

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 2ND QUARTER FY 2018
DATE: 2/7/2018

OVERVIEW (6 months ending 12/31/17)

Key Performance Indicators	Status	Actuals (YTD)	Target (YTD)	% of Target
Effectuated Enrollment	(1)	141,070	145,000	97.3%
Net Operating Income Margin		13.9%	10.4%	
Per Member Per Month (PMPM) - Carrier Fees	(2)	\$16.3	\$16.6	97.9%
Per Member Per Month (PMPM) - Operating Exp.		\$23.0	\$22.7	101.5%
Days Cash on Hand	(3)	243.5	120.0	202.9%
Change In Projected 12 Month Cash Flows		\$670,000 Increase		
Percent of First Call Resolution		83%	85%	
Customer Satisfaction	(4)	72%		

- (1) Monthly average - year to date
- (2) Does not include other revenue streams
- (3) Based on FY18 budgeted daily operating expenses
- (4) New customer satisfaction survey implemented August 2017

FINANCIAL RESULTS SUMMARY (6 months ending 12/31/17)

Financial Results (in 000's)	Status	Actuals (YTD)	Budget (YTD)	% of Budget
<i>Revenues</i>				
Program Revenue		6,377	5,000	127.5%
Carrier Fees		13,768	14,454	95.3%
Grant/Other Revenue		2,517	2,572	97.8%
Total Revenue		22,662	22,026	102.9%
<i>Expenditures</i>				
Technology		5,898	5,697	103.5%
Customer Service		7,480	7,670	97.5%
Personnel		3,362	3,536	95.1%
Marketing and Outreach		1,980	1,967	100.7%
Facilities		348	405	85.9%
Support Services		300	308	97.3%
Other		138	161	85.8%
Total Expenditures		19,506	19,744	98.8%
Earnings Before Depreciation		3,156	2,282	138.3%
Cash Flows		3,414	802	425.9%
Cash		25,084	22,513	111.4%
Working Capital		28,817	26,239	109.8%

The organization continued to meet its financial goals for the 2nd quarter of the fiscal year. Through a combination of lower expenditures and reimbursements for Medicaid related expenses, the organization exceeded budgeted expectations by \$874,000 for the first 2 quarters of the year.

Effectuated enrollment for the same period came in slightly below budget expectations resulting in carrier fee revenue coming in below expectations for the period. Detailed financial statements are attached to this memo. The following are high level explanations of budget to actual variances.

Revenue

Revenues came in higher than budget by \$636,000. The higher revenues resulted from estimated revenues associated with Medicaid cost reimbursements that were not originally budgeted. These reimbursements are computed and billed quarterly based on Medicaid program related expenses and an approved allocation methodology. Carrier fee revenues were below budget primarily due to lower enrollment levels than what was budgeted. Based on open enrollment plan submissions, effectuated enrollment for the first half of 2018 is expected to be similar to 2017.

Expenditures

Operating expenses came in under budget by \$238,000. This positive variance resulted primarily from reduced customer service center telecom costs and lower personnel costs due primarily to position vacancies and delays in hiring. We anticipate being close to fully staffed for the remainder of the year

Cash

The cash balance at December 31, 2017 was \$2.6 million higher than budget projections. This higher level of cash than budget can be primarily attributed to end of prior year budget estimations of receivables and payables being off target.

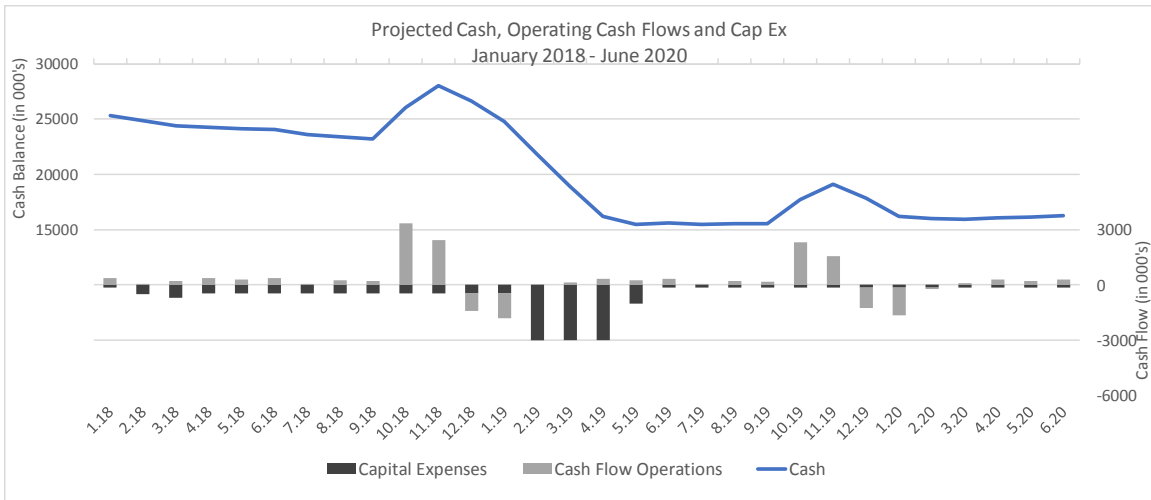
24 MONTH PROJECTIONS

As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long range financial projections. Based on the results of the most recent open enrollment we have revised the projections based on expected levels of enrollment and average expected premium levels. In addition, the projections now include projections of Medicaid cost reimbursements that had not previously been included.

Other key assumptions in the projections include:

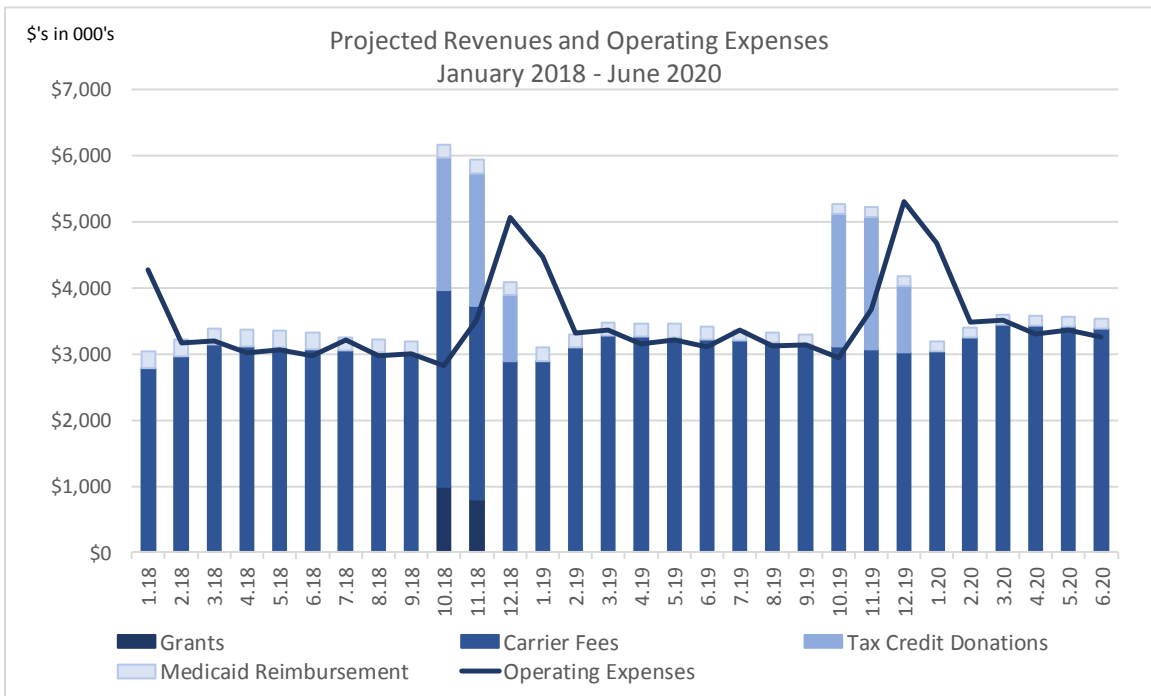
- No changes in the federal and state rules impacting the organization over the plan period.
- Enrollment projection is based on effectuated **enrollment staying the same** over the projection period (2018-2020) as the 2017 plan year (average of 142,000)
- Average medical premiums grow by 5% for the subsequent plan years (2019 & 2020) – significantly less than prior year increases.
- Operating expenses are assumed to increase by 5% in fiscal year 2019 and 2020.

Also included in the new cash projections are assumptions for capital investments over the projection period. These investments are primarily related to replacements/improvements to the eligibility, marketplace and customer service technology platforms and total over \$18 MM. The chart below shows the resulting cash balance (line) and monthly cash flows/capital investments (bars).



Even with the estimated capital investments over the next 2 years, the organization maintains a cash balance in excess of \$15MM during the period.

As shown in the chart below that depicts projected revenues and expenses, the organization is able to maintain a positive surplus from operations. The surplus provides for the replenishment of cash balances over time to fund future capital investment needs.



Connect for Health Colorado
Statement of Revenues, Expenses, and Changes in Net Position
Reporting Book: ACCRUAL
As of Date: 12/31/2017

	FY 2018		
	12/31/2017		
	Actual	Budget	Actual vs Budget
Operating Revenues:			
Other grants and contributions			
CO Health Foundation Grant	2,500,000	2,500,000	0
Total Revenue - Other grants and contributions	2,500,000	2,500,000	0
Program revenue			
SHOP - Special Fee Assessment	20	0	20
Special Fee Assessment:Non-SHOP	(23,031)	0	(23,031)
Tax Credit Donations	5,000,000	5,000,000	0
Medicaid Cost Reimbursement	1,400,000	0	1,400,000
Total Revenue - Program revenue	6,376,989	5,000,000	1,376,989
Fees for service			
Carrier Fee:Non-SHOP	13,539,435	14,454,000	(914,565)
Carrier Fee: Individual Vision Fees	3,858	0	3,858
SHOP - Carrier Fee Billing	225,021	0	225,021
Total Revenue - Fees for service	13,768,314	14,454,000	(685,686)
Interest Income			
Investments - First Bank	9,753	54,000	(44,247)
Investments - WFB MMMF	11,342	0	11,342
Investments - WFB Bonds	647	0	647
Investments - WFB Bonds Unrealized	(6,151)	0	(6,151)
Total Revenue - Interest Income	15,591	54,000	(38,409)
Other revenue			
Revenue - Other	1,093	18,000	(16,907)
Total Revenue - Other revenue	1,093	18,000	(16,907)
Total Operating Revenues:	22,661,987	22,026,000	635,987
Operating Expenses:			
Technology			
Maintenance & Operation	2,991,050	3,215,158	(224,108)
SES (Shared Eligibility System)	163,635	69,908	93,727
Testing	930	9,600	(8,670)
Carrier Support	(990)	0	(990)
Software/Licenses/Subscriptions (Tech)	766,133	807,706	(41,573)
Hosting	1,024,733	1,048,023	(23,290)
DDI (Design, Dev., Implementation)	784,708	431,218	353,490
Website	66,138	44,000	22,138
Privacy & Security (Tech)	0	25,000	(25,000)
Technology Prof Consulting	101,333	46,170	55,163
Total Expenses - Technology	5,897,670	5,696,783	200,887
Customer service			
Customer Service Support	6,638,879	6,529,801	109,078
Enrollment Services	0	7,320	(7,320)
Telephone/Fax/Internet	255,231	493,568	(238,337)
NGFS-Customer service	685,876	638,903	(53,027)
Total Expenses - Customer service	7,479,986	7,669,592	(189,606)
Depreciation and amortization			
Depreciation/Amortization	7,903,350	7,593,651	309,699
Total Expenses - Depreciation and amortization	7,903,350	7,593,651	309,699
Personnel			
Salaries & Wages - Other	2,490,625	2,646,323	(155,698)
Accrued Salaries Expense	6,216	0	6,216
Accrued PTO	34,412	0	34,412
Employee Ben - not Pension	208,946	872,320	(663,374)
FSA Cafeteria Benefit	120,241	0	120,241
403(b) Employer Gift	143,736	0	143,736
403(b) Employer Match	118,636	0	118,636
Payroll Tax, Workers Comp	239,079	17,500	221,579
Accrued PR Taxes & Benefits	172	0	172
Total Expenses - Personnel	3,362,063	3,536,143	(174,080)
Marketing and outreach			
Media Buys - Radio/TV/Web	634,738	646,498	(11,760)
Advertising Services & Materials	16,005	21,250	(5,245)
Marketing Agency Fees - Collateral & Mtls	29,653	34,515	(4,862)
Outreach Services-Events, Sponsorships	67,580	30,000	37,580
Technical Writing & Translation Services	40,890	40,000	890
Marketing & Outreach Prof Consulting	12,557	16,692	(4,135)
Asst. Network - C4HCO Admin & Oversight	35,382	0	35,382
Asst. Network - Personnel	1,069,747	809,317	260,430
Asst. Network - Benefits	32,481	161,938	(129,457)
Asst. Network - Travel	3,250	11,344	(8,094)
Asst. Network - Supplies & Equipment	258	15,510	(15,252)
Asst. Network - Other	2,032	53,258	(51,226)
Asst. Network - Contractual Svcs	20,008	51,601	(31,593)
Asst. Network - Admin Allowance	15,796	75,532	(59,736)
Total Expenses - Marketing and outreach	1,980,377	1,967,455	12,922
Facilities			
Computer Equipment - NonCapEX	8,954	24,000	(15,046)
Supplies & Materials	9,076	19,360	(10,284)
Postage/Shipping	2,869	10,032	(7,163)
Printing/Copying/Shred	18,156	19,418	(1,262)
Rent	203,911	209,997	(6,086)
Bldg. Oper & Tax Escalation	59,726	67,482	(7,756)
Bldg. Repair & Maintenance	3,297	9,153	(5,856)
Utilities	25,538	21,214	4,324
Parking Fees	15,895	23,400	(7,505)
Copier Leases	0	0	0
Office Furniture & Fixtures (< \$5K)	346	600	(254)
Total Expenses - Facilities	347,768	404,656	(56,888)
Support services			
Public Affairs Services	39,308	61,900	(22,592)
Operational Prof Consulting	0	1,950	(1,950)
Professional Dev. & Training	32,116	23,019	9,097
Finance/Accounting Services	66,873	36,000	30,873
H/R Services	21,893	31,850	(9,957)
Legal Services	2,288	31,960	(29,672)
Audit Services	37,960	50,000	(12,040)
Payroll Fees	15,320	10,501	4,819
Memberships/Dues/Subscriptions (Non-Tech)	19,972	19,275	697
General Prof Consulting	64,135	41,700	22,435
Total Expenses - Support services	299,865	308,155	(8,290)
Other			
Travel/Meals/Lodging	42,991	58,432	(15,441)
Cell Phone	50	0	50
Conferences/Meetings	26,624	34,380	(7,756)
Bank Fees	130	0	130
Other - G&A	8,593	0	8,593
General Liability Insurance	40,000	49,717	(9,717)
Other - Facility/Insurance	3,000	0	3,000
Cell Phone Allocation	16,600	18,300	(1,700)
Total Expenses - Other	137,988	160,829	(22,841)
Total Operating Expenses:	27,409,067	27,337,264	71,803
Total Change in Net Position	(4,747,079)	(5,140,264)	393,185
Net position at beginning of year	46,105,159	43,917,947	2,187,212
Net position at end of period	41,358,080	38,777,683	2,580,397

Connect for Health Colorado

Statement of Financial Position

Reporting Book: ACCRUAL
 As of Date: 12/31/2017

	FY 2018		
	12/31/2017		
	Actual	Budget	Actual vs Budget
Assets:			
Current assets:			
Cash and cash equivalents	25,083,796	22,512,592	2,571,204
Accounts receivable (net)	9,388,368	4,157,309	5,231,059
Prepaid expenses	1,856,751	1,537,579	319,173
Total Current assets:	36,328,915	28,207,480	8,121,436
Noncurrent asseets:			
Security deposits	71,396	0	71,395
Total Noncurrent asseets:	71,396	0	71,395
Capital assets:			
Web portal development	39,046,659	39,165,387	(118,728)
Software	19,122,235	19,681,592	(559,357)
Leasehold improvements	1,943,642	2,000,495	(56,854)
Office equipment	1,117,696	1,150,391	(32,694)
Furniture and fixtures	833,775	858,164	(24,389)
Less accumulated depreciation	(49,547,427)	(50,317,782)	770,355
Total Capital assets	12,516,580	12,538,247	(21,667)
Total Assets:	48,916,891	40,745,727	8,171,164
Liabilities and net position:			
Liabilities:			
Current liabilities:			
Accounts payable	5,022,689	1,689,044	3,333,645
Accrued liabilities	2,086,981	279,000	1,807,980
Payroll liabilities	402,678	0	402,678
Total Current liabilities:	7,512,348	1,968,044	5,544,303
Long-term liabilities:			
Deferred rent long term	46,463	0	46,464
Total Long-term liabilities:	46,463	0	46,464
Total Liabilities:	7,558,811	1,968,044	5,590,767
Net position:			
Unrestricted	41,358,080	38,777,683	2,580,397
Total Net position:	41,358,080	38,777,683	2,580,397
Total liabilities and net position:	48,916,891	40,745,727	8,171,164