

# CONNECT FOR HEALTH COLORADO

## FISCAL 2017 DRAFT BUDGET COLORADO HEALTH INSURANCE EXCHANGE OVERSIGHT COMMITTEE

JUNE 9, 2016

# Key Fiscal Year 2017 Budget Assumptions

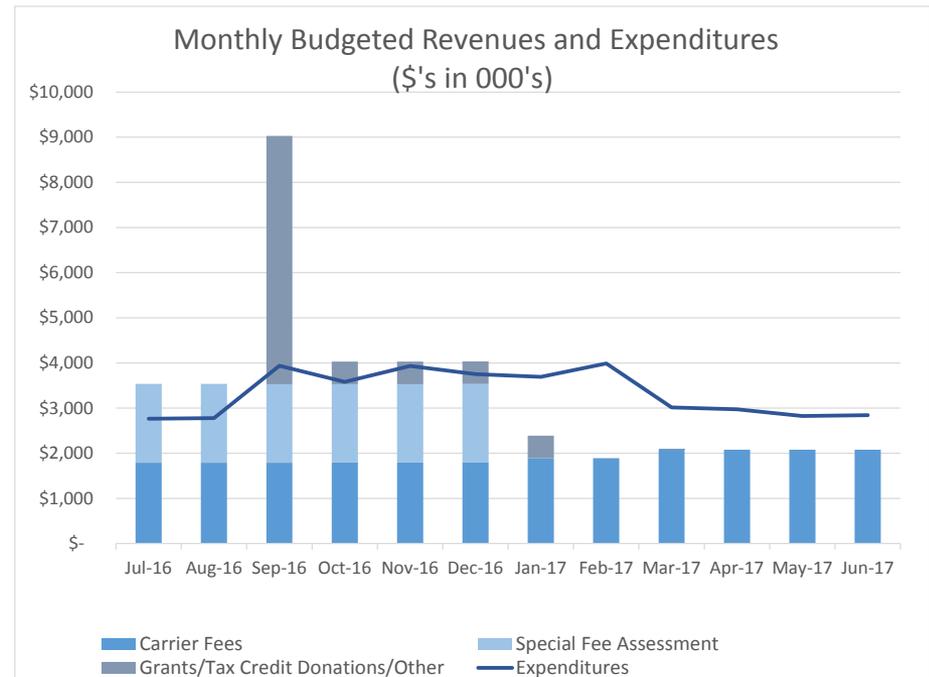
- Carrier fee of 3.5% of exchange generated premiums for entire period,
- Special Fee Assessment of \$1.80 per covered life ends Dec.31, 2016
- Effectuated enrollment averages 125,000 for the period January – December 2016 and grows to 138,000 in March 2017 as the result of open enrollment.
- Average PMPM premium grows by 5% per enrollment period
- Tax credit donations - \$5 million
- Grant funding for Assistant Network continues at current levels
- Modest growth in SHOP
- No new revenue sources included in operating income
- Capital expenditure reserve establishment

# Fiscal Year 2017 Budget (July 2016-June 2017)

## Income From Operations

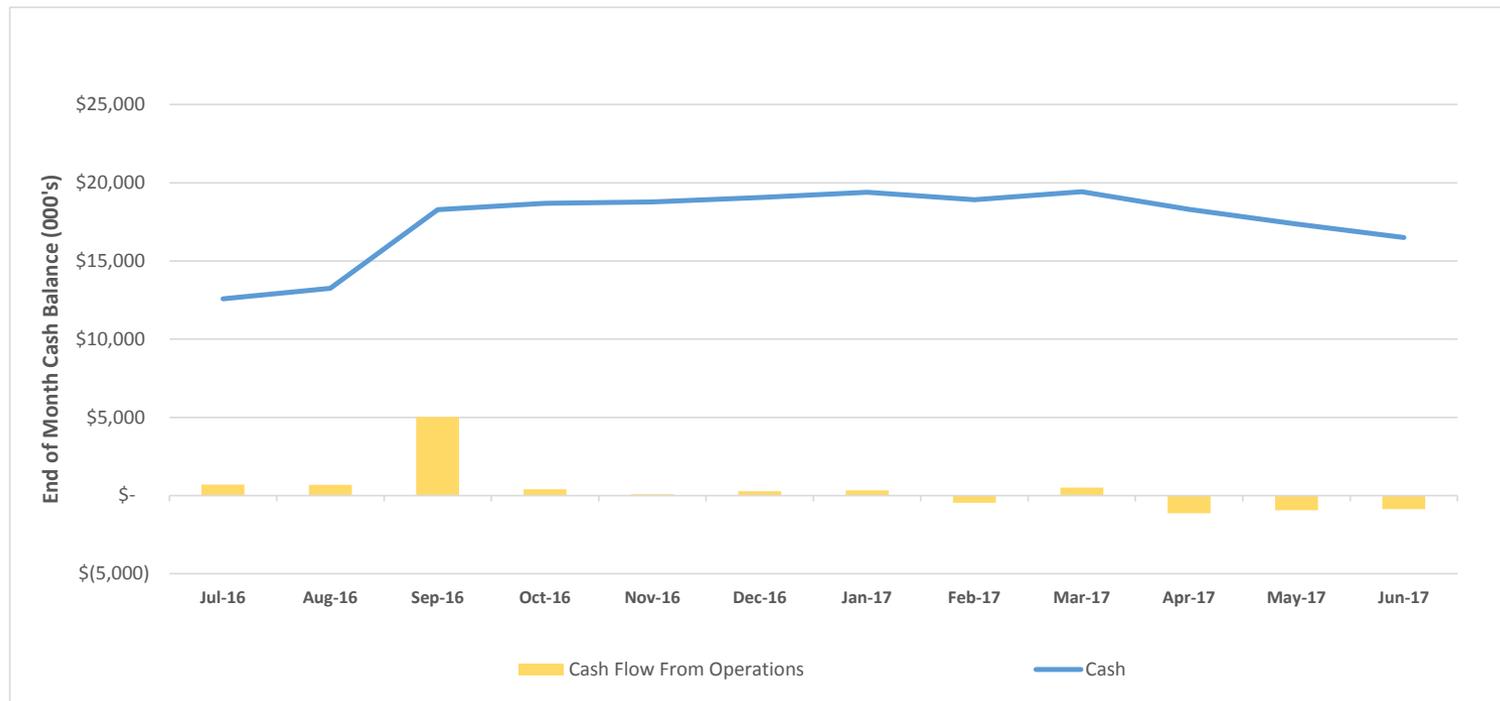
\$'s in 000's

	<b>FY 2016 Projected</b>	<b>FY 2017 Budget</b>
<b>Revenues</b>		
Grants	8,411	2,500
Carrier Fees (Individual and SHOP)	13,415	22,855
Special Fee Assessment	17,486	10,425
Tax Credit Donations	5,000	5,000
Other	122	10
<b>Total Revenues</b>	<b>44,433</b>	<b>40,790</b>
<b>Operating Expenses</b>		
Customer Service Operations	19,055	15,062
Assistance Network	2,952	2,562
Marketing and Outreach	1,445	1,242
Technology	13,132	11,829
General and Administrative	9,882	9,398
<b>Total Operating Expenses</b>	<b>46,466</b>	<b>40,093</b>
<b>Operating Income (Loss)*</b>	<b>(2,033)</b>	<b>697</b>



\* Before depreciation and amortization of long-term assets

# Fiscal Year 2017 Budget Cash Position



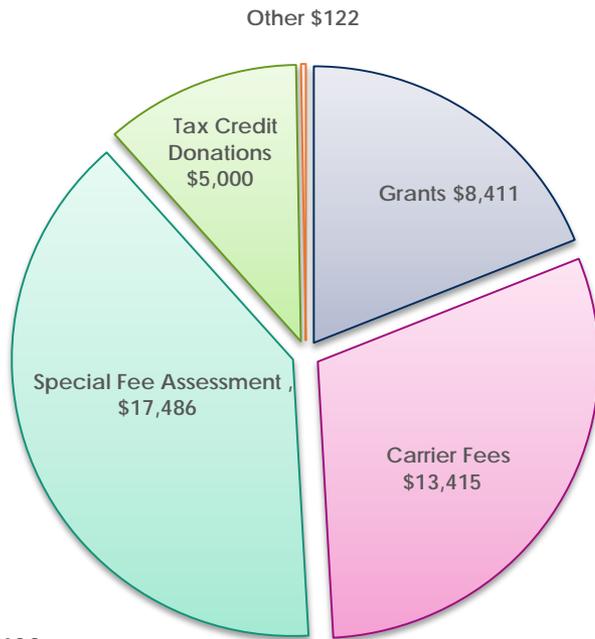
# Fiscal Year 2017 Budget

## Forecasted Quarterly Financial Position

\$'s in 000's	<u>6/30/2016</u>	<u>9/30/2016</u>	<u>12/31/2016</u>	<u>3/31/2017</u>	<u>6/30/2017</u>
<b><u>Assets</u></b>					
Cash and Cash Equivalents	11,885	18,281	19,057	19,431	16,500
Accounts Receivable, Net	12,881	13,094	13,145	8,432	8,963
Grants Receivable	221	-	-	-	-
Pre-Paid Expenses	4,101	5,367	3,802	2,241	668
Total Current Assets	29,088	36,742	36,005	30,103	26,130
Property & Equipment	56,681	56,681	56,681	56,681	56,681
Accumulated Depreciation	(27,264)	(30,026)	(32,787)	(35,549)	(38,310)
Other Long-term Assets	173	145	125	110	90
Total Long-term Assets	29,590	26,801	24,019	21,243	18,461
Total Assets	58,678	63,543	60,024	51,346	44,591
<b><u>Liabilities</u></b>					
Accounts Payable	4,445	5,251	4,548	2,839	2,245
Accrued Liabilities	331	331	331	331	331
Other Short-term Liabilities	3	3	3	3	3
Total Short-term Liabilities	4,778	5,585	4,882	3,172	2,579
Total Long Term Liabilities	46	46	46	46	46
Total Liabilities	4,824	5,630	4,928	3,218	2,624
<b><u>Net Assets</u></b>					
Unrestricted	53,854	57,913	55,096	48,128	41,967
Total Net Assets	53,854	57,913	55,096	48,128	41,967
Total Liabilities & Net Assets	58,678	63,543	60,024	51,346	44,591

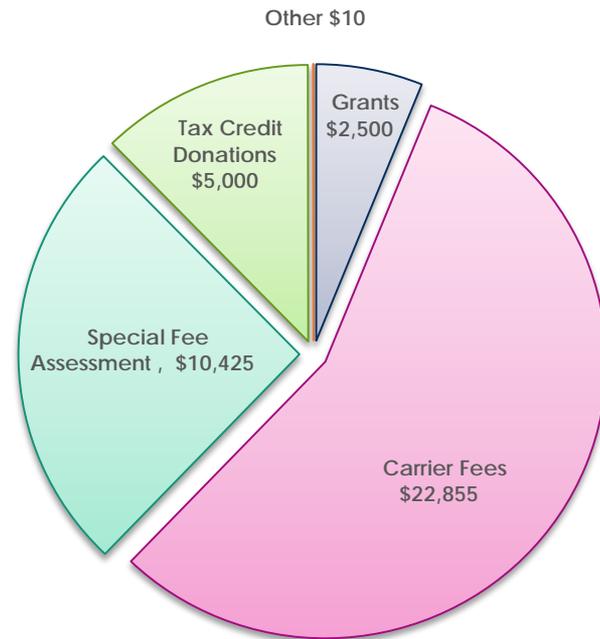
# Revenue Comparison – FY 2016 vs FY 2017

## Fiscal Year 2016 Projected Revenue



Total - \$44,433

## Fiscal Year 2017 Projected Revenue



Total - \$40,790

\$'s in 000's

# Significant Year over Year Changes – Fiscal Year 2017 Revenues

*Overall reduction in revenues of \$3.6MM (8%)*

- **Carrier fee Revenue**

FY 2017 Increase of \$9.4MM (70%):

- Change in carrier fee from 1.4% to 3.5% starting January 2016
- Increase in average PMPM premium by 14% (based on open enrollment 3)
- Average effectuated enrollment increase of 10% (based on open enrollment 3)

- **Special Fee Assessment Revenue**

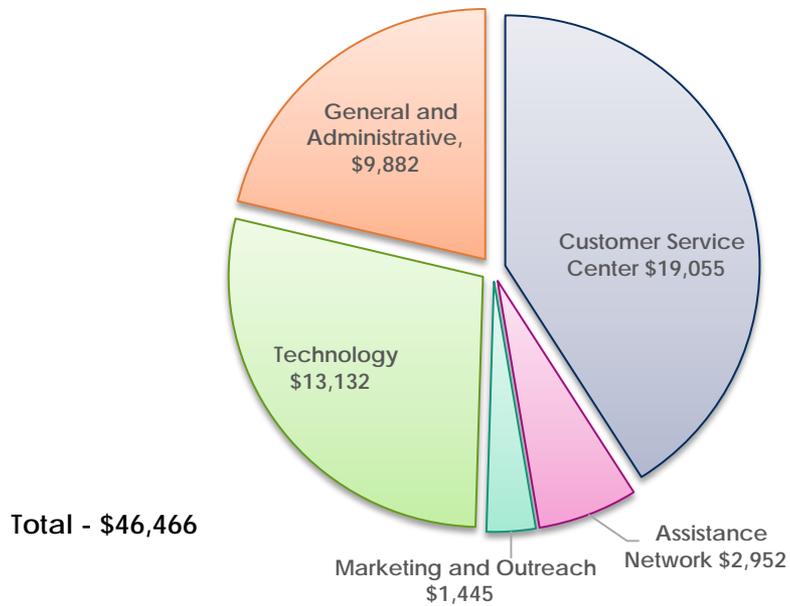
- FY 2017 decrease of \$7 MM (40%) - due to fee ending in December 2016.

- **Grant Revenue**

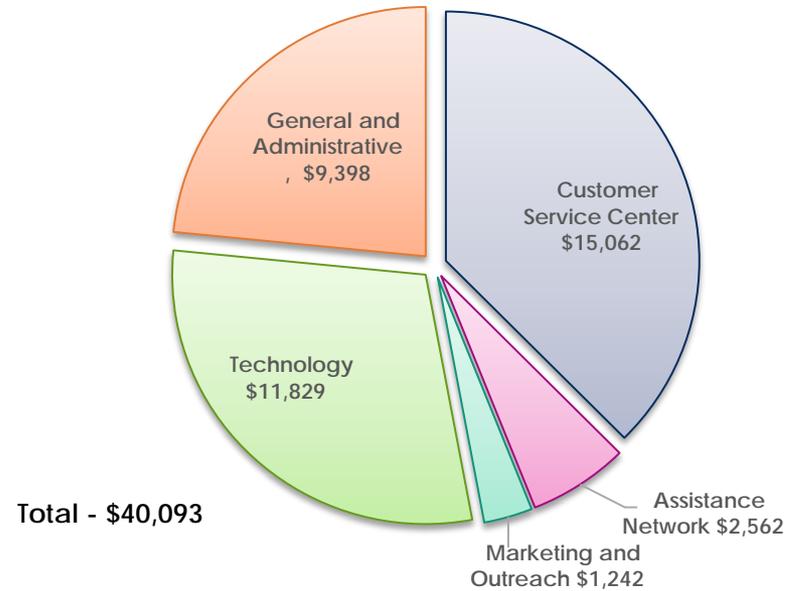
- FY 2017 decrease of \$5.9MM (70%) due to close out of Federal grant in FY 2016.

# Operating Expense Comparison – FY 2016 vs FY 2017

## Fiscal Year 2016 Operating Expenses



## Fiscal Year 2017 Operating Expenses



\$'s in 000's

# Significant Year over Year Changes – Fiscal Year 2017 Expenditures

*Overall reduction in expenditures of \$6.4MM (14%)*

- **Customer Service Operations Expenses**

FY 2017 Net Decrease of \$3.9MM (21%):

- Higher service center costs in FY 2016 due to service center contract transition costs in 1<sup>st</sup> half of year resulting from prior contractual obligations
- Savings due to technology/process improvements and reduction in facility costs

- **Technology Expenses**

FY 2017 Net Decrease of \$1.3MM (10%):

- FY 2016 included \$2 MM of one-time SES costs

- **General and Administrative Expenses**

FY 2017 Net Decrease of \$484,000 (5%):

- Reductions in professional service fees
- FY 2016 included higher use of contractors – realignment in use of contractors and staff in FY 2017 (FY 2016 included executive, technology, security and finance contractors). Realignment will result in lower total FTE's and lower per FTE expense

# Potential Additional Revenue and Expense Impacts FY 2017 and beyond (impacts not included in FY 2017 budget)

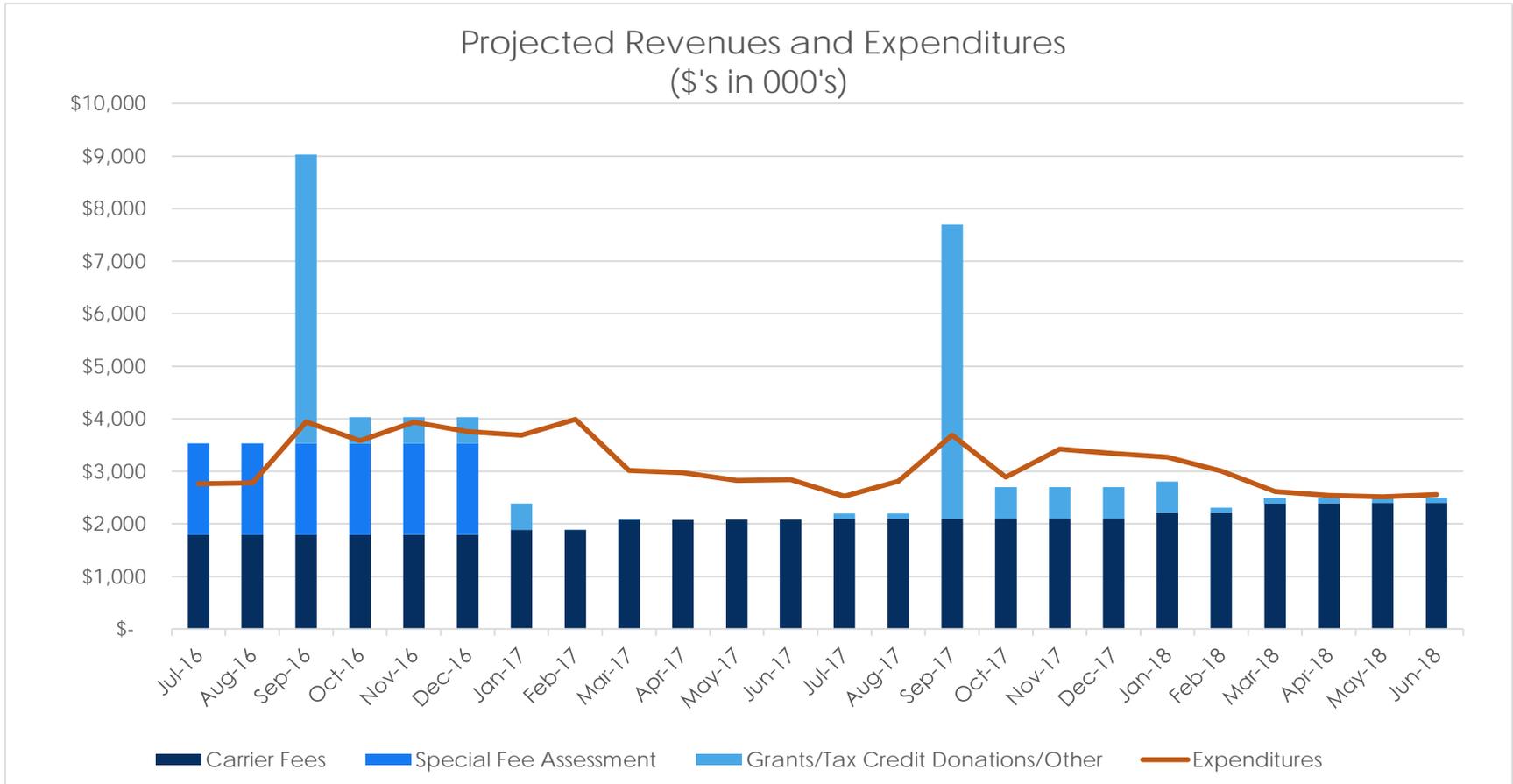
- Carrier fees – currently reviewing open enrollment for discrepancies with carriers (potential \$500,000 - \$750,000 annual benefit).
- Public Benefit Corporation – reviewing market potential and financial projections for potential net contribution.
- Medicaid Cost Allocation – not included in budget – plan currently undergoing review for approval (potential \$1 - \$4 MM benefit starting in FY 2017).
- Technology Savings – further reductions possible due to consolidating contracts/removing management inefficiencies, platform enhancements to reduce workarounds (potential \$ impact being analyzed).
- Customer Service Operations Savings – future additional reductions possible due to decreased call volume resulting from technology enhancements and process improvements (potential \$ impact being analyzed).
- General and Administrative Savings – additional reductions in contractors, audit costs and facility costs (potential \$ impact being analyzed)

# 24 Month Projection

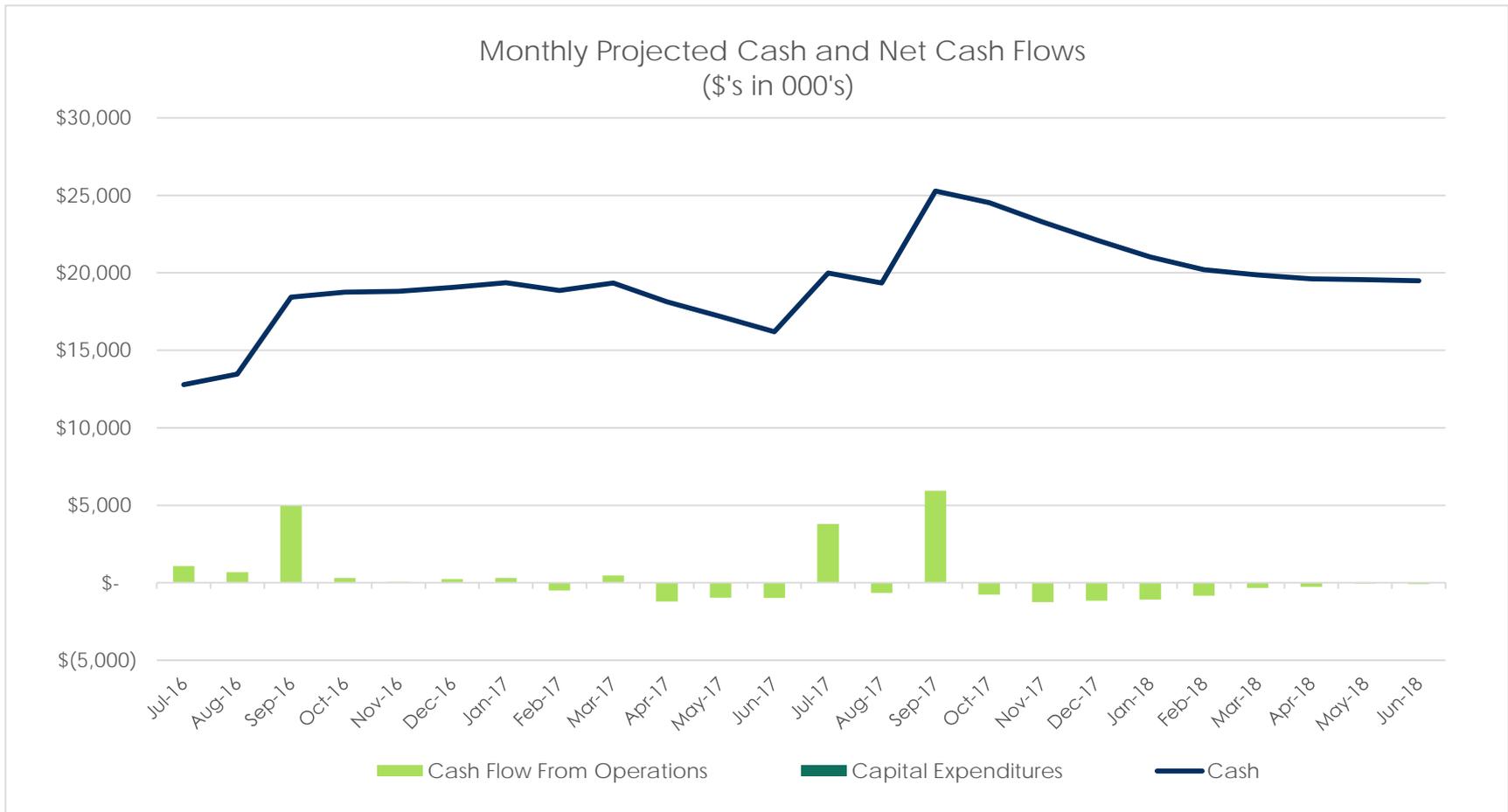
## Fiscal Years 2017 and 2018

\$'s in 000's	Total FY 2016	Total FY 2017	Total FY 2018
<b>Revenues</b>			
Grants	8,411	2,500	2,500
Carrier Fees	13,415	22,855	26,599
Special Fee Assessment	17,486	10,425	-
Tax Credit Donations	5,000	5,000	5,000
Other	122	10	1,200
<b>Total Revenues</b>	<b>44,433</b>	<b>40,790</b>	<b>35,299</b>
<b>Operating Expenses</b>			
Customer Service Operations	19,055	15,062	13,007
Assistance Network	2,952	2,562	2,562
Marketing and Outreach	1,445	1,242	1,242
Technology	13,132	11,829	10,005
General and Administrative	9,882	9,398	8,373
<b>Total Operating Expenses</b>	<b>46,466</b>	<b>40,093</b>	<b>35,189</b>
<b>Income (loss) from Operations</b>	<b>(2,033)</b>	<b>697</b>	<b>110</b>
<b>Cash Flow Adjustments (Receivables/Payables)</b>		3,790	3,169
<b>Cash Flows From Operations</b>		<b>4,486</b>	<b>3,279</b>
<b>Cash For Operations (end of FY)</b>	<b>11,717</b>	<b>12,000</b>	<b>14,482</b>
<b>Capital Reserve Available (end of FY)*</b>		<b>2,203</b>	<b>3,000</b>
<b>Total Ending Cash (including Reserves)</b>	<b>11,717</b>	<b>14,203</b>	<b>17,482</b>
<b>Key Measures</b>			
Average Effectuated Enrollment	<b>118,800</b>	<b>129,333</b>	<b>142,000</b>
Annual Operating Expenses per Enrollee (not 000's) \$	<b>391</b>	<b>310</b>	<b>248</b>
<i>* Net of annual capital expenditures of \$2 MM</i>			

# Projected Revenues and Expenditures – 24 Months

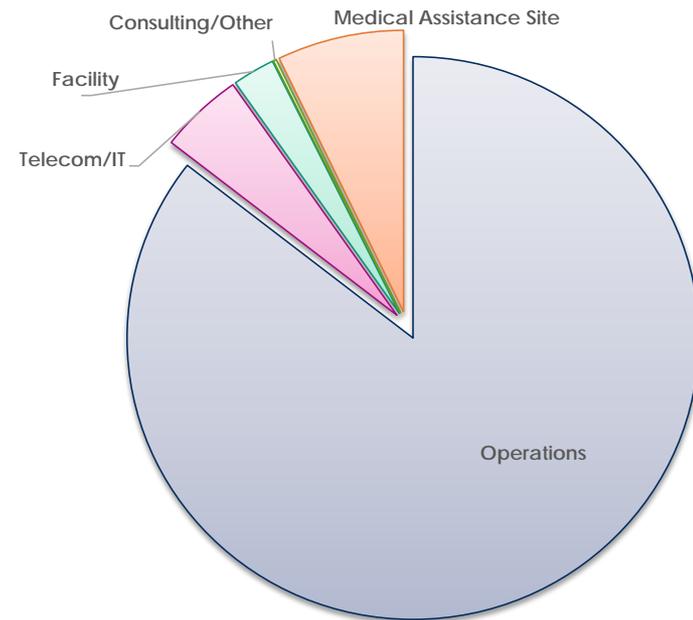


# Projected Cash – 24 Months



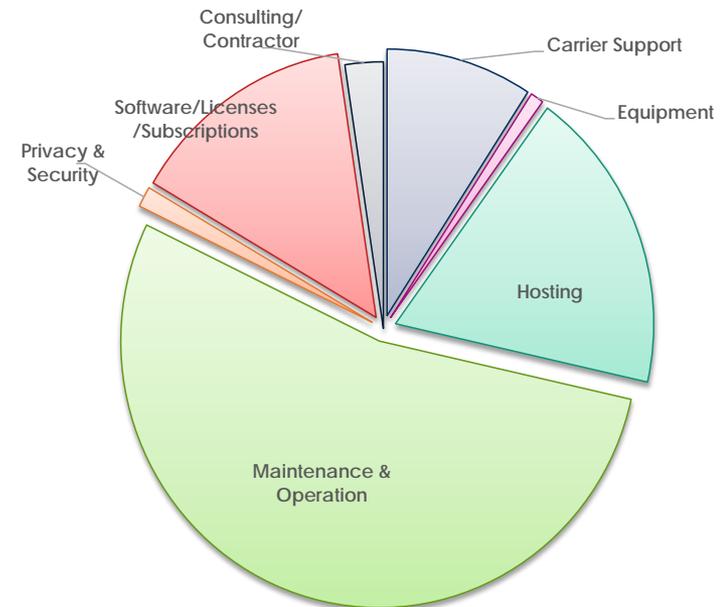
# Budget Line Components – Customer Service Operations

- Total FY 2017 Budget - \$15,062,000
- Operating Costs – vendor costs for staffing and management of service center
- Telecom/IT – Telephony, Data and IT support services for CO service Center
- Facility Costs – Rent and Supplies for CO service Center
- Medical Assistance Site Costs – staffing, facility and telecom costs
- Additional Savings Potential – continuous performance improvement, technology enhancements to reduce call volume



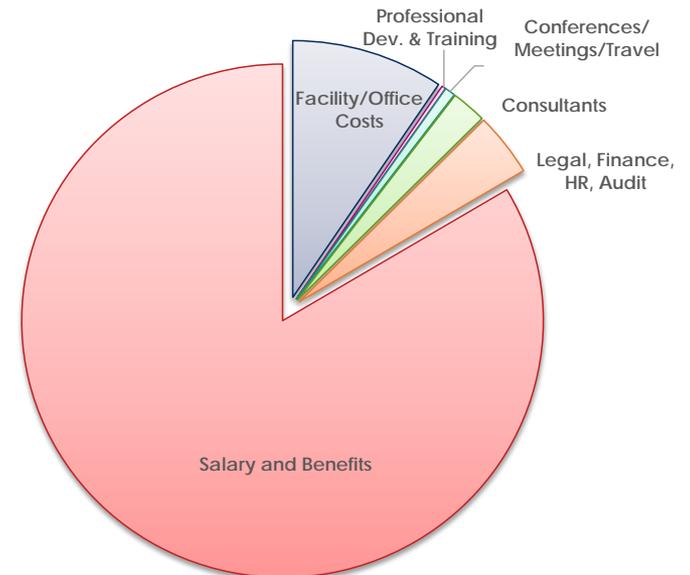
# Budget Line Components – Technology

- Total FY 2017 Budget - \$11,829,000
- Hosting – marketplace hosting
- Maintenance and Support – ongoing system maintenance/defect fixes, marketplace, SES, integration, corp systems
- Privacy and Security – consulting support
- Software Licenses/Subscriptions – Oracle, corporate system licenses
- Carrier Support – vendor support of carrier integration/EDI
- Consulting /Contractor – professional consultants, testing
- Additional Savings Potential – redundancy reductions between vendors and C4, system enhancements to reduce maintenance/support costs



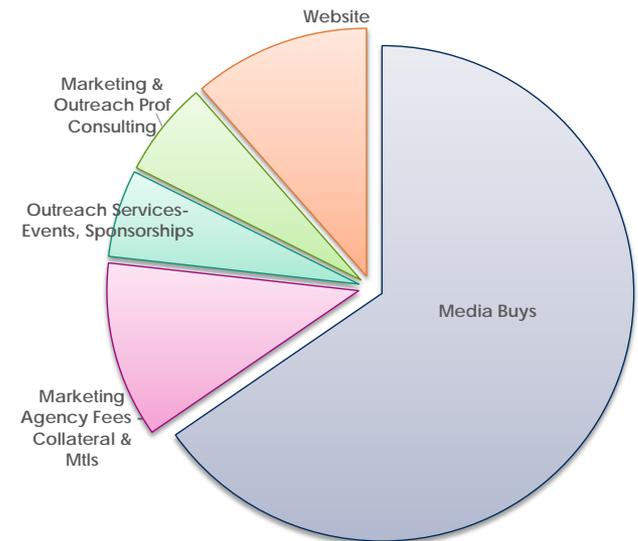
# Budget Line Components – General and Administration

- Total FY 2017 Budget - \$9,398,000
- Salary and Benefits – employee salaries and benefits
- Facility/Office Costs – Office rent, supplies, telephone/internet/copiers, support systems
- Professional Dev. & Training – internal training
- Legal, Finance, HR, Audit – auditor costs, payroll and accounting system costs, HR, training contractors
- Conference, meetings, travel – staff meeting, travel costs
- Consultants – strategy, public affairs consulting



# Budget Line Components – Marketing and Outreach

- Total FY 2017 Budget - \$1,242,000
- Website – Support, programming, strategy, updates, URL renewals
- Marketing & Outreach Professional Consulting – surveys, video
- Outreach Services Events, Sponsorships - community meetings and events, broker/HCG meetings and events
- Marketing Agency Fees Collateral and Materials – graphic design, printing, translations, annual report
- Media Buys – paid media, planning, social media boosting



# Budget Line Components – Assistance Network

- Total FY 2017 Budget - \$2,562,000
- Grants to assistance sites
- Additional network assistance support costs are included in general & administrative and technology line items totaling \$527,000