

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 4TH QUARTER FY 2017
DATE: 8/25/2017

OVERVIEW

Key Performance Indicators	Status	Actuals (YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	142,733	129,333	110.4%
Net Operating Income Margin		9.0%	1.7%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$14.9	\$14.7	100.8%
Per Member Per Month (PMPM) - Operating Exp.		\$21.9	\$24.2	90.6%
Days Cash on Hand	(3)	210.5	120.0	175.4%

- (1) Monthly average for year
- (2) Does not include other revenue streams
- (3) Based on FY18 budgeted daily operating expenses

Effectuated enrollment continued to exceed the target for the year by over 13,000, contributing to overall revenues exceeding expectations by 7.5%. Expenditures came in slightly lower than budget and combined with higher fee revenues resulted in operating income (before depreciation) of \$3.9 million compared to expectations of \$697,000. The following is a summary of the financial results for the fiscal year.

FINANCIAL RESULTS SUMMARY

Financial Results	Status	Actuals (YTD)	Budget (YTD)	% of Budget
<i>Revenues</i>				
Program Revenue		15,828	15,425	102.6%
Carrier Fees		25,435	22,855	111.3%
Grant/Other Revenue		2,605	2,510	103.8%
Total Revenue		43,868	40,790	107.5%
<i>Expenditures</i>				
Customer Service		13,206	13,069	101.0%
Technology Operations		12,360	12,353	100.1%
General and Administrative		8,296	8,408	98.7%
Facilities		1,204	1,358	88.6%
Marketing and Outreach		4,875	4,905	99.4%
Total Expenditures		39,940	40,093	99.6%
Earnings Before Depreciation		3,928	697	563.9%
Cash Flows		8,938	4,615	193.7%
Cash		21,684	16,500	131.4%
Working Capital		22,961	22,884	100.3%

Revenue

Higher revenues were primarily the result of higher carrier fees driven by higher than expected effectuated enrollment for both plan years 2016 and 2017 and higher than expected average premiums for plan year 2017. Also contributing - the level of effectuated enrollment remained relatively flat during 2016 with a slight drop off in the fourth quarter of plan year 2016. Normally we see a gradual decline of effectuated enrollment during the plan year. December 31, 2016 was the last month of the broad market assessment which came in slightly higher than budget for the fiscal year.

Expenditures

Operating expenses came in slightly under budget (\$153,000). Primary contributors to this variance included:

- Customer Service (\$136,000) – higher costs primarily related to the unplanned EBNE project.

Overall the EBNE project generated estimated additional revenues of \$1 million for plan year 2017.

- Corporate Expenses (G&A/Salary and Benefit Expenses/Facilities) (-\$266,000) – positive variance due to lower than anticipated corporate consulting, insurance, audit and professional training costs.

Cash

The cash balance at June 30, 2017 was \$5.2 million higher than budget projections. This was due in part to higher earnings for the quarter as explained above along with the acceleration of the accounts receivable collection period during the fiscal year.

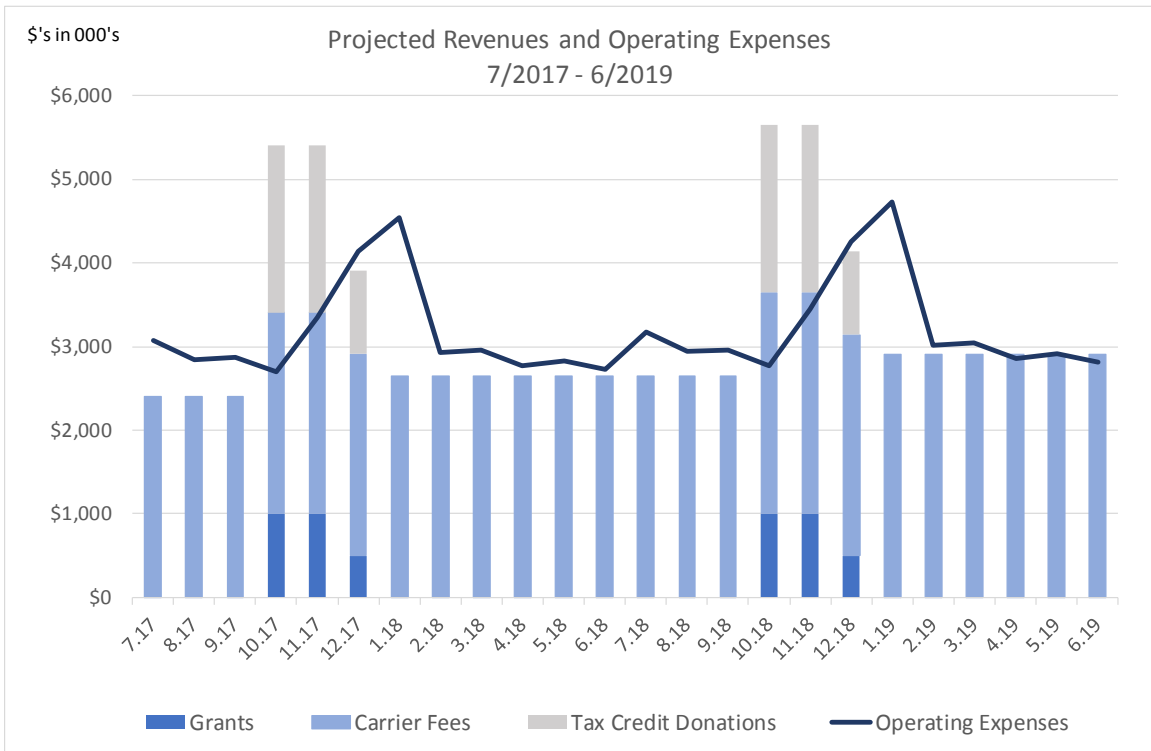
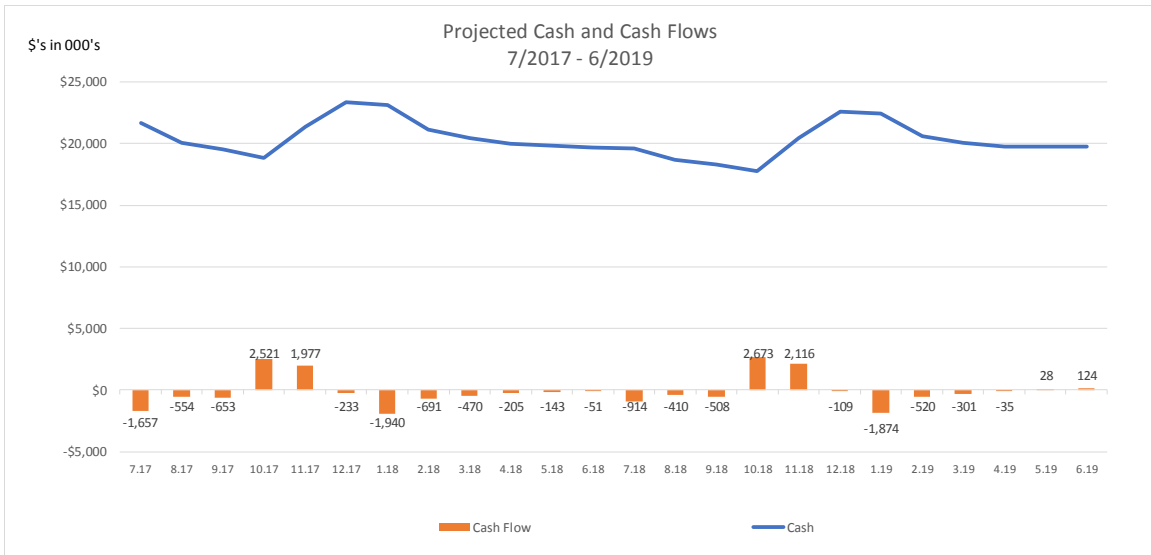
24 MONTH PROJECTIONS

As part of our ongoing monitoring of long-term financial sustainability we are regularly revising our long range financial projections. This is becoming increasingly important due to the complicated business environment in which the exchange operates.

Based on the recent fiscal year budgeting process the financial projections were revised for the 24 months ending June 30, 2019. The key assumptions made in the budget projections include:

- No changes in the federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on budgeted effectuation levels that average 145,000 through the 24 month projection period.
- Average medical premiums grow by 10% for next plan year (2018) – 50% of prior years increase.
- Operating expenses are assumed to increase by 3% in fiscal year 2019 over the 2018 fiscal year budgeted expenditures.

As displayed in the following graphs, overall the 24 month projection shows cash balances remaining at an acceptable level (average of \$20MM) to allow for adequate operating and capital/opportunity reserves. Operating income also remains positive over the 24 month period. This projection will serve as our baseline projection for fiscal year 2018. Changes to projections will be reported against this baseline in subsequent quarterly reports to provide an early indicator of any expected changes in financial condition.



Connect for Health Colorado
Income Statement
Twelve Months Ending June 30, 2017

Budget Classification & Budget Account	Actuals FY16-17	Total Budget FY16-17	Actual vs Budget	
			\$	%
Funding Source (Accrual Based)				
Federal Grants		\$ -	\$ -	0.0%
Other grants and contributions	2,590,000	2,500,000	90,000	103.6%
Program Revenue	15,828,208	15,424,700	403,508	102.6%
Fees for service	25,435,113	22,855,147	2,579,966	111.3%
Medicaid	-	-	-	0.0%
Interest income	5,614	10,000	(4,386)	56.1%
Other revenue	9,442	-	9,442	0.0%
Total Funding Source	\$ 43,868,377	\$ 40,789,847	\$ 3,078,530	107.5%
Salaries & Benefits				
Salary - Full Time	5,523,315	5,346,059	177,256	103.3%
Benefits	1,789,341	1,951,312	(161,971)	91.7%
Total Salaries & Benefits	\$ 7,312,656	\$ 7,297,371	\$ 15,285	100.2%
Operations				
Customer Service Support	13,144,277	12,947,564	196,713	101.5%
Enrollment Services	-	17,840	(17,840)	0.0%
Appeal Services	-	-	-	0.0%
Public Affairs Services	61,600	80,000	(18,400)	77.0%
Operational Prof Consulting	-	24,000	(24,000)	0.0%
Total Operations	\$ 13,205,877	\$ 13,069,404	\$ 136,473	101.0%
Marketing & Outreach				
Media Buys - Radio/TV/Web	887,897	900,500	(12,603)	98.6%
Advertising Services & Materials	151,046	20,000	131,046	755.2%
Marketing Agency Fees	55,370	158,125	(102,755)	35.0%
Outreach Services, Rentals & Materials	90,500	78,500	12,000	115.3%
CACs (Certified Application Counselor)	-	-	-	0.0%
Navigators/In Person Assistants	-	-	-	0.0%
Technical Writing & Translation Services	37,178	16,800	20,378	221.3%
Marketing & Outreach Prof Consulting	108,969	85,000	23,969	128.2%
(MA) Medical Assistance Services	1,117,773	1,083,990	33,783	103.1%
Asst. Network - C4HCO Admin & Oversight	36,477	61,906	(25,429)	58.9%
Asst. Network - Personnel	1,562,449	1,636,220	(73,771)	95.5%
Asst. Network - Benefits	354,970	378,882	(23,913)	93.7%
Asst. Network - Travel	36,333	26,542	9,791	136.9%
Asst. Network - Supplies & Equipment	28,787	36,289	(7,502)	79.3%
Asst. Network - Other	99,736	124,603	(24,867)	80.0%
Asst. Network - Contractual	147,487	120,736	26,751	122.2%
Asst. Network - Admin Allowance	159,737	176,727	(16,991)	90.4%
Total Marketing & Outreach	\$ 4,874,708	\$ 4,904,821	\$ (30,113)	99.4%
Technology				
Maintenance & Operation	8,642,272	8,744,148	(101,876)	98.8%
SES (Shared Eligibility System)	170,812	408,544	(237,732)	41.8%
Testing	21,048	100,000	(78,953)	21.0%
Carrier Support	-	-	-	0.0%
Software/Licenses/Subscriptions (Tech)	1,025,518	564,485	461,033	181.7%
Computer Equipment - NonCapEX	27,364	79,200	(51,836)	34.6%
Hosting	1,946,405	1,896,516	49,889	102.6%
DDI (Design, Dev., Implementation)	93,403	48,000	45,403	194.6%
Website	125,002	211,500	(86,498)	59.1%
PMO (Project Management Office)	-	-	-	0.0%
IV&V (Independent Verification & Validation)	-	-	-	0.0%
Privacy & Security	143,910	148,000	(4,090)	97.2%
Technology Prof Consulting	163,788	152,500	11,288	107.4%
Total Technology	\$ 12,359,521	\$ 12,352,893	\$ 6,628	100.1%
General & Administration				
Supplies & Materials	24,888	57,980	(33,092)	42.9%
Postage/Shipping	6,825	11,388	(4,563)	59.9%
Printing/Copying/Shred	123	5,350	(5,227)	2.3%
Travel/Meals/Lodging	79,764	74,505	5,259	107.1%
Cell Phone	32,946	23,000	9,946	143.2%
Professional Dev. & Training	13,922	156,249	(142,327)	8.9%
Conferences/Meetings	48,930	78,876	(29,946)	62.0%
Finance/Accounting Services	141,256	94,000	47,256	150.3%
H/R Services	95,772	61,000	34,772	157.0%
Actuarial Services	-	-	-	0.0%
BoD Services	500	-	500	0.0%
Legal Services	105,860	106,000	(140)	99.9%
Audit Services	93,900	130,000	(36,100)	72.2%
Payroll Fees	28,041	16,000	12,041	175.3%
Memberships/Dues/Subscriptions (Non-Tech)	43,560	17,100	26,460	254.7%
Bank Fees	2,100	-	2,100	0.0%
General Prof Consulting	253,819	278,900	(25,081)	91.0%
Bad Debt Expense	-	-	-	0.0%
Interest Expense	-	-	-	0.0%
Other - G&A	11,186	-	11,186	0.0%
Total General & Administration	\$ 983,392	\$ 1,110,348	\$ (126,956)	88.6%
Facility/Insurance/Other				
Rent	654,973	726,817	(71,844)	90.1%
Oper & Tax Escalation	105,661	107,488	(1,826)	98.3%
Repair & Maintenance	10,483	21,106	(10,623)	49.7%
Utilities	47,748	34,795	12,952	137.2%
Parking Fees	54,450	64,690	(10,240)	84.2%
Copier Leases	34,965	30,000	4,965	116.6%
Telephone/Fax/Internet	197,370	236,140	(38,410)	83.7%
General Liability Insurance	97,317	132,315	(34,998)	73.5%
Office Furniture & Fixtures (≤ \$5K)	520	5,000	(4,480)	10.4%
Other - Facility/Insurance	-	-	-	0.0%
Total Facility/Insurance/Other	\$ 1,203,846	\$ 1,358,351	\$ (154,505)	88.6%
Total Department Expenditures	\$ 39,939,999	\$ 40,093,187	\$ (153,188)	99.6%
Operating Income (before depreciation)	\$ 3,928,378	\$ 696,660	\$ 3,231,718	563.9%

Connect for Health Colorado
Statement of Financial Position
June 30, 2017

	Actual 6/30/2017	Budget 6/30/2017
Assets		
Current Assets		
Cash and Cash Equivalents	21,683,539	16,499,516
Accounts Receivable, Net	4,878,202	8,962,866
Grants Receivable		
Other Current Assets		
Pre-Paid Expenses		
Prepaid Ins Rent & Misc	77,413	
Prepaid Software & Support	2,023,479	667,629
Prepaid Network Grantee Advances		0
Total Pre-Paid Expenses	2,100,892	667,629
Total Other Current Assets	2,100,892	667,629
Total Current Assets	28,662,633	26,130,011
Long-term Assets		
Property & Equipment		
Furniture & Fixtures	722,573	833,775
Equipment	1,117,696	1,117,696
Software Licenses	9,739,214	13,356,446
Marketplace Development	43,974,562	39,229,575
Informational Website	200,268	200,268
Ptarmigan Tenant Improvements	236,637	125,435
CSC Tenant Improvements	1,818,207	1,818,206
Total Property & Equipment	57,809,157	56,681,401
Accumulated Depreciation		
Accum Depr - Furniture & Fixtures	(446,797)	(451,274)
Accum Depr - Equipment	(813,427)	(821,579)
Accum Amort - Software License	(6,794,518)	(6,862,608)
Accum Depr - Marketplace Development	(28,639,845)	(28,926,854)
Accum Depr - Informational Website	(142,157)	(143,582)
Accum Depr - Ptarmigan Tenant Improvements	(99,657)	(100,656)
Accum Depr - CSC Tenant Improvements	(993,950)	(1,003,911)
Total Accumulated Depreciation	(37,930,351)	(38,310,463)
Other Long-term Assets	29,609	90,000
Total Long-term Assets	19,908,414	18,460,938
Total Assets	48,571,048	44,590,949
Liabilities		
Liabilities		
Short-term Liabilities		
Accounts Payable	3,249,397	2,245,213
Accrued Liabilities	0	0
Accrued Payroll, PR Tax & Benefits	350,937	330,735
Total Accrued Liabilities	350,937	330,735
Deferred Revenue	0	0
Other Short-term Liabilities	0	2,750
Total Short-term Liabilities	3,600,334	2,578,698
Long Term Liabilities		
Other Long-term Liabilities	49,486	45,656
	0	
Total Long Term Liabilities	49,486	45,656
Total Liabilities	3,649,820	2,624,354
Net Assets		
Unrestricted	56,208,268	41,966,595
Current Year Earnings	(11,287,041)	0
Total Net Assets	44,921,227	41,966,595
Total Liabilities & Net Assets	48,571,048	44,590,949