



**TO:** CONNECT FOR HEALTH COLORADO EXECUTIVE AND FINANCE COMMITTEE

4600 South Ulster Street | Suite 300  
Denver, CO 80237

**FROM:** BRIAN BRAUN, CHIEF FINANCIAL OFFICER

**SUBJECT:** QUARTERLY FINANCIAL REPORT 4TH QUARTER FISCAL YEAR 2023

**DATE:** 7/21/2023

Key Performance Indicators	Status	YTD - 12 Months Ending 6.30.23		
		Actual	Target	% of Target
Effectuated Enrollment (average)		179,579	180,860	99.3%
Net Operating Margin	(1)	19.3%	12.5%	
Per Member Per Month (PMPM) - Carrier Fees		\$17.2	\$16.7	103.4%
Per Member Per Month (PMPM) - Operating Expenses	(2)	\$18.0	\$18.6	97.1%
Days Cash on Hand		130.0	120.0	108.4%
Working Capital Ratio	(3)	4.4	3.8	115.1%

(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)

KPI's met or exceeded expectations for the year with the net operating margin coming in almost 7 percentage points higher – further explanation below.

Financial Results (in 000's)	Status	YTD - 12 Months Ending 6.30.23		
		Actual	Budget	% of Budget
<b>Revenues</b>				
Program Revenue		9,965	10,446	95.4%
Carrier Fees		37,166	35,886	103.6%
Grant/Other Revenue		4,850	3,824	126.8%
<b>Total Revenue</b>		<b>51,981</b>	<b>50,156</b>	<b>103.6%</b>
<b>Expenditures</b>				
Technology		15,178	14,710	103.2%
Customer Service		9,516	10,291	92.5%
Personnel		18,137	19,613	92.5%
Marketing and Outreach		4,901	5,106	96.0%
Facilities		833	1,017	82.0%
Support Services		1,546	1,518	101.9%
Other		306	382	80.1%
<b>Total Expenditures</b>		<b>50,417</b>	<b>52,636</b>	<b>95.8%</b>
Capital Expenditures		(8,452)	(8,752)	96.6%
<b>Earnings Before Depreciation</b>		<b>10,015</b>	<b>6,272</b>	<b>159.7%</b>
<b>Earnings After Depreciation</b>		<b>5,651</b>	<b>1,890</b>	<b>299.0%</b>
Cash Flows		1,040	1,053	98.8%
Cash		14,954	13,848	108.0%
Working Capital		19,563	14,966	130.7%

The organization finished the year exceeding its overall financial goals. For the fiscal year, earnings from operations (before depreciation) exceeded budget by \$3.7 million driven by both higher than expected revenues and lower expenses as explained further below.

Detailed financial statements are attached to this memo. Since this is year-end, additional pre-audit reconciliations will be performed on the accounting records which may result in some movement in the preliminary financial results being reported at this time. Specific areas that may result in adjustments to these preliminary year-end results include:

- Entries related to GASB 96 (subscription based technology services)
- Finalization of software development capitalization entries
- Finalization of Colorado Connect revenue calculation
- Review of receivables and collectability based on recent events
- Capturing of any late payables/liabilities that may arise
- Medicaid Cost reimbursements – 3<sup>rd</sup> quarter calculation in process (prelims based on estimate)

The following are high level explanations of budget to actual variances.

### **Revenue**

Revenues generated from issuer fees ended the year approximately \$1.3 million higher than budgeted. While enrollment levels were slightly below budgeted expectations, the increase in premium levels for plan year 2023 were higher than assumed in the budget which resulted in higher fees. In addition, revenues tied to enrollment services C4HCO provided for Colorado Connect were \$700,000 higher as the result of much higher enrollments than anticipated for Colorado Connect. Also contributing to higher revenues were higher earnings on investments due to higher interest rates resulting in an additional \$350,000 in revenue.

### **Expenditures**

Overall, total expenditures (operating and capital) were \$1.9 million under budget for the year. The primary driver behind these lower expenses were staffing levels running below budget expectations (\$1.5 million), particularly for the technology area. This was partially offset by the use of contractors. Contractor expenses related to the service center were also below budget due to unplanned reduced staffing levels by the contractor. Facility expenditures were lower due to lease renegotiations/downsizing of space.

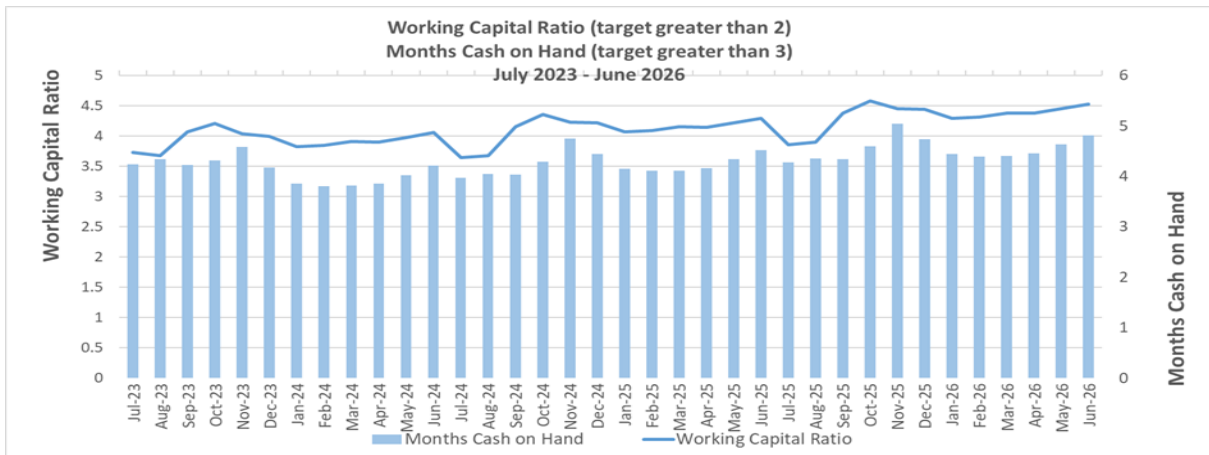
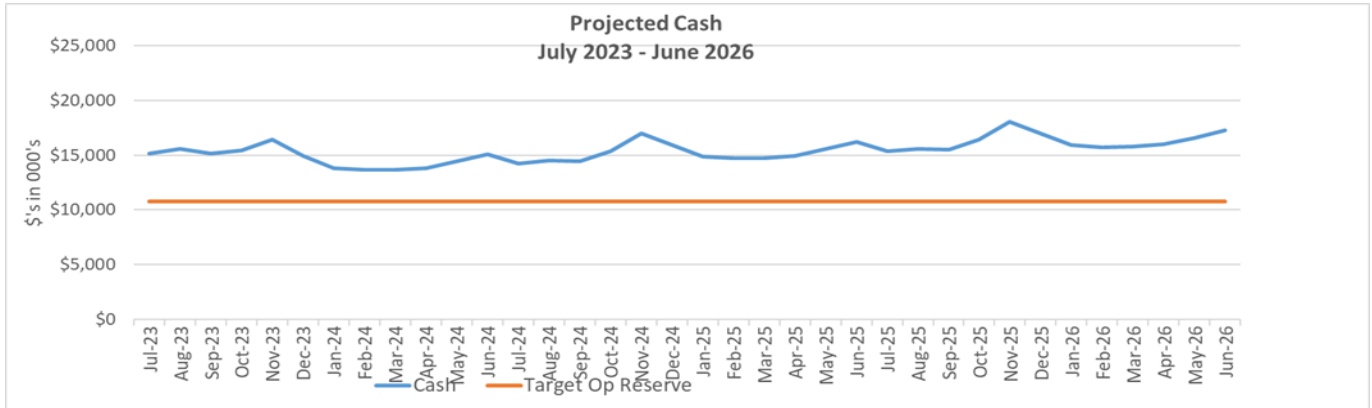
### **Cash**

Cash balances of \$15 million were higher than budget targets by \$1.1 million at the end of the year due to reduced expenditures and higher revenues. Receivables ended the year higher than expected due in part to higher issuer fee receivables associated with Friday Health. Approximately \$1.0 million of the cash balance is related to SB81 donations and is restricted to outreach efforts. These funds will not be fully expended in the current fiscal year.

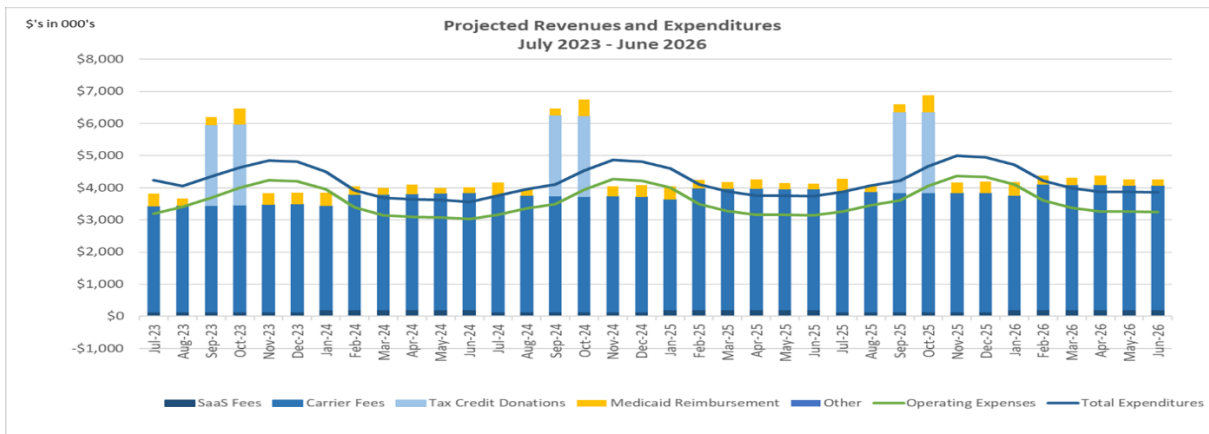
The continued benefit of moving investments to the CSIP liquid investment pool is reflected in higher investment earnings for the year. Current earnings rate for the pool is 5.2%. The finance team is maximizing the investment of cash given the exceptional short-term rates at this time.

**PROJECTIONS**

At this point no significant changes have occurred for us to adjust our long range financial projections that were provided as part of the recently passed FY 2024 budget. These projections are reflected below.



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 month 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.



Depicted in the projected revenue and expenditure 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 fiscal year.

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

	FY 2023		
	12 months ending 6/30/23		
	Actual	Budget	Actual vs Budget
<b>REVENUE</b>			
Carrier Fee - Individual	37,120,131	35,835,481	1,284,650
Carrier Fee Vision	46,347	50,400	(4,053)
HIAE Grant - Technology	3,500,000	3,500,000	-
Tax Credit Donations	5,000,000	5,000,000	-
Tax Credit Donations - SB81	1,889,743	1,889,743	-
Medicaid Cost Reimbursement	3,075,011	3,556,716	(481,705)
Interest Income	381,661	24,000	357,661
Other revenue	968,171	300,000	668,171
<b>Total Revenue</b>	<b>51,981,065</b>	<b>50,156,340</b>	<b>1,824,725</b>
<b>EXPENSES</b>			
Technology			
Maintenance & Operation	2,328,076	5,735,215	(3,407,140)
Software/Licenses/Subscriptions (Tech)	1,494,206	1,677,042	(182,836)
Hosting	1,704,532	1,786,956	(82,424)
DDI (Design, Dev., Implementation)	9,651,065	5,510,935	4,140,130
Capitalized DDI	(7,873,499)	(4,583,126)	(3,290,373)
<b>Total Technology</b>	<b>7,304,380</b>	<b>10,127,022</b>	<b>(2,822,642)</b>
Customer Service			
Customer Operations - external	2,888,078	4,028,374	(1,140,296)
Customer Operations - internal	6,627,675	6,262,383	365,292
<b>Total Customer Service</b>	<b>9,515,753</b>	<b>10,290,757</b>	<b>(775,004)</b>
Personnel			
Salaries & Wages - Other	13,548,711	14,492,708	(943,997)
Taxes and Benefits	4,588,731	5,119,901	(531,170)
Capitalized Salaries	(578,077)	(4,168,717)	3,590,640
<b>Total Personnel</b>	<b>17,559,365</b>	<b>15,443,892</b>	<b>2,115,473</b>
Marketing and Outreach			
Media Buys - Radio/TV/Web	1,704,313	1,702,448	1,865
Outreach Services-Events, Sponsorships	277,667	307,300	(29,633)
Marketing Services	97,993	146,442	(48,448)
Assistance Network	2,820,660	2,950,000	(129,339)
<b>Total Marketing and Outreach</b>	<b>4,900,633</b>	<b>5,106,190</b>	<b>(205,556)</b>
Facilities			
Occupancy	490,028	706,631	(216,603)
Supplies & Materials	16,527	22,212	(5,684)
Postage/Shipping	2,546	3,750	(1,204)
Printing/Copying/Shred	11,106	13,038	(1,932)
Phone/Internet	65,340	73,058	(7,718)
Equipment/Furniture and Fixture	247,923	198,095	49,828
<b>Total Facilities</b>	<b>833,470</b>	<b>1,016,784</b>	<b>(183,314)</b>
Support services			
Public Affairs Services	90,000	75,996	14,004
Professional Services	813,343	815,598	(2,255)
Training and Development	29,113	258,686	(229,573)
H/R Services	555,607	279,449	276,158
Legal Services	2,950	10,000	(7,050)
Audit Services	54,935	78,000	(23,065)
<b>Total Support Services</b>	<b>1,545,949</b>	<b>1,517,729</b>	<b>28,220</b>
Other			
Insurance	113,159	122,000	(8,841)
Conferences/Meetings	16,233	35,437	(19,204)
Memberships/Dues/Subscriptions (Non-Tech)	111,938	135,446	(23,508)
Travel/Meals/Lodging	63,848	81,379	(17,531)
Other - G&A	970	8,004	(7,034)
<b>Total Other</b>	<b>306,148</b>	<b>382,266</b>	<b>(76,118)</b>
<b>Total Operating Expenses</b>	<b>41,965,698</b>	<b>43,884,640</b>	<b>(1,918,942)</b>
<b>Net Income Before Depreciation</b>	<b>10,015,367</b>	<b>6,271,700</b>	<b>3,743,667</b>
Depreciation	4,364,162	4,381,452	(17,290)
<b>Net Income</b>	<b>5,651,205</b>	<b>1,890,248</b>	<b>3,760,957</b>

**Connect for Health Colorado  
Statement of Financial Position**

	<b>FY 2023</b>	
	<b>6/30/2023</b>	
	<b>Actual</b>	<b>Budget</b>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	14,953,610	13,848,280
Accounts receivable (net)	10,410,992	6,467,028
Prepaid expenses	966,983	447,779
Security deposits	43,787	43,787
Total Current assets:	<u>26,375,372</u>	<u>20,806,874</u>
Noncurrent asseets:		
Investment in Subsidiary	(32,958)	(13,518)
Capital assets:		
Web portal development	74,351,698	74,283,096
Software	19,154,275	19,154,275
Leasehold improvements	2,013,305	2,013,305
Office equipment	2,083,635	1,163,977
Furniture and fixtures	1,241,043	1,241,043
Less accumulated depreciation	<u>(76,158,373)</u>	<u>(76,309,508)</u>
Total Capital assets	<u>22,685,583</u>	<u>21,546,189</u>
Total Noncurrent assets:	<u>22,652,625</u>	<u>21,532,671</u>
<b>Total Assets:</b>	<b><u>49,027,997</u></b>	<b><u>42,339,545</u></b>
<b>Liabilities and net position:</b>		
Liabilities:		
Current liabilities:		
Accounts payable	1,981,069	1,774,306
Accrued liabilities	2,467,954	2,574,894
Payroll liabilities	1,352,083	1,000,000
Total Current liabilities:	<u>5,801,105</u>	<u>5,349,200</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>6,763,427</u>	<u>5,428,653</u>
Net position:		
Unrestricted	42,264,570	36,910,892
Total Net position:	<u>42,264,570</u>	<u>36,910,892</u>
<b>Total liabilities and net position:</b>	<b><u>49,027,997</u></b>	<b><u>42,339,545</u></b>