,786</b>	<b>46,069</b>	<b>46,272</b>	<b>47,667</b>
<b>Net Income Before Depreciation</b>	<b>10,009</b>	<b>6,036</b>	<b>8,497</b>	<b>8,654</b>
Depreciation	4,319	4,544	5,862	4,873
<b>Net Profit/Loss</b>	<b>5,690</b>	<b>1,492</b>	<b>2,635</b>	<b>3,780</b>
<b>Capital Expenditures</b>	<b>8,752</b>	<b>7,067</b>	<b>7,222</b>	<b>7,384</b>
<b>Average Cash Balance</b>	<b>15,273</b>	<b>14,756</b>	<b>15,193</b>	<b>16,257</b>

- Existing customer issuer fee revenue based on historical renewal and new business enrollments for plan years 2024-26
- Additional issuer fee revenue generated by Medicaid Unwind enrollments in FY 2024
- Assumes continuation of ARP enhanced tax credits beyond 2025.
- Average premium levels are assumed to remain unchanged over the 3 years.
- No additional SB81 donations assumed for the 3 year budget/projection period
- 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 – bulk of resource insourcing completed in FY 23

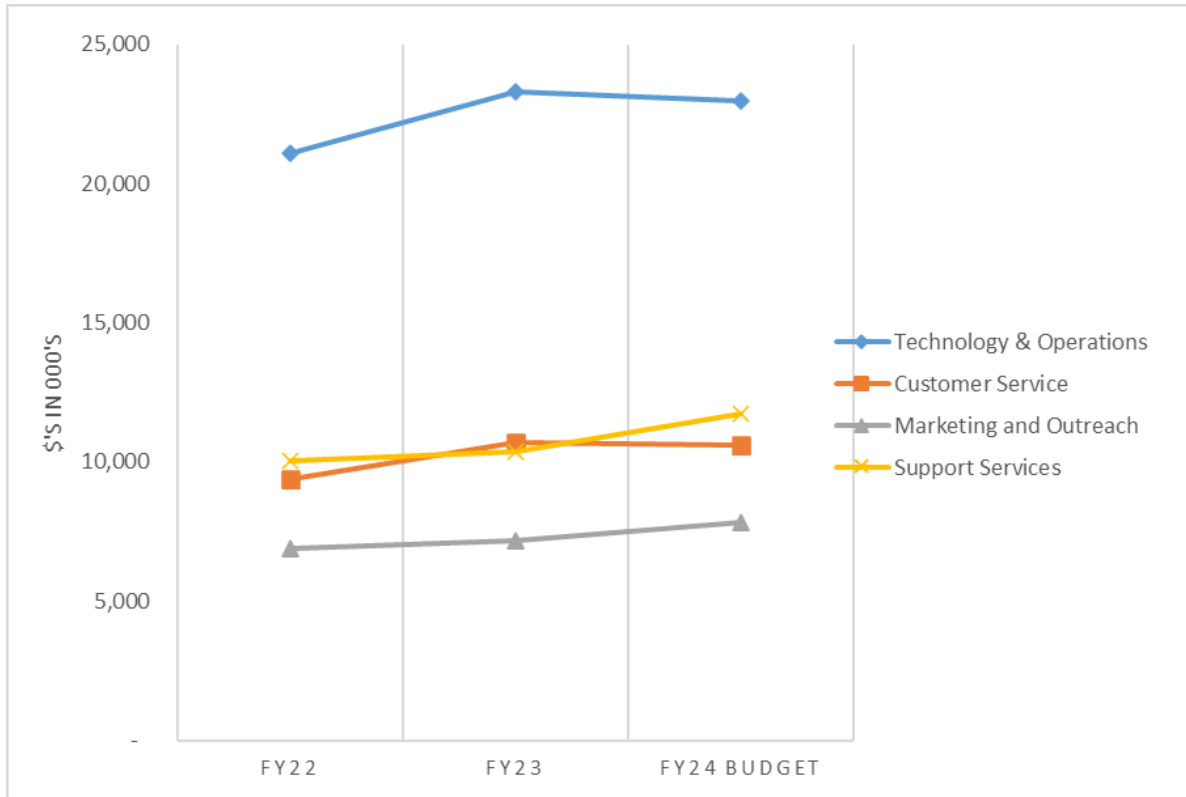
# Revenue - Summary Comparison FY22, FY23, FY24 Budget



Revenues (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Issuer Fees - Medical and Dental	33,960	36,887	41,123	11%
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	3,639	-11%
Interest	4	367	292	-20%
Service Fees (CoCo)	12	993	2,000	101%
<b>Total</b>	<b>46,009</b>	<b>52,796</b>	<b>52,105</b>	<b>-1%</b>

- Issuer fee revenue growth for FY24 attributable primarily to increased average premium levels for plan year 2023 and Medicaid unwind (14,000 enrollments assumed).
- No additional SB 81 Marketing and Outreach funding – potential future budget supplement
- No additional funding in FY 24 to support expediting HIAE program implementation projects (grants and contracts)
- Monthly average enrollment termination rate similar to historical rate of 2.25%
- 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

# Expenditures - Summary Comparison FY22, FY23, FY24 Budget

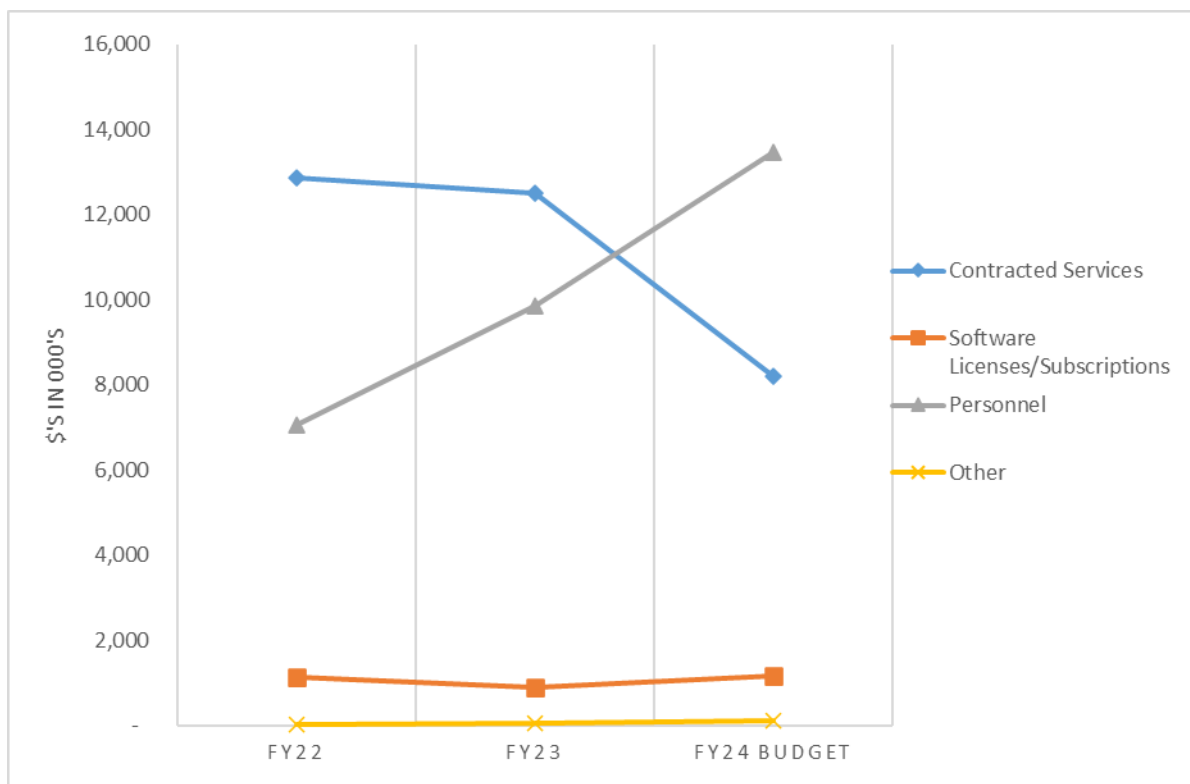


Expenditures (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Technology & Operations	21,073	23,280	22,959	-1%
Customer Service	9,402	10,718	10,601	-1%
Marketing and Outreach	6,890	7,156	7,849	10%
Support Services	10,063	10,383	11,727	13%
<b>Total Expenditures</b>	<b>47,429</b>	<b>51,538</b>	<b>53,136</b>	<b>3%</b>
Without Capex	40,460	42,786	46,069	8%

- Slight increase in overall expenditures are expected 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 and higher outreach/service center costs related to Medicaid Unwind
- 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	12,860	12,491	8,210	-34%
Software Licenses/Subscriptions	1,139	904	1,148	27%
Personnel	7,053	9,845	13,481	37%
Other	21	41	120	192%
<b>Total With Capex</b>	<b>21,073</b>	<b>23,280</b>	<b>22,959</b>	<b>-1%</b>
CapEx	6,969	8,752	7,067	-19%
<b>Total Without Capex</b>	<b>14,105</b>	<b>14,528</b>	<b>15,892</b>	<b>9%</b>

- Budget reflects continuation of internally staffing key technology positions – 37% increase in personnel expense line and 34% decrease in contracted services
- Capital expenditure decrease is the result of legacy replacement project ending and high level of HIAE implementation efforts in FY 23
- Higher non-capital costs reflect 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)
- Advance C4’s application performance monitoring and testing capabilities

## Eligibility Modernization

- Initiate replacement of existing eligibility system
- Enhance family glitch functionality

## Prepare for Additional System Volume

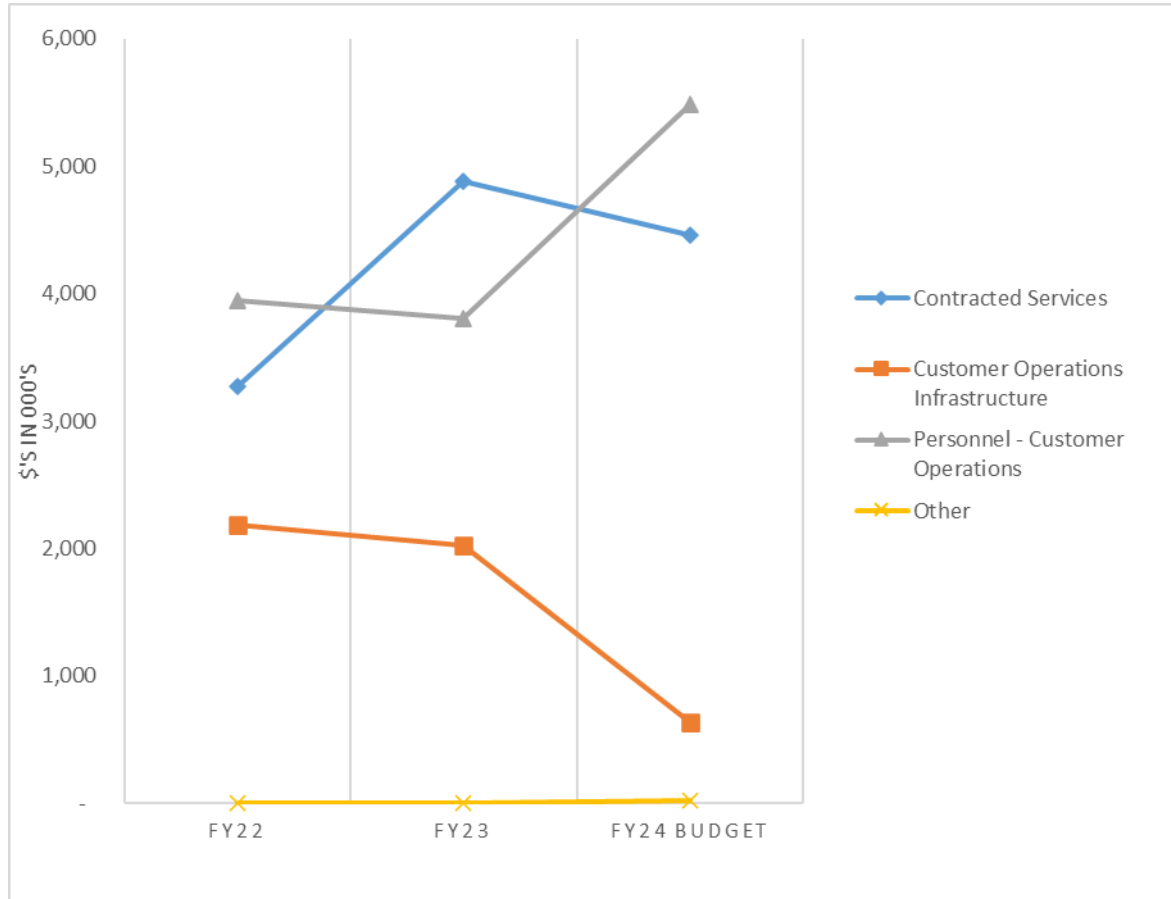
- Improved issuer electronic data interchange and payment processing functionality
- Data quality improvements
- Technical debt and system architecture improvement projects
- Automation of processes

## 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

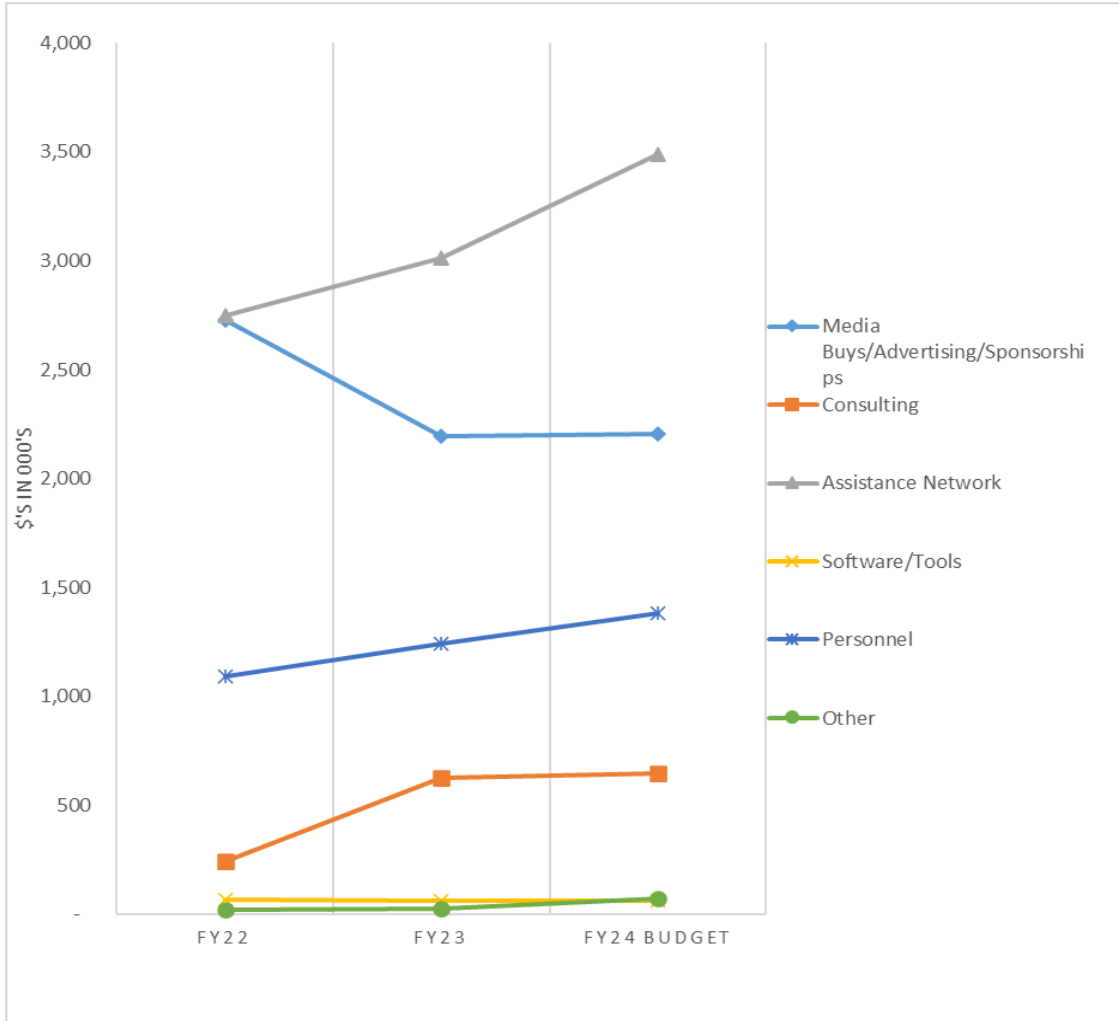
# Customer Operations Expense Comparison FY22, FY23, FY24 Budget



Customer Operations (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Contracted Services	3,271	4,885	4,456	-9%
Customer Operations Infrastructure	2,181	2,026	635	-69%
Personnel - Customer Operations	3,948	3,801	5,489	44%
Other	3	6	22	240%
<b>Total</b>	<b>9,402</b>	<b>10,718</b>	<b>10,601</b>	<b>-1%</b>

- Service center contracted services decrease reflects discontinuance of outsourced service center operations – offset some by direct use of contractors to provide flexibility in staffing levels during peak times
- 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 IVR)

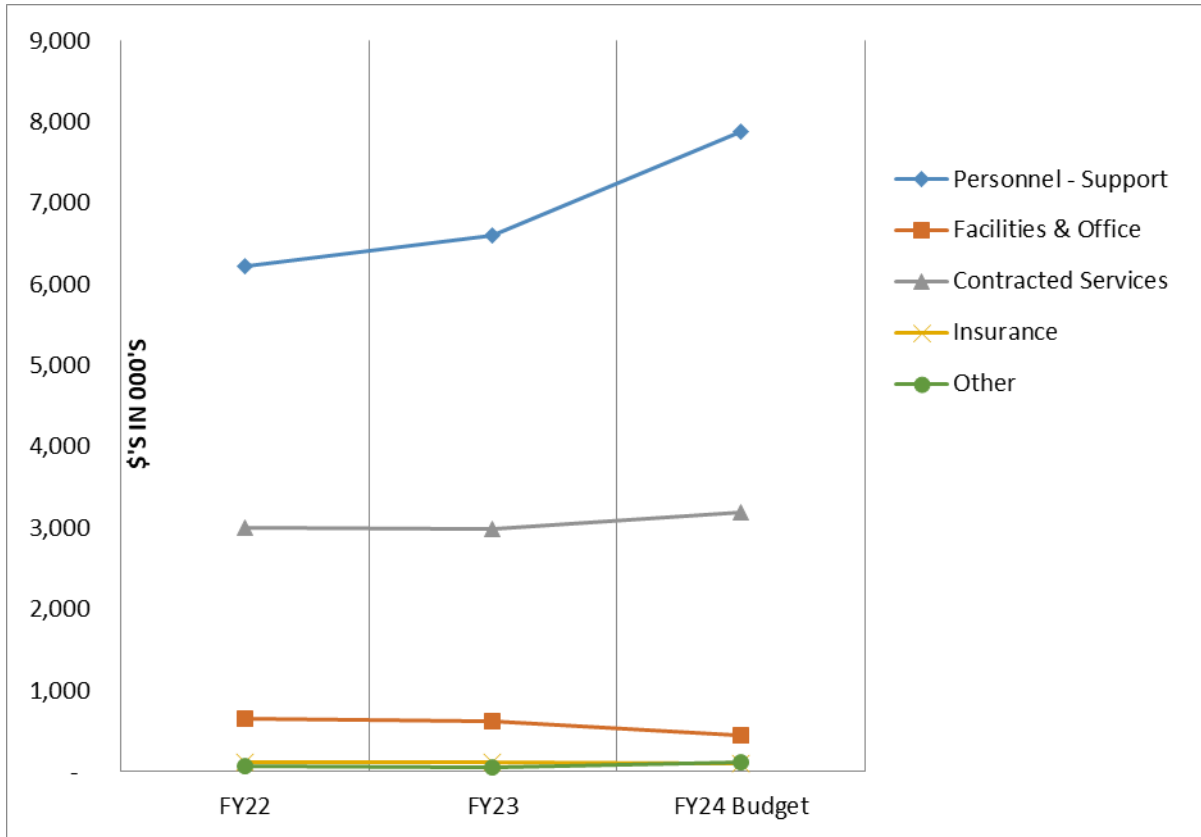
# Marketing and Outreach Expense Comparison FY22, FY23, FY24 Budget



Marketing and Outreach (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Media Buys/Advertising/Sponsorships	2,725	2,193	2,203	0%
Consulting	242	625	645	3%
Assistance Network	2,749	3,012	3,490	16%
Software/Tools	65	60	59	-1%
Personnel	1,091	1,243	1,380	11%
Other	18	23	71	205%
<b>Total</b>	<b>6,890</b>	<b>7,156</b>	<b>7,849</b>	<b>10%</b>

- Media buys in line with prior year levels pending additional availability of SB81 funds in FY24 to support media/advertising beyond base level.
- Assistance network funding increased through use of remaining FY23 SB81 funds to support additional efforts for Medicaid unwind and renewals.
- Consulting expense budgeted for FY24 includes flex funds for Medicaid Unwind
- Further marketing, outreach or assistance network expenditures will be evaluated if additional SB81 funds become available – future budget supplement.

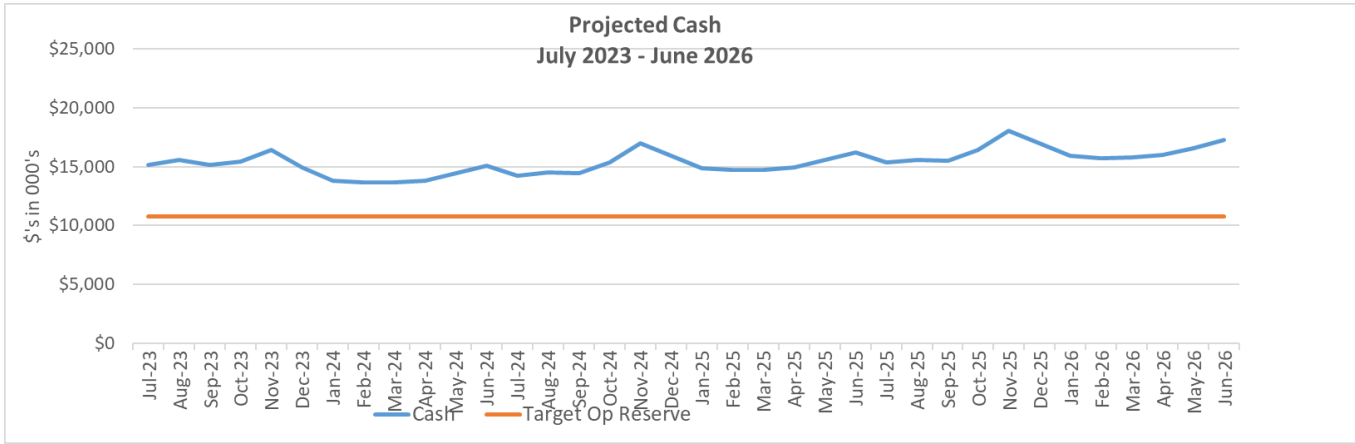
# Support Services Expense Comparison FY22, FY23, FY24 Budget



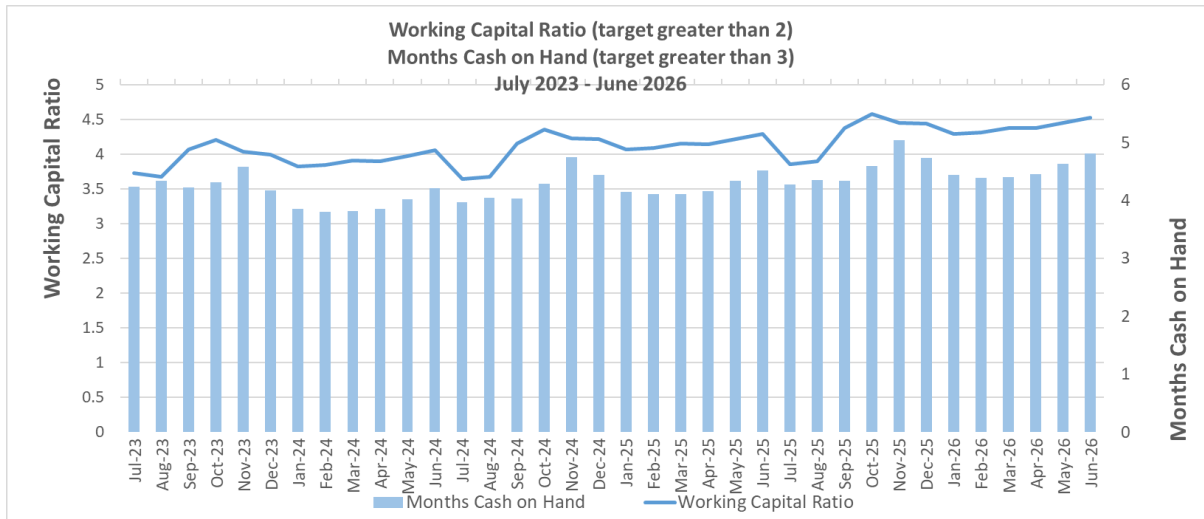
Support Services (\$'s in 000's)	FY22	FY23	FY24 Budget	% Change FY23 vs FY24
Personnel - Support	6,228	6,595	7,875	19%
Facilities & Office	646	627	449	-28%
Contracted Services	3,000	2,990	3,195	7%
Insurance	115	117	93	-20%
Other	74	53	114	114%
<b>Total</b>	<b>10,063</b>	<b>10,383</b>	<b>11,727</b>	<b>13%</b>

- 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 level staff from technology and marketing to support group.
- Employee benefit costs and related taxes are reflected in each division's personnel expenses.
- Facility decrease result of space reductions and renegotiation of of lease.

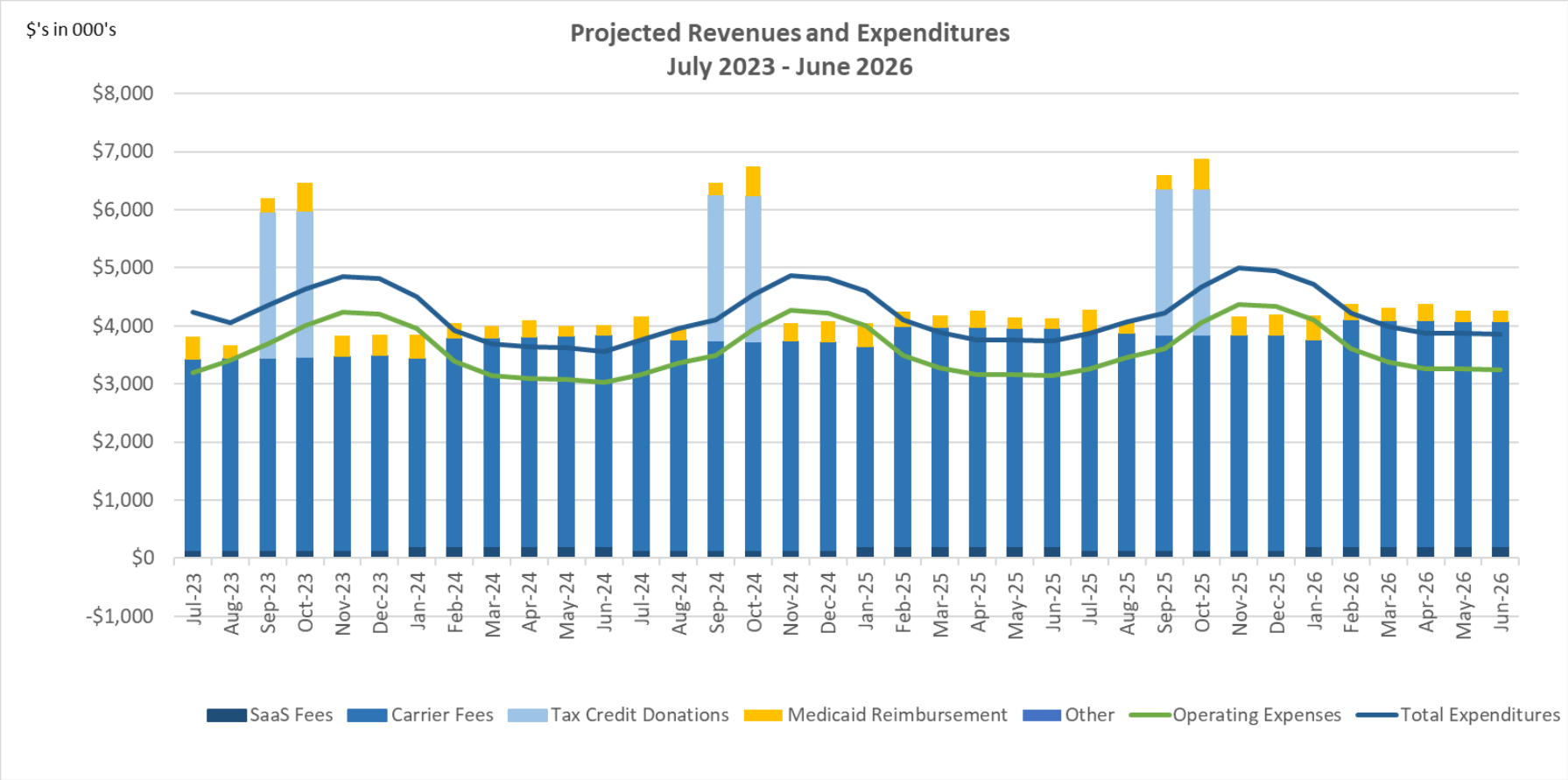
# Cash and Liquidity Metrics 3 Year Projection



- Cash levels for the period range from \$13 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 slight increase 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-\$4 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 \$6 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