Preliminary Fiscal Year 2025 Budget

July 2024 – June 2025

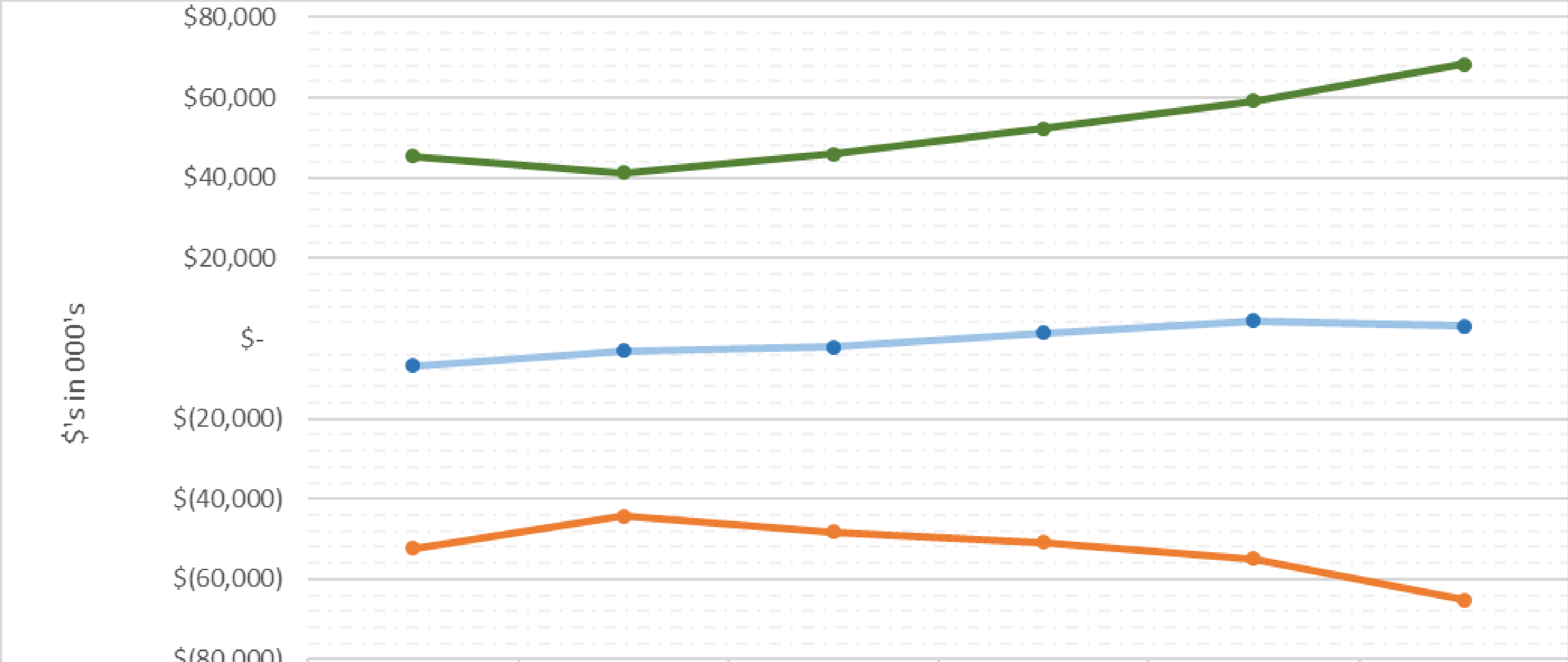
Connect for Health Colorado Executive and Finance Committee

April 25, 2024

Key Budget Assumptions
FY 2025 Budget

- Enrollments from plan year 2025 open enrollment period assumed to result in a 5% increase from the current year enrollment level.
- Medical and dental enrollments for first 6 months of the budgeted fiscal year (July-Dec 2024) based on current 2024 enrollment levels - assumes terminations during the period offset by additions as the result of extending Medicaid unwind enrollment window.
- Average gross premium levels per enrollment are based on actuals for plan year 2024, assumes no increase for plan year 2025.
- Additional SB81 program donations of $1.5 million received in fall 2024.
- Earnings rate on investments moderates closer to historical levels.
- Continued high level of technology investments to support product roadmap and HIAE program in preparation for discontinuance of enhanced premium subsidies in plan year 2026.
- Significant increase in customer operations document processing costs to handle influx of document verifications during open enrollment (currently examining processing solutions to reduce cost impact).

Proposed FY25 Budget Summary
Fiscal Year Comparisons (FY20 – FY25)



	FY20	FY21	FY22	FY23	FY24	FY25 Budget
Revenue	$45,400	$41,281	$46,009	$52,225	$59,291	$68,254
Expenditures	$(52,285)	$(44,301)	$(48,149)	$(50,755)	$(54,840)	$(65,189)
Surplus/(Deficit)	$(6,885)	$(3,021)	$(2,140)	$1,470	$4,451	$3,064

Expenditures include capital investments
Further breakdowns and explanations provided on detail slides

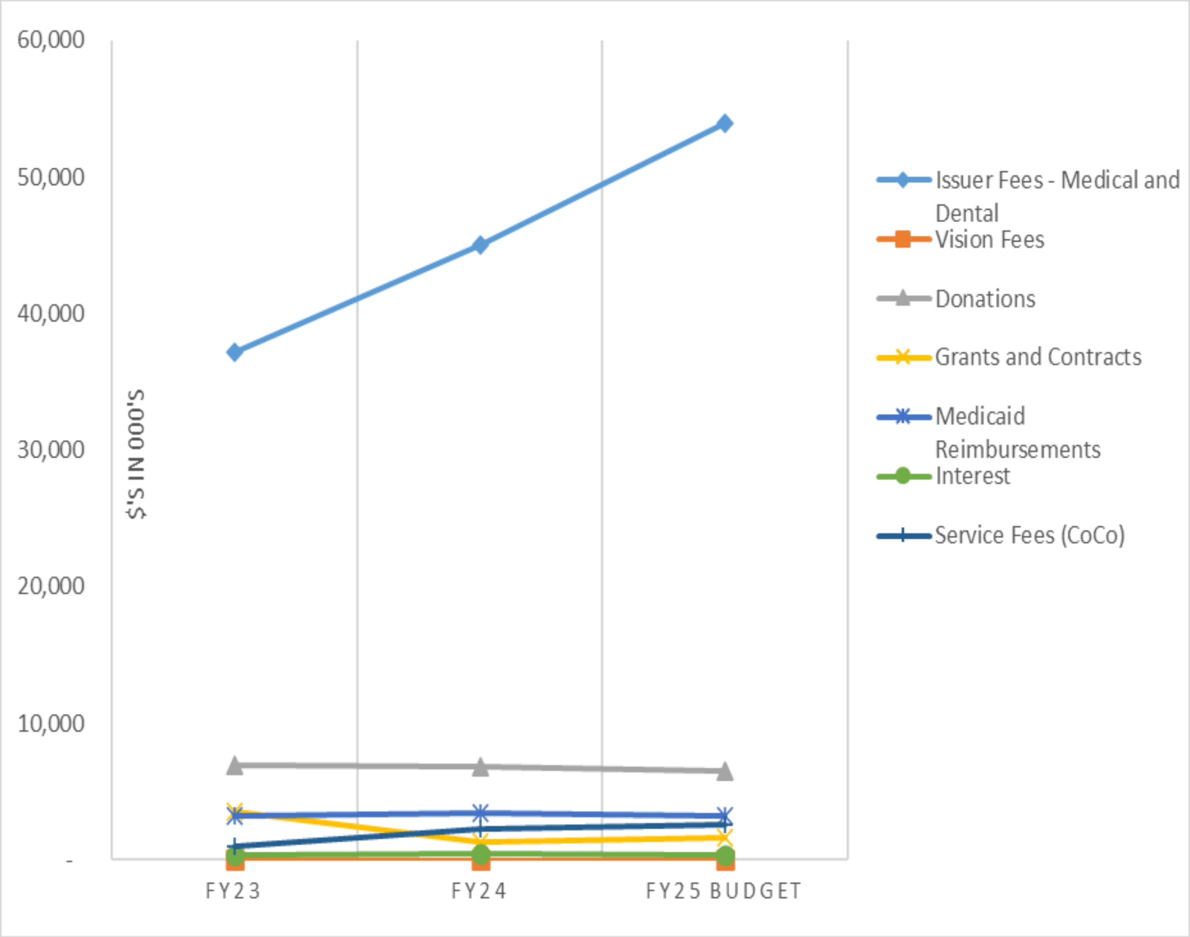
Proposed FY25 Budget Details
Fiscal Year Comparisons (FY20 – FY25)

$'s in 000's	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Budget Fiscal Year 2025	% Change FY24 vs FY25
Revenues							
Issuer Fees	33,368	30,963	34,008	37,200	45,062	54,015	20%
Tax Credit Donations	5,000	5,000	5,000	6,890	6,785	6,500	-4%
Grants/Contracts	500	175	3,637	3,541	1,300	1,600	23%
Cost Reimbursements	6,250	5,089	3,348	3,264	3,396	3,213	-5%
Service Fees (CoCo)				935	2,246	2,600	16%
Interest/Other	282	53	16	396	502	326	-35%
Total Revenue	**45,400**	**41,281**	**46,009**	**52,225**	**59,291**	**68,254**	**15%**
Operating Expenses							
Technology & Operations	12,968	13,530	14,728	14,379	17,329	20,728	20%
Customer Operations	17,494	10,799	9,402	8,613	9,309	12,377	33%
Marketing and Outreach	5,357	5,401	6,890	6,593	8,335	9,253	11%
Support Services	7,977	7,849	10,160	15,581	11,455	12,831	12%
Total Operating Expenses	**43,796**	**37,578**	**41,180**	**45,166**	**46,428**	**55,189**	**19%**
Net Income Before Depreciation	**1,604**	**3,702**	**4,829**	**7,060**	**12,862**	**13,064**	**2%**
Depreciation	2,455	3,525	4,219	4,732	4,716	5,226	11%
Net Profit/Loss	**(852)**	**178**	**610**	**2,328**	**8,146**	**7,838**	**-4%**
Capital Expenditures	**8,488**	**6,723**	**6,969**	**5,590**	**8,412**	**10,000**	**19%**
Average Cash Balance	**19,467**	**13,291**	**13,323**	**14,803**	**14,542**	**15,447**	**6%**

- Net profit after depreciation of $7.8 million
- Operating income of $13.1 million reduced by capital expenditures results in $3.1 million projected cash based surplus

Further breakdowns and explanations provided on detail slides

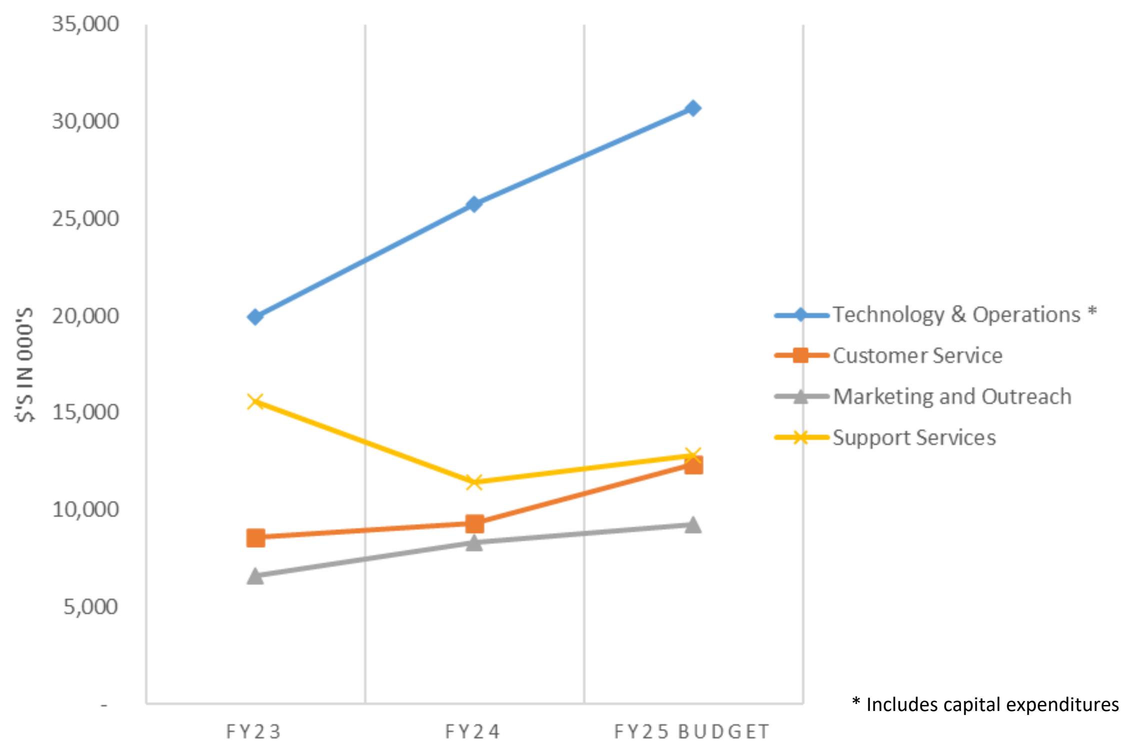
Revenue - Summary Comparison FY23 – FY25



Revenues ($'s in 000's)	FY23	FY24	FY25 Budget	% Change FY24 vs FY25
Issuer Fees - Medical and Dental	37,153	45,018	53,964	20%
Vision Fees	47	44	50	14%
Donations	6,890	6,785	6,500	-4%
Grants and Contracts	3,541	1,300	1,600	23%
Medicaid Reimbursements	3,264	3,396	3,213	-5%
Interest	396	502	326	-35%
Service Fees (CoCo)	935	2,246	2,600	16%
Total	52,225	59,291	68,254	15%

- Issuer fee revenue growth for FY25 attributable to an increase in plan year 2024 enrollments and average gross premiums per enrollee
- SB 81 related donations budgeted at $1.5 million - to be received in fall of 2024
- HIAE technology project funding of $1.6 million
- Monthly average enrollment termination rate similar to historical rate of 2.25%
- SaaS fees cover C4HCO costs in supporting Colorado Connect enrollments – no growth expected in enrollments in plan year 25
- Earnings rate on investments assumed to drop to 3.5%

Expenditures - Summary Comparison FY23 – FY25

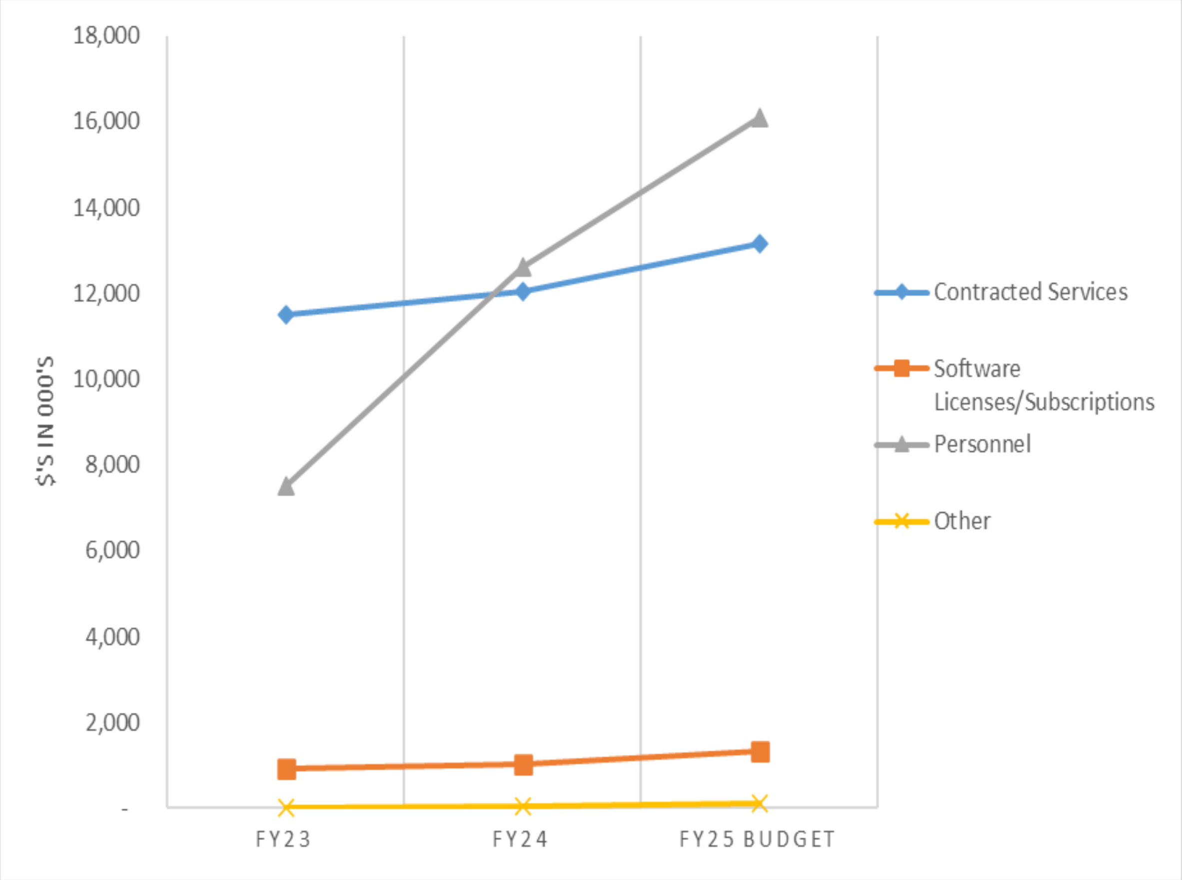


* Includes capital expenditures

Expenditures ($'s in 000's)	FY23	FY24	FY25 Budget	% Change FY24 vs FY25
Technology & Operations *	19,968	25,741	30,728	19%
Customer Operations	8,613	9,309	12,377	33%
Marketing and Outreach	6,593	8,335	9,253	11%
Support Services	15,581	11,455	12,831	12%
Total Expenditures	**50,755**	**54,840**	**65,189**	19%
Without Capex	45,166	46,428	55,189	19%

- Increase in overall expenditures are expected in FY 25. See more detailed explanations of budget lines on following slides
- Operating expenses (without capex) are increasing at a faster rate then revenues due to increases in the technology/operations and customer operations areas.
- Technology expenses include both operational costs and development costs (capital investments), along with health plan operations

Technology and Operations Expense Comparison FY23 – FY25



Technology and Operations ($'s in 000's)	FY23	FY24	FY25 Budget	% Change FY24 vs FY25
Contracted Services	11,519	12,033	13,174	9%
Software Licenses/Subscriptions	913	1,035	1,326	28%
Personnel	7,509	12,611	16,105	28%
Other	27	62	124	98%
Total With Capex	19,968	25,741	30,728	19%
CapEx	5,590	8,412	10,000	19%
Total Without Capex	14,379	17,329	20,728	20%

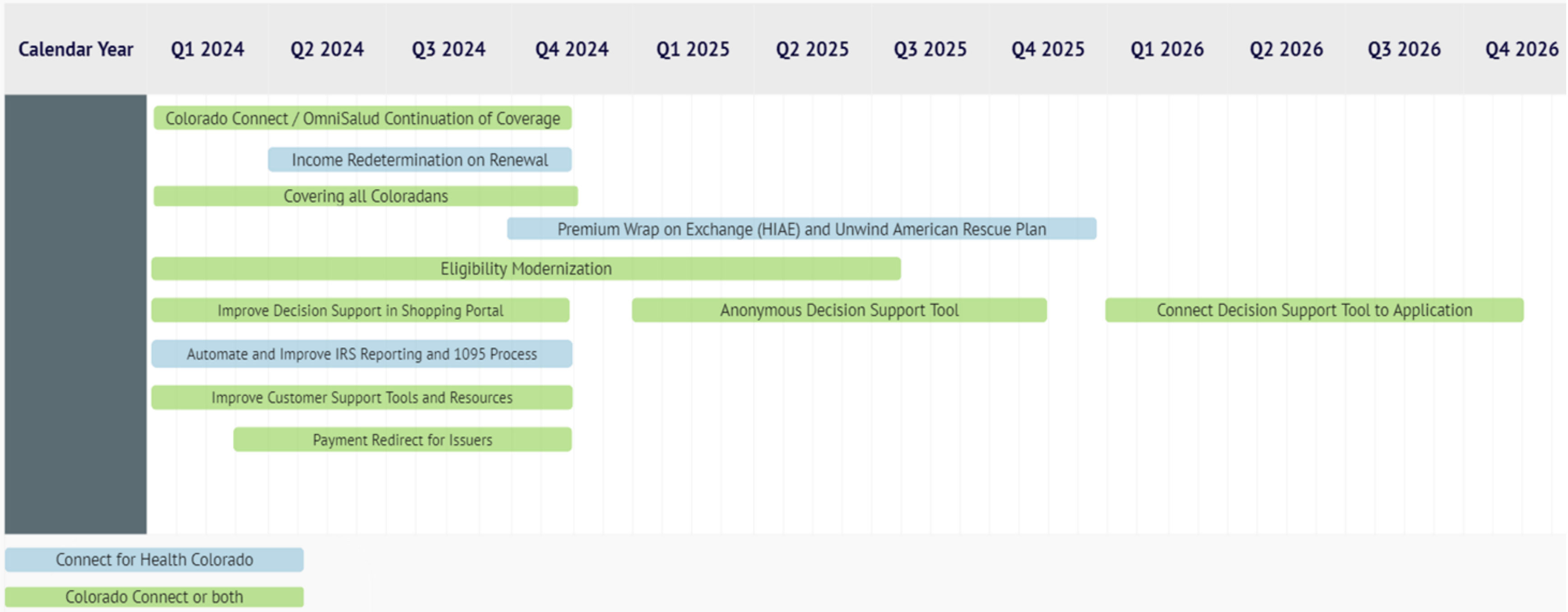
- Budget reflects continuation of internally staffing key technology/operations positions including consolidation of issuer operations previously partially staffed in the service center
- Capital expenditures (Capex) tied to Roadmap (see separate slide)
- Higher overall technology/operations costs net of Capex reflects cost to support expanded capital projects along with emphasis on operational/quality assurance improvement efforts
- Software licenses increase due to full year cost of new tools purchased in FY24 to support operational improvements

Technology Initiatives

Connect for Health Colorado and Colorado Connect Product Roadmap

Goals:

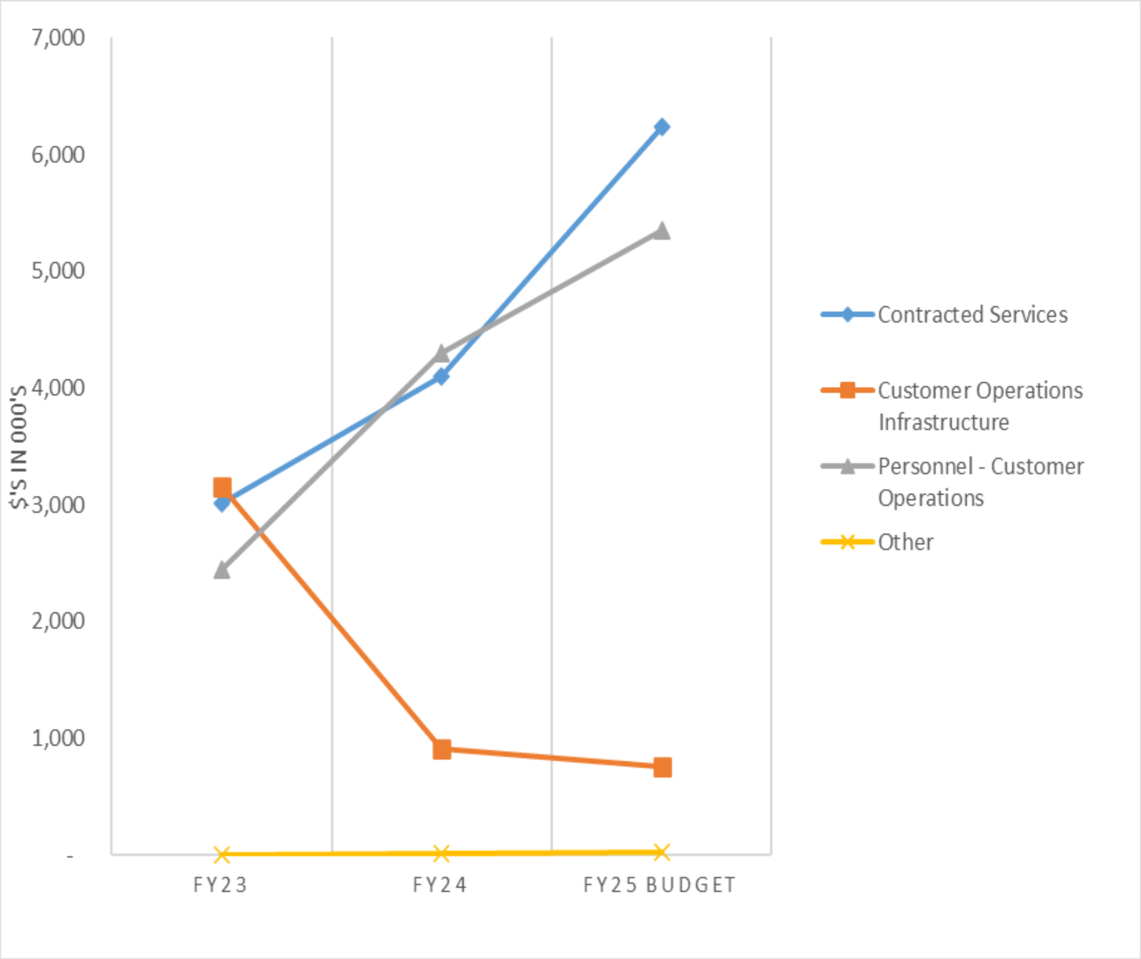
- Create a shared understanding of priorities, projects and strategy
- Set realistic expectations
- Allow for more robust collaboration and stakeholder feedback on user facing improvements
- Adapt to changes in priority due to external factors such as legislation, compliance needs and market shifts



Estimated Technology Capital Investment Costs Budgeted FY 2025 (July 2024 – June 2025)

Project Name	Estimated Cost – FY25
Colorado Connect/OmniSalud Continuity of Care	$1,000,000
Income Redetermination on Renewal	$800,000
Covering All Coloradans	$300,000
Premium Wrap on Exchange	$1,000,000
Eligibility Modernization	$1,700,000
Decision Support	$1,600,000
Automate and Improve IRS Reporting and 1095 Process	$400,000
Improve Customer Support Tools and Resources	$850,000
Payment Redirect for Issuers	$350,000
Unidentified	$2,000,000
Total Estimated Capital Expenditures	**$10,000,000**

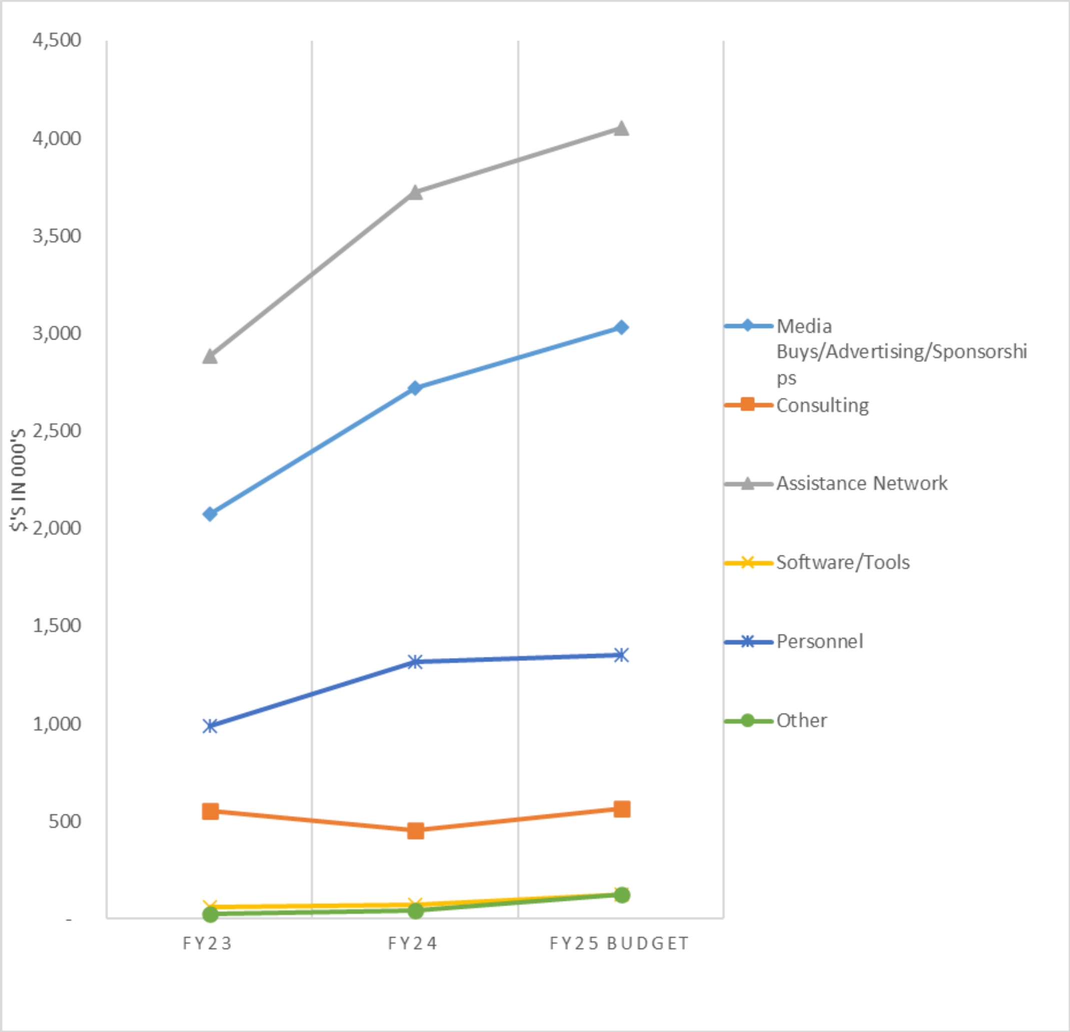
Customer Operations Expense Comparison FY23 – FY25



Customer Operations ($'s in 000's)	FY23	FY24	FY25 Budget	% Change FY24 vs FY25
Contracted Services	3,012	4,096	6,240	52%
Customer Operations Infrastructure	3,155	910	760	-16%
Personnel - Customer Operations	2,443	4,294	5,354	25%
Other	3	9	23	162%
Total	8,613	9,309	12,377	33%

- Increase in contracted services of 52% due to use of seasonal contractors to assist with expected high level of document verifications for plan year 2025 open enrollment period
- Higher personnel costs resulting from continued internalization of key customer operations functions during FY24
- Infrastructure cost reduction due to bringing service center technology contracting and management in-house (CRM and IVR) during FY24

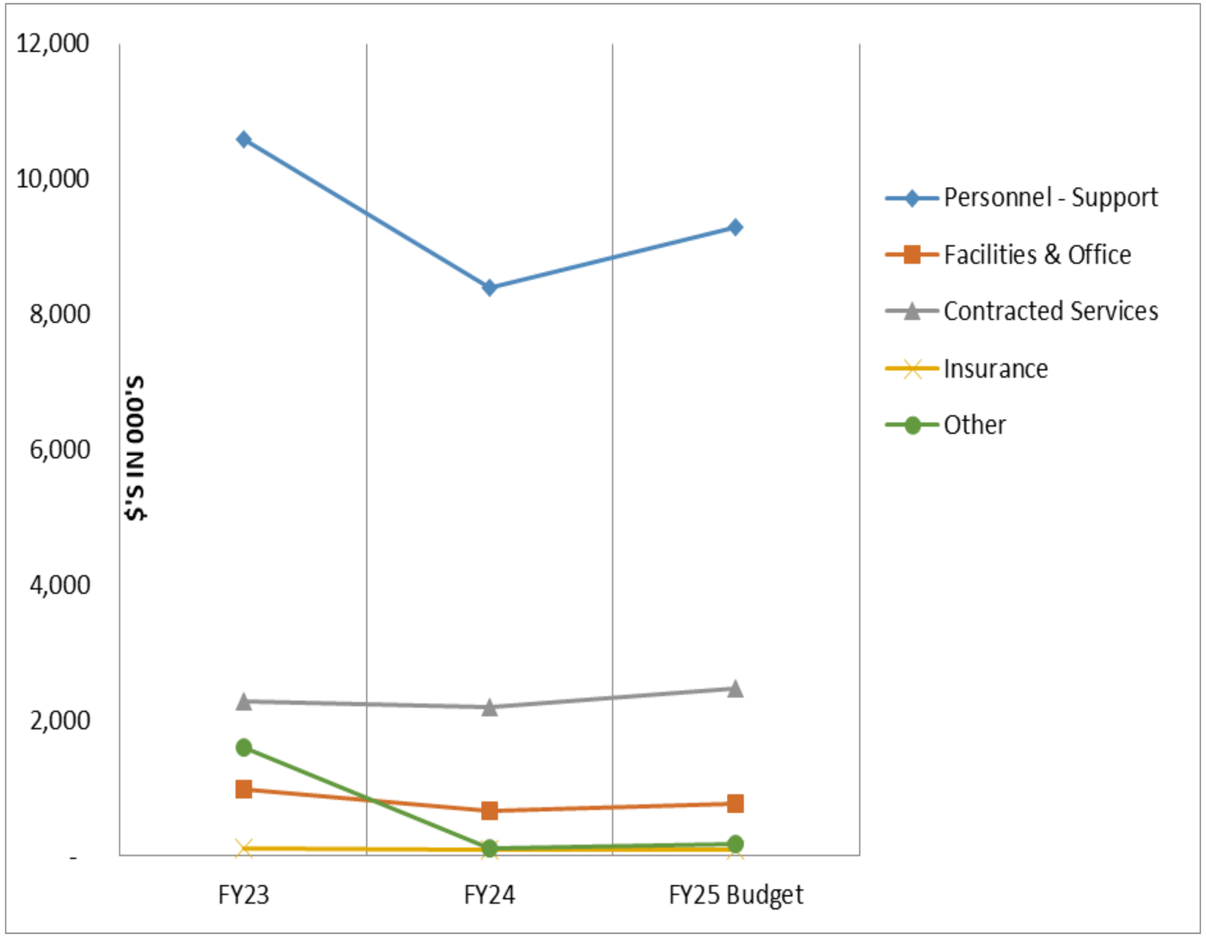
Marketing and Outreach Expense Comparison FY23 – FY25



Marketing and Outreach ($'s in 000's)	FY23	FY24	FY25 Budget	% Change FY24 vs FY25
Media Buys/Advertising/Sponsorships	2,076	2,722	3,033	11%
Consulting	553	454	564	24%
Assistance Network	2,885	3,722	4,053	9%
Software/Tools	60	75	124	65%
Personnel	991	1,318	1,351	3%
Other	28	44	128	191%
Total	6,593	8,335	9,253	11%

- Increased media buy and assistance network funding supported by expected SB-81 funding in FY25. SB-81 budget details for FY25 being finalized.
- Consulting expenses budgeted for FY25 are higher due to flex SB81 funds assigned to this line item – use of $'s TBD as part of SB81 FY25 budgeting

Support Services Expense Comparison FY23 – FY25



Support Services ($'s in 000's)	FY23	FY24	FY25 Budget	% Change FY24 vs FY25
Personnel - Support	10,591	8,394	9,292	11%
Facilities & Office	982	663	781	18%
Contracted Services	2,282	2,195	2,481	13%
Insurance	113	95	99	5%
Other	1,613	109	177	63%
Total	15,581	11,455	12,831	12%

- Support services include corporate functions (HR, training, Finance, Legal, Facilities, Administration), Policy and Research, Internal IT, Privacy and Security services.
- Overall support services increase was below growth rate of revenues and operational expenses.
- Support personnel increase is due to support needs driven by the additional staff from the internalization of customer operations and technology along with additional analytics/policy resource needs.
- Contractor increase driven in part by higher privacy and security services.
- Facility/Office increase result of higher equipment costs due to increased staffing levels onboarded in FY24.

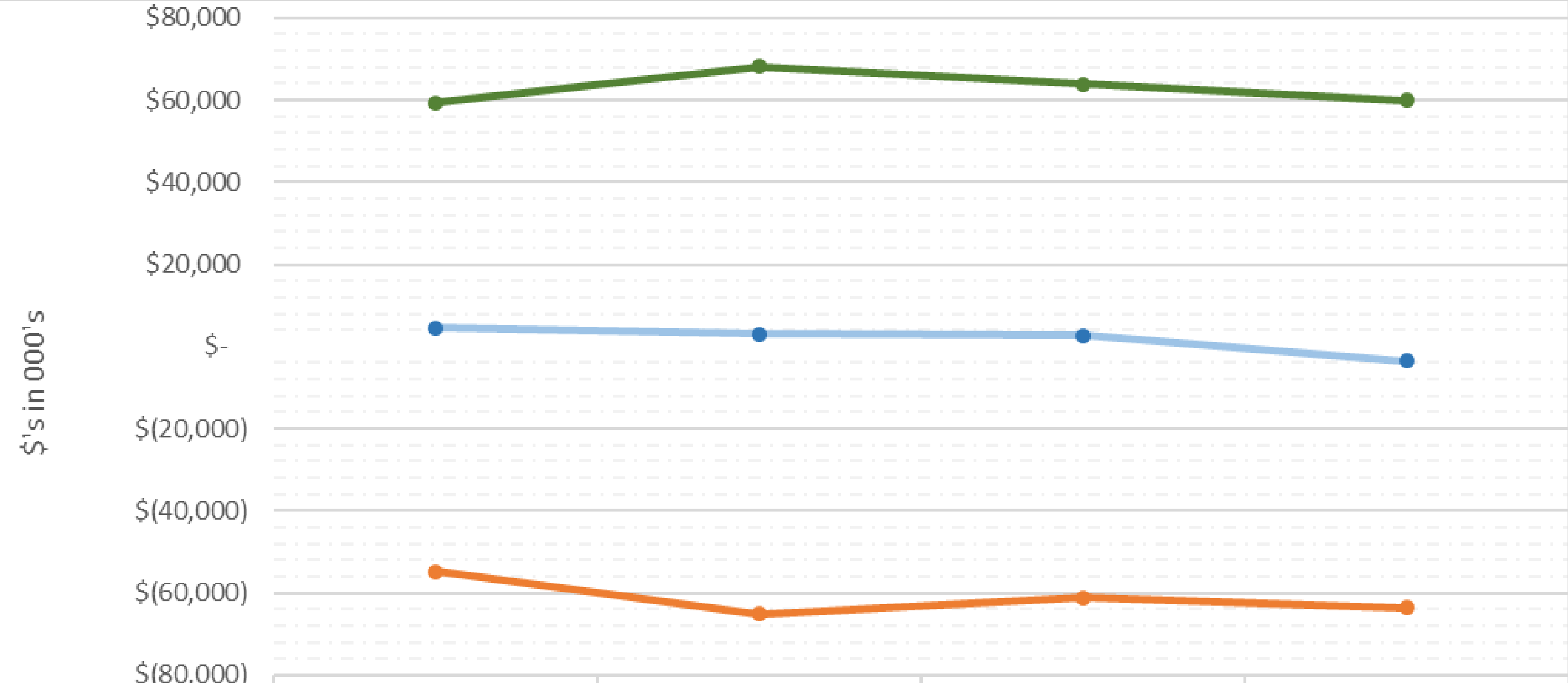
3 Year Financial Goals and Strategies
(see following slides for 3 year projections)

Goal: Maintain targeted operating reserves and build capital reserves

Proposed Targets:

- Maintain average operating cash balance of 3 months of average operating expenses over the planning period ($14 million)
- Build a sufficient capital reserve beyond the operating reserve level of $14 million. Goal of $10 million in capital reserves to allow for future initiatives and predictability in project funding/planning. Combined target reserve $24 million. Current plan shows a $18 million total operating and capital reserve at the end of the 3 years forecasted (June 2027)
- **Potential Strategies:**
- Revenue Growth
  - Focus additional efforts on potential new individual market enrollments (e.g., family glitch, small business/HRA enrollments, COBRA)
  - Expanded focused 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, harnessing of AI where it makes an impact without harming customer experience
  - 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

Projected Revenues and Expenditures – 3 years FY25 – FY 27



	FY24	FY25 Budget	FY26	FY27
Revenue	$59,291	$68,254	$63,903	$59,999
Expenditures	$(54,840)	$(65,189)	$(61,190)	$(63,543)
Surplus/(Deficit)	$4,451	$3,064	$2,713	$(3,544)

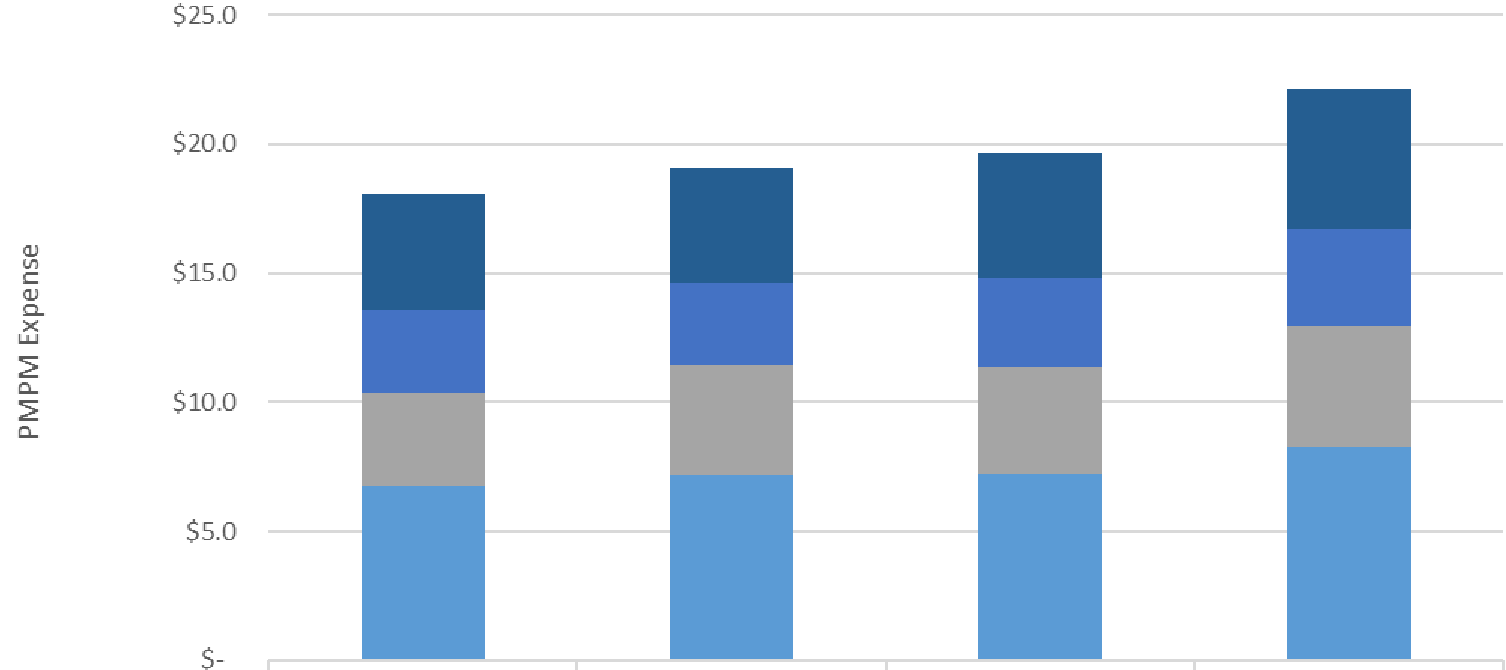
- Due to reduction in enrollments from expiration of enhanced subsidies, revenues decline starting in plan year 2026.
- Expenditures decline in FY26 but not enough to avoid inflationary impacts and reduced enrollments in FY27 - resulting in a projected deficit in FY27

3 Year Projections Details
Fiscal Year FY25 – FY27

$'s in 000's	Fiscal Year 2024	Fiscal Year 2025 Forecast	Fiscal Year 2026 Forecast	Fiscal Year 2027 Forecast
Revenues				
Carrier Fees	45,062	54,015	51,298	47,254
Tax Credit Donations	6,785	6,500	6,500	6,500
Grants/Contracts	1,300	1,600	-	-
Cost Reimbursements	3,396	3,213	3,140	3,252
Service Fees (CoCo)	2,246	2,600	2,600	2,600
Interest/Other	502	326	366	393
Total Revenue	**59,291**	**68,254**	**63,903**	**59,999**
Operating Expenses				
Technology & Operations	17,329	20,728	19,835	21,034
Customer Operations	9,309	12,377	11,532	11,928
Marketing and Outreach	8,335	9,253	9,482	9,718
Support Services	11,455	12,831	13,342	13,862
Total Operating Expenses	**46,428**	**55,189**	**54,190**	**56,543**
Net Income Before Depreciation	**12,862**	**13,064**	**9,713**	**3,456**
Depreciation	4,716	5,226	5,024	5,878
Net Profit/Loss	**8,146**	**7,838**	**4,689**	**(2,421)**
Capital Expenditures	**8,412**	**10,000**	**7,000**	**7,000**
Average Cash Balance	**14,542**	**15,447**	**19,909**	**18,826**

- Existing customer issuer fee revenue assumes a 15% reduction in enrollments starting in plan year 2026 resulting from expiration of enhanced tax credits.
- Average gross premium per enrollment are assumed to remain unchanged over the 3 years.
- SB81 donations assumed $1.5 million per year for the 3 year projection period.
- No additional funding nor costs are assumed for implementation of state or federally driven projects beyond FY25.
- Technology expenditures decrease in last 2 years from expanded level in FY 25.
- High level of customer operations contractor spend in FY25 due to influx of document verifications reduced in FY26 and FY27.

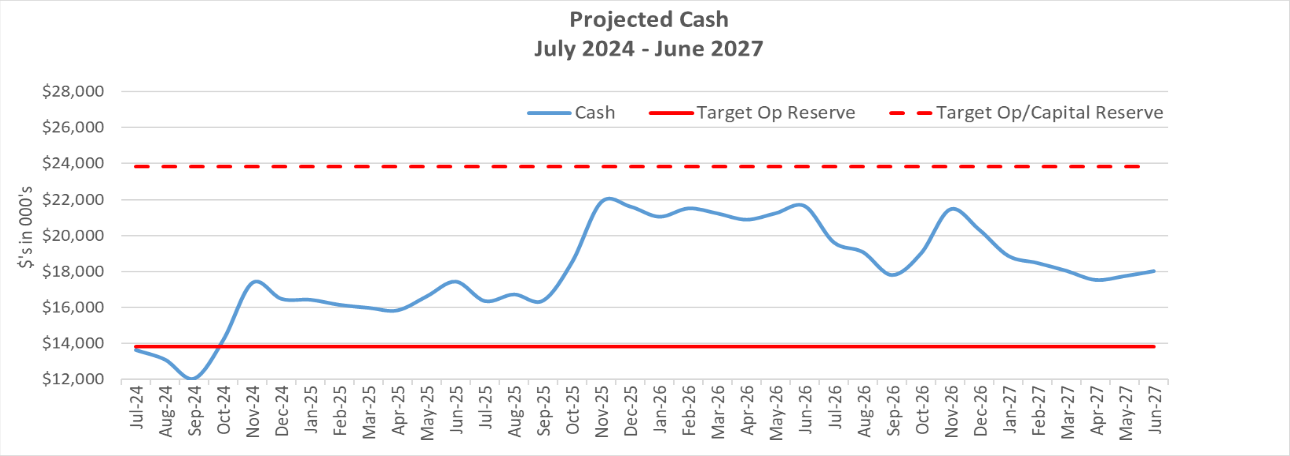
Per Member Per Month Expenses – 3 Year Projection FY25 – FY27

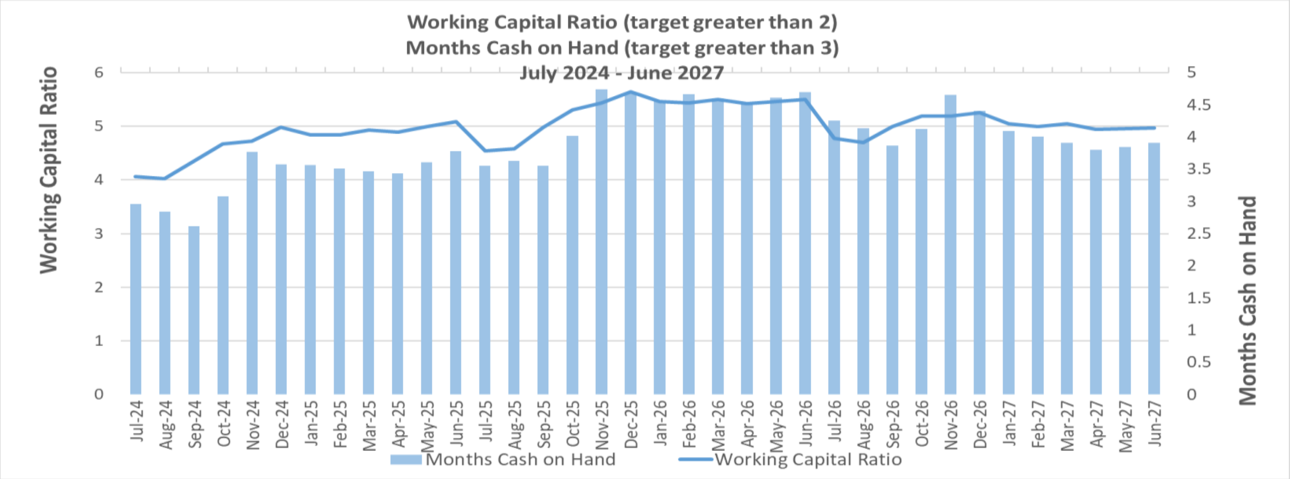


	FY24	FY25 Budget	FY26	FY27
Support Services	$4.5	$4.4	$4.8	$5.4
Marketing and Outreach	$3.2	$3.2	$3.4	$3.8
Customer Operations	$3.6	$4.3	$4.2	$4.7
Technology & Operations	$6.7	$7.1	$7.2	$8.2

- PMPM expenses increase in FY 25 budget due to higher customer operations and technology expenditures discussed in budget section.
- PMPM expenses in FY 26 and FY 27 increase due to anticipated drop in enrollments in plan year 26 and inflationary impacts
- Further evaluation of expenses needed to prepare for potential drop in enrollments

Cash and Liquidity Metrics
3 Year Projection (FY25 – FY27)





- Cash levels for the period range from $12 million to a high of $22 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 4 to 5.5.
- 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 3.5.
- 3 year cash forecast shows an overall increase in cash position over the period from 2024 levels with a decline from the peak at the end of plan year 2025 and a year over year decline in the last year due to impacts of enrollment declines.