



CONNECT FOR HEALTH COLORADO UPDATE

Prepared for the Colorado Health Insurance
Exchange Oversight Committee
May 13, 2015

CEO SEARCH, POSSIBLE BOARD VACANCIES, CONFLICT OF INTEREST POLICY

Connect for Health Colorado Board of Directors

2016 STRATEGIC & FINANCIAL PLAN UPDATE

Gary Drews, Connect for Health Colorado



Executive summary

- 1) Connect for Health Colorado is approximately mid-way through its 2016 planning process. Reminder—constant goals in front of us:
 1. Optimize the **customer experience**
 2. **Stabilize & right-size** staffing, systems, processes
 3. Put Marketplace on the path to **financial sustainability**
- 2) We continue to receive **valuable input** to our many planning elements from all stakeholders, which is greatly informing our planning decisions and recommendations
- 3) We received solid direction during our past **two joint Finance-Operations Committee** meetings on several of **our most critical business cases**, including:
 - Enrollment projections, SHOP, MA Site, Service Center structure, IT planning, Assistance Network planning, Sales Channel planning, and initial financial forecasts
- 4) **Today:**
 - 1) Discussion on Lessons Learned
 - 2) Planning and budgeting process
 - 3) Introduce Fee-setting options, timing requirements, and approval process

2016 Planning & Budget Process



2015 FY Forecast: Hindsight Analysis

- Significant variables introduced this year, both **planned AND unplanned** from **2015's Critical Assumptions**:
 - (+) No additional Federal Level I or II Grants pursued
 - (+) Earned revenue collection
 - (-) Shared Eligibility System fully functional**
 - (-) Complete-system testing
 - (-) Carrier EDI completion**
 - (+) First year for renewals & auto-renewals
 - (+) Maintain Non-Financial Assistance Customer Volume**
 - (+) Decision Support Tools in place
 - (-) Service Center efficiencies/capacity gained
 - (-) Sufficient CBMS access
 - (-) Fully-staffed leadership & management teams
 - (-) Stable plan pricing**

Takeaway: Recognizing the many inter-dependent and complex assumptions is critical context for both the expected 2015 actuals and 2016 Budget reality.

2015 FY Forecast: Hindsight Analysis

Unforeseeable Operational Revenue Impacts	Financial Impact
Cover Colorado	Above forecast fund transfer (+\$5m)
No-cost Federal Grant Extension	Extended tech development into 2015
Medicaid member support	CMS matching funds N/A
APTC average amount decline	Affordability-impacted Volume/Revenue
Partial Supplemental Federal Grant awarded, Cash Pending	\$6m awarded of \$8m requested, have not received monies due to concerns about future of SES
Broad Market Assessment Timing	Revenue delayed 1 Qtr
Carrier Assessment Timing	Revenue delayed 2 Qtrs
Ancillary Product Development	Development delayed
SHOP Fees	System-impacted Volume/Revenue
Plan pricing decrease	Assessment-basis lower than forecast
Takeaway: Nearly all revenue lines experienced unforeseeable challenges.	

Red = Negative Impact

2015 FY Forecast: Hindsight Analysis

Unforeseeable Operational Expense Impacts	Financial Impact
Eligibility System (SES) functionality/complexity	Most revenue and expense areas impacted
Understaffing: turnover rate	Institutional knowledge, efficiency, productivity, recruiting
Medicaid support volume	Most revenue and expense areas impacted
Carrier interface complexity	Programming, reconciliation, case management
APTC Index decline of 20% > Net premium increase	Affordability, Channel Support, consumer confusion, call routing, customer communications
Inter-state & federal agency complexities	Opportunity Cost, 'speed-to-repair' rate, programming
High Yr.-over-Yr. Plan switch volume	Service Ctr, HCG's, Brokers
Audit & Oversight volume, depth, breadth	Opportunity Cost, staffing
Medicaid<>APTC Policy differentials	High case management levels
Complex family incomes, system interfaces	Service Ctr, HCG's, Brokers, Simultaneous Enrollments
SHOP Financial Management System defects	Manual processing

Takeaway: significant cost driver impact potential from external forces and decisions.

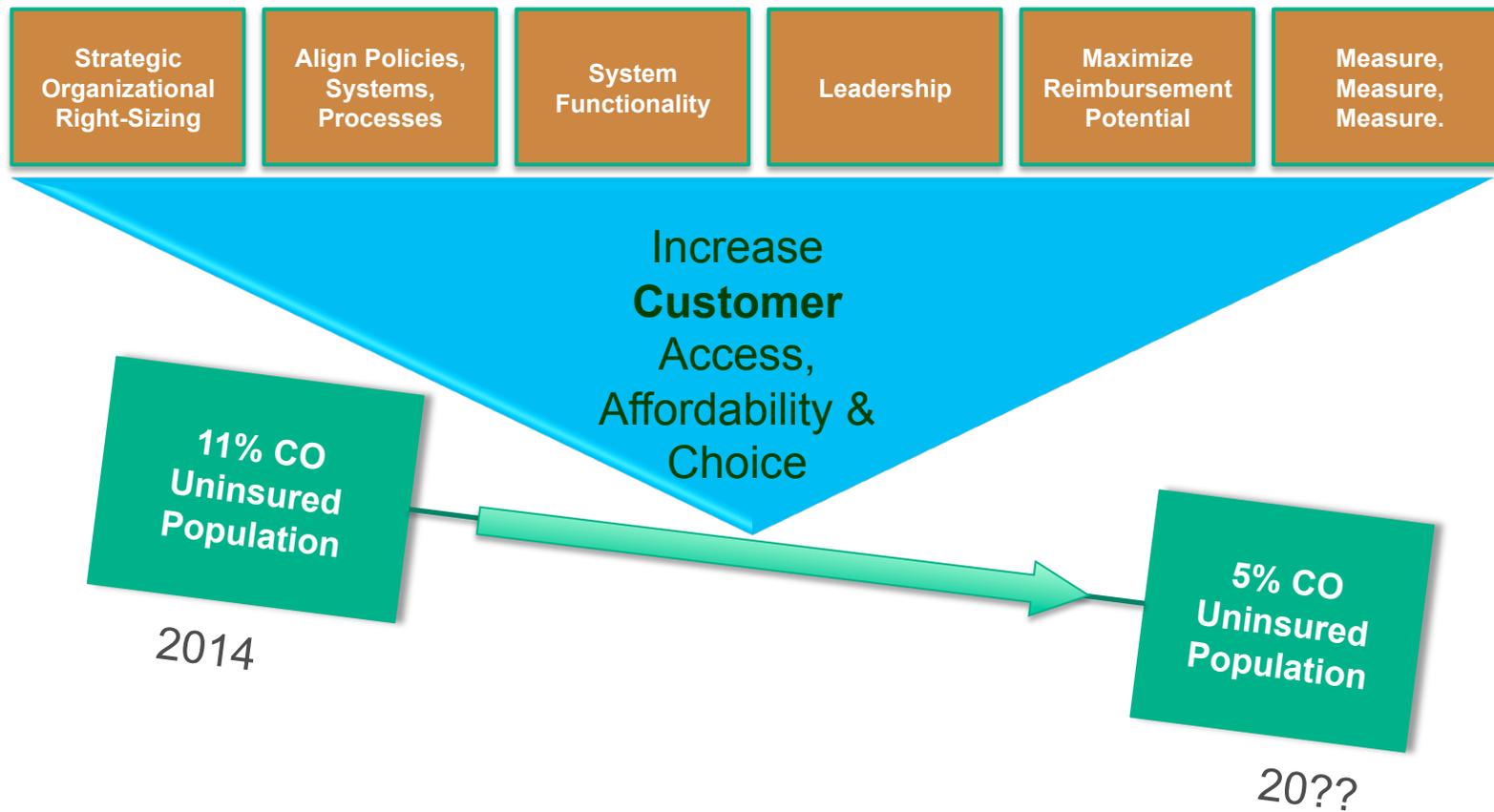
Red = Negative Impact

PLANNING FOR OPEN ENROLLMENT 3.0

Gary Drews, Connect for Health Colorado



Planning for 2016 & Beyond



Strategy Development

Customer	Value Proposition	Strategy	Business Case To Be Constructed
Individual: Financial Assist Individual: Non-Financial Assist SHOP Insurance Carriers Foundations Sales Channels (non-financial) Medicaid??	<ul style="list-style-type: none"> • Leverage APTC • Systems Usability • Competitive Pricing • Plan transparency • Customer Aggregation • Health Literacy • Access to Private AND Public Insurance Thru C4HCO?? • Point to "Right/Best Door"?? 	<ul style="list-style-type: none"> • Conduct Strategic Direction Planning • Become an MA Site (CBMS) • Right-size Customer Service<> Resources • Enhance Health Insurance Literacy • Increase NFA sales volume • Improve Shopping<>Modeling • Institute Quality Ratings Requirement 	<ul style="list-style-type: none"> • Medicaid Policy • Interoperability Policy Confirmation • Enrollment Targets & Sales (incl. SHOP) • Decision Support / hCentive Roadmap • Channel Strategy
Finance Sustainability Capital Re-Investment Ancillary Value Delivery Compliance	<ul style="list-style-type: none"> • Consumer Cost/Value • Business Efficiency • Efficient Capital Investment • Leverage Marketplace Platform for revenue 	<ul style="list-style-type: none"> • Model Sustainability Options • Assess Optimal Fee Structures • Conduct Vendor & Partner re-bids • Fund depreciation/capital reinvestment • Tighten Compliance Processes 	<ul style="list-style-type: none"> • APTC Impacts • Compliance / Internal Audit Planning • Fee Modelling • Cash management plan • Internal Audit Plan
Business Systems/Process Marketplace Shared Eligibility System EDI-Carriers Financial Systems Channel Support Privacy Compliance & Oversight	<ul style="list-style-type: none"> • Functionality & Usability to serve Customers • Customer Service Levels • Efficient Marketing & Sales • High-degree Compliance 	<ul style="list-style-type: none"> • Develop User-friendly Eligibility Assessment • Improve SLA Management • Plug & Play Carrier Connections • Tighten Compliance Processes • Increase data-driven decision-making 	<ul style="list-style-type: none"> • Hosting Plan • Release 3.0 • Renewal Process • Carrier Onboarding Strategy • Product Strategy • Architecture
Learning & Growth Organization Design Staff Capacity Aligned Goals, Strategy & Perf. Policy/Advocacy	<ul style="list-style-type: none"> • Operational & Efficiency • Continuous Improvement • Staff Capacity Maximized • Informed Legislation 	<ul style="list-style-type: none"> • Conduct Org Design Process • Up-level director authority & skillsets • Enhance Financial culture 	<ul style="list-style-type: none"> • Staffing Plan • Organizational Development



Business Cases in Development

Description	Top Decision Components	Direction
Enrollment Targets & Sales Business Case	<ol style="list-style-type: none"> 1. Enhancements to SHOP product offering 2. Development of strategy around transition plans 3. SES functionality, effectuation rate 	<ol style="list-style-type: none"> 1. Moderately aggressive 3-year targets presented with enrollment drivers reviewed internally and with the Joint Committee 2. The Committee recommended proceeding as presented
Service Center Structure/Re-negotiation	<ol style="list-style-type: none"> 1. Expectations regarding service levels 2. Physical location of primary and overflow service centers 3. Strategies for non-Marketplace calls (re-direct or support) 	<ol style="list-style-type: none"> 1. RFP responses reviewed, including service levels, strategy, locations, costs, systems, contract structure, and management 2. Negotiation strategy will be discussed in Executive Session
SHOP	<ol style="list-style-type: none"> 1. Completion of market due diligence and the RFP process 2. Financial ROI's of sustaining structure vs. outsourcing 3. Expansion of Small Group Market to 100 or less 	<ol style="list-style-type: none"> 1. Two options presented, with potential ROI and service levels, capacity, functionality, and timelines debated 2. The Committee recommended proceeding with outsourcing exploration, RFP distribution, and evaluation of responses
Sales Channels	<ol style="list-style-type: none"> 1. Distribution of appropriate level of sales targets across channels 2. Initiatives that will support and drive sales and engage key channels 3. Development of Broker lead tool 	<ol style="list-style-type: none"> 1. Reviewed sales channel strategies, plans, estimated enrollment projections by channel, Board support 2. No Committee recommendation sought; input collected
Assistance Network (AN)	<ol style="list-style-type: none"> 1. Development of alignment strategy 2. Refocusing enrollment best practices 3. Significant partnering with Marketing and Outreach teams and community based champions 	<ol style="list-style-type: none"> 1. Reviewed Statement of Need, ACA requirements, current status, KPI's, market segmentation and strategy, timeline, Board support, rec. minimum funding commitment (\$500k) 2. Committee supported general direction recognizing TCHF grant is pending approval 3. Board Request: Approve minimum funding commitment to assist in grant award and bridge funding for the AN
IT, Decision Support, Broker Portal, V.3.0	<ol style="list-style-type: none"> 1. ROI, Funding Prioritization 2. Functionality improvement, regulatory requirements 3. Evaluation of enhancements in new version of code and relative impact on sales & costs 4. Stay on most current versions of code to stay under warranty and receive product fixes 5. Decision Support tools' effectiveness assessment 	<ol style="list-style-type: none"> 1. Reviewed High-level 3 year IT roadmap, current stabilization phase components, Key projects, prelim cost projections 2. No Committee recommendation sought; input collected

Business Cases in Development

Description	Top Decision Components	Direction
Marketing Branding Health Literacy	<ol style="list-style-type: none"> 1. Educating and raising awareness of financial assistance & Marketplace w/out advertising \$ 2. Better support Navigators/Brokers w/limited resources 3. Still meet enrollment goals w/resource limitations 	1. Discussion @ Committee in later May
Staffing Plan	<ol style="list-style-type: none"> 1. Balancing replacement consulting staff with FTEs and prioritization of same 2. Staffing plan for remainder of 2015 that supports growth and sustainability. 3. Staffing plan to support FY2016 	1. Discussion @ Committee in later May
Fees	<ol style="list-style-type: none"> 1. Preliminary operating and capital expenditure models & associated cash flow expectations 2. Develop revenue budgets and recommendations for fees 3. Timing requirements (Carriers, DOI, Marketplace) 	<ol style="list-style-type: none"> 1. Committee reviewed 3-year fee-level scenarios against iterative expense forecasting models, cash flow estimates, and additional considerations 2. Introducing topic to Board today, decision required by May 18

SALES GOALS AND CHANNEL INITIATIVES FOR FY 2016

Marcia Benshoof, Chief Strategy and Sales Officer,
Connect for Health Colorado



Enrollment Projections (4-28-15)

Primary Enrollment Drivers:

- Retention rates
- New business: General
- New business: Eligibility process improved thru-put and recapture
- New business: Transition plans
- Life Change Event volume
- Effectuation rate
- SHOP 51-100 size group increase

Enrollment Type	Covered Lives 6/30/15	Covered Lives 6/30/16	% Inc. 2016 v 2015	Covered Lives 6/30/17	% Inc. 2017 v 2016	Covered Lives 6/30/18	% Inc. 2018 v 2017
Individual- Gross	142,896	217,306	59%	256,242	17%	295,178	10%
Individual- Effectuation	111,459	169,499		204,994		236,142	
SHOP: Small Groups	336	764	127%	1,226	60%	1,874	53%
Covered Lives	2,688	6,878	156%	12,256	78%	15,935	30%

Rationale for Sales Targets

- The third and subsequent Open Enrollment Periods must build off the success achieved thus far
- There is the one and only opportunity in OEP 3.0 to “recapture” Individual enrollments lost due to SES complications
- Several unique market forces are presenting an increased “sales” opportunity in FY16 and FY17: 1.) The end of transition plans in both segments, and 2.) the expansion of the definition of small group business
- Connect for Health Colorado has refined its partnership with Brokers and Health Coverage Guides-now we must capitalize on their passion and the books of business they have entrusted to the Marketplace

ASSISTANCE NETWORK STRATEGIC ALIGNMENT

Marcia Benshoof, Chief Strategy and Sales Officer, Connect
for Health Colorado

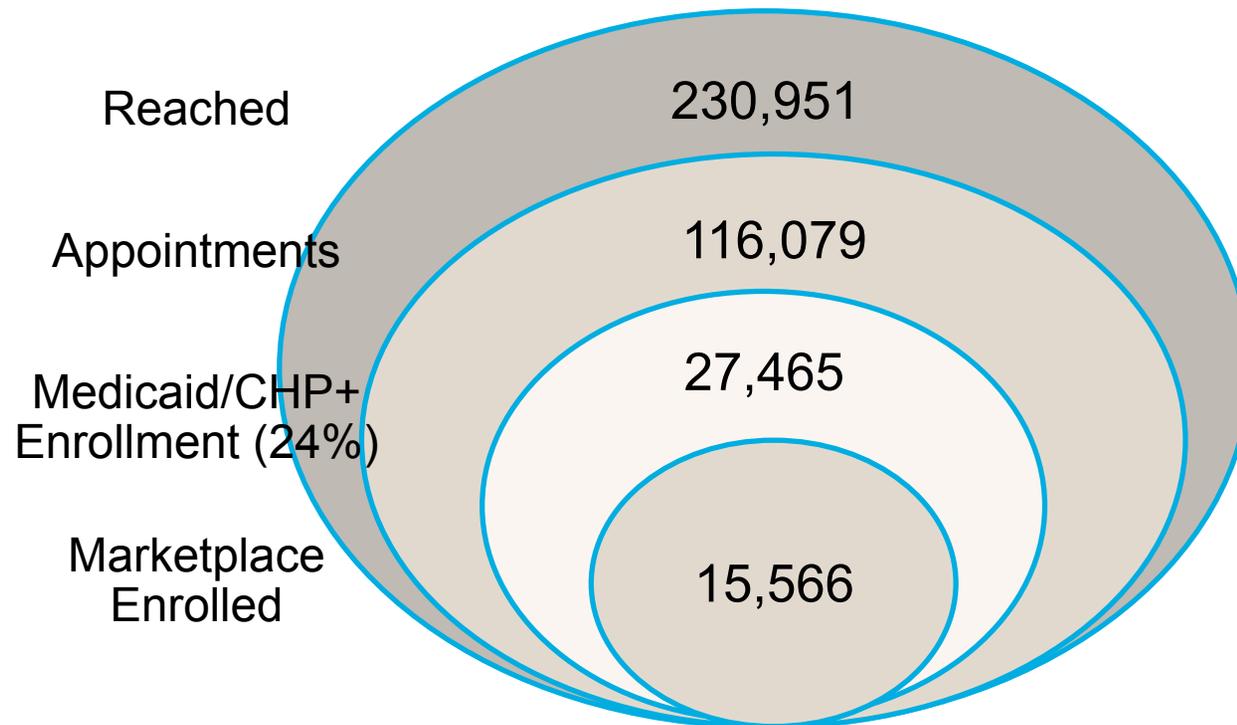


Rationale for Assistance Site Alignment Strategy

- Now is the time to build on 2 years of broad outreach and the fine work by 50+ Assistance Sites- best practices, winning strategies, etc.
- Evolving the program to focus on contribution to Marketplace sustainability, ie: balance between revenue contribution and fiscal conservatism needed to maintain this imperative program for the long term
- Ensuring the grants received to support Marketplace are not redundant
- Focus resources, efforts, lessons learned to key communities across the geography and demography of Colorado

Key Performance Indicators Across All Assistance Sites Total

OEP1 + Post OEP 1 + OEP 2 + Post OEP 2: Oct. 1, 2013-Apr. 8. 2015



*Self-Reported by AS

Recommended Site Types for Continued Engagement and Further Budget Development

Draft Distribution of ~ 24 Sites

Number of Sites	Funding Range
2	Less than \$50,000
5	\$50,000 to \$99,999
9	\$100,000 to \$150,000
8	\$200,000 to \$250,000

- Estimated \$3 million for distribution
- ~ 20 to 23 organizations geographically focused
- ~ 3 to 5 organizations targeting specific populations statewide

MEDICAL ASSISTANCE SITE DIRECTION

Marcia Benshoof, Chief Strategy and Sales Officer,
Connect for Health Colorado



Medical Assistance Site

Medical Assistance (MA) Site: A Medical Assistance (MA) Site is a designated site certified by the Department of Health Care Policy and Financing (HCPF) to accept and process the State authorized medical assistance application for the programs that are administered by HCPF. MA Sites use the Colorado Benefits Management System (CBMS) to determine eligibility for Child Health Plan Plus (CHP+) and Medicaid programs.

Top Reasons Have MA Site Capabilities:

- As customers proceed through the Eligibility Determination phase and **if they do NOT receive a real time eligibility**, Marketplace-Brokers and HCGs have no way to intervene without CBMS access
- Verifications require access to and in depth knowledge of CBMS
- Simultaneous Enrollment can be more tightly controlled with end to end intervention ability
- Currently, Marketplace customers are being handled by a multitude of Medical Assistance Sites... We need to own the customer experience

What the Ops/Finance Committee Outlined to the MA Site Project Team

- **Supports the option for the Marketplace to contract with an existing M.A. Site for its speed to execution advantage**
- Understands current contract with HCPF ends 5/15, and the need for continued capabilities are immediate
- Supports Medicaid strategic referral initiatives; thus resourcing Medicaid eligible folks to counties, etc. who are experts
- Supports pursuit of cost allocation efforts to mitigate costs related to MA Site activities related to Medicaid eligibility

A Note on Cost Allocation Strategy

- Cost allocation is a term used to describe the process for State Exchanges and state Medicaid agencies to allocate costs for Exchange services provided to the Medicaid-eligible population.
- Claims for Federal Financial Participation must come directly from the state Medicaid agency. In addition, the state must ensure that permissible, non-federal funding sources are used to match federal dollars. The Centers for Medicare and Medicaid service must approve a state's cost allocation plan.
- In order for these costs to be claimable, the state Medicaid agency is required to have an interagency or other contractual agreement in place with any entity which performs Medicaid administrative activities on its behalf.

Connect for Health Colorado and the Department of Health Care Policy and Financing are working on a Cost Allocation Plan that outlines all agency costs and how they will be allocated. To maximize possible revenue, we believe that we should retain assistance from cost allocation experts agreed to by both organizations.

STRATEGIC MARKET DIRECTION SMALL EMPLOYER HEALTH OPTION PROGRAM

Marcia Benshoof, Chief Strategy and
Sales Officer, Connect for Health
Colorado



Small Employer Marketplace 2015 and Beyond

Top Value Proposition - The Power of Choice

- Enhanced, multi-plan, multi-carrier **CHOICE** empowers employees to elect health plans that better serve their medical and financial needs
- When given the option, many employees will elect plans that reduce their premiums and often their employer's premiums, as well
- 44 % of SHOP employers have chosen more than a one Carriers and 68% have chosen more than one plan design
- "Choice" is not offered outside the Marketplace

Current Results of the Small Business Marketplace

SHOP Book of Business:

- October 2014: 304 employers and 2,519 covered lives; 8.5 lives/ employer
- April 2015: 329 employers and 2,589 covered lives; 7.87 lives/ employer
- Brokers responsible for 65% of employers and 79% of covered lives
- Average monthly premium/life – \$364 (Oct 14.) and \$354(Apr. 15)
- Average employer contribution – 67%
- 52% of employers offer dependent coverage
- Retention rate = 79%
- New Business Run Rate (2015 YTD) = 17 groups/mo

Management Assessment of Progress Over Opportunity

- The line of business is “treading water”
- Despite interim fixes and an uptick in new cases, process for renewing groups is cumbersome
- Brokers who tried SHOP and left in 2014 have not returned
- Per the Broker force... “if it works, they will come in droves”
- Current technology could be much more functional by 2017
- 2017 is too late to garner market position
- Invoicing is still manual and will not support successful growth
- The desired platform is: strong technology, small group expertise and market credibility as a successful partner-the trifecta

New Partnership

Small Employer Marketplace - Rationale

- The BEST partnership includes: solid technology, small group expertise and market credibility
- Current costs outweigh benefits
- We desire a solution that leapfrogs the Marketplace into a market leader and provides choice to small businesses
- The need to move from solely an IT platform to an integrated business solution is driving an RFP project to “white label”
- A Small Group Marketplace is required by federal law
- Colorado is a state of small businesses, with 85% of companies employing 10 employees or less
- 2016 poses great growth opportunity w/Transitional plans
- 2017 poses great growth opportunity w/Expanded market

Proposed Direction-Small Group Marketplace

Small Group Project Team

- Vetting potential partners who meet the Trifecta criteria: successful system, expertise in Sm. Group and high credibility with employers
- Performing interviews with other state based marketplaces
- Developed RFP distributed in April
- Initial approval to vet a vendor obtained from CMS
- Gaining input and advice from Sm. Group Broker Focus Group, DOI, MGA partners

Financial Improvement: Small Group Marketplace Revised Strategy

Incremental Revenue/Expense (000's)				
Year	2015 (@3.5%)	2016	2017	2018
Revenue	\$423	\$1,083	\$1,930	\$2,510
Expense** **Preliminary Assumptions	\$3,002	\$1,599	\$1,316	\$1,334
Margin	\$(2,579)	\$(516)	\$614	\$1,176

INFORMATION TECHNOLOGY

Adele Work, Chief Information Officer, Connect for
Health Colorado



Service Center Planning

Timeline

- Review proposals from vendors – to 4/24
- Present summary findings to Ops Committee – 4/28
- Additional negotiations and review – 4/24 – 5/7
- Board approval on negotiation strategy - 5/11
- Continued negotiations – 5/26
- Final contract – week of 6/4
- FY 2016 Service center budget finalized – week of 6/4

Item	Range	Comments
Total cost of service center	\$17.5 - \$17.8M (33% reduction from FY 2015 - ~4.5M savings)	Both vendors provided proposals with exclusions, this is the 'all in cost' Both assume SES savings. Both include SHOP costs.
Answer time SLA	80/300 to 8/360	Both vendors are able to define other SLAs and be held accountable to them
Contract types		Variable/fixed with SLA and credits or not to exceed price
Contract commitment	4 or 5 years	
Work location		Both retain call center staff in Colorado Springs, both use regional locations with lower cost of living for overflow and/or lower skill staff
Technology refresh		Amortized over term of contract – not priced separately

Key IT projects over next 20 months

OEP Begins

Projects	FY2015		FY 2016				FY 2017	
	Calendar Year 2015				Calendar Year 2016			
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Shared Eligibility System Improvements	SES improvements			Follow – on SES improvements				
2015 Marketplace improvements	Marketplace “3.0”							
Carrier EDI improvements	Change EDI implementation			Renewals	Complete Change EDI			
				OEP	Ongoing improvements			
Target architecture / 2016 Marketplace improvements (“4.0”)		Planning and Preparation			Execution			
SHOP		Implementation	Transition					
BI improvements			Planning and implementation	Ongoing improvements				
Service Center Technology Refresh		Planning and implementation	Ongoing improvements					
Contract review and renegotiation	Planning and analysis	Negotiation						

Preliminary IT project cost projections for FY 2016 / 2017

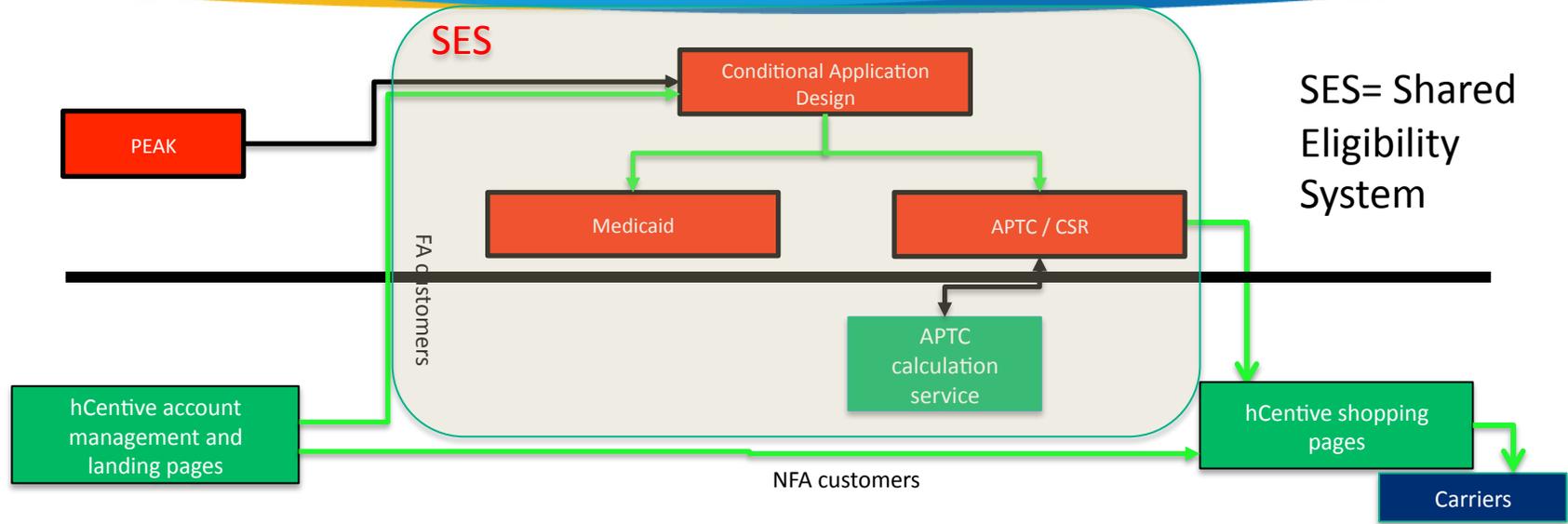
Project	FY 2016 Cost Projections	FY 2017 Cost Projections	Total FY 2016/17 Projections	Comments
SES improvements	\$ 4,800,000	\$ 800,000	\$ 5,600,000	Assumes additional changes are needed after September 2015
2015 Marketplace Improvements	\$ 750,000	\$ -	\$ 750,000	Assumes limited ability to make changes to Marketplace for 2016 OEP other than SES (e.g, defect fixes, renewals processing improvements, some usability improvements)
Carrier EDI improvements	\$ 500,000	\$ 300,000	\$ 800,000	Assume EDI will be completely working with all carriers by end of FY 2016 and ongoing improvements costs are about \$300K/yr
Migration to target architecture/ 2017 OEP changes*	\$ 1,000,000	\$ 1,400,000	\$ 2,400,000	Assumes that we will reduce the number of products in the Marketplace to allow us to realize more fully the benefit of hCentive product enhancements and reduce overall M&O costs
SHOP migration*				Assume net neutral during FY 2016 due to service center cost reductions, some capital may be required initially
BI improvements	\$ 250,000	\$ 200,000	\$ 450,000	
Service center technology refresh				Included in service center proposals
Other projects and ongoing costs	\$ 500,000	\$ 800,000	\$ 1,600,000	Includes desktop maintenance and other costs,
Total	\$ 7,800,000	\$ 2,700,000	\$ 10,000,000	

* waiting for proposals from vendors

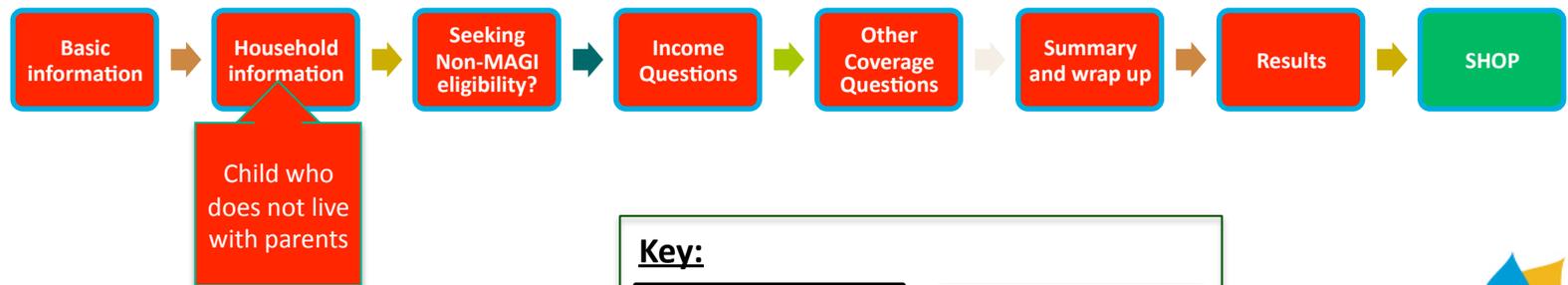
NOTE: These are preliminary (+/- 25%) cost estimates for new / ongoing project work. Total annual IT costs (not including staff costs) include the above project work plus ~\$8M in annual license, maintenance and operations, and hosting fees.

Shared Eligibility Solution

Architectural



User Experience



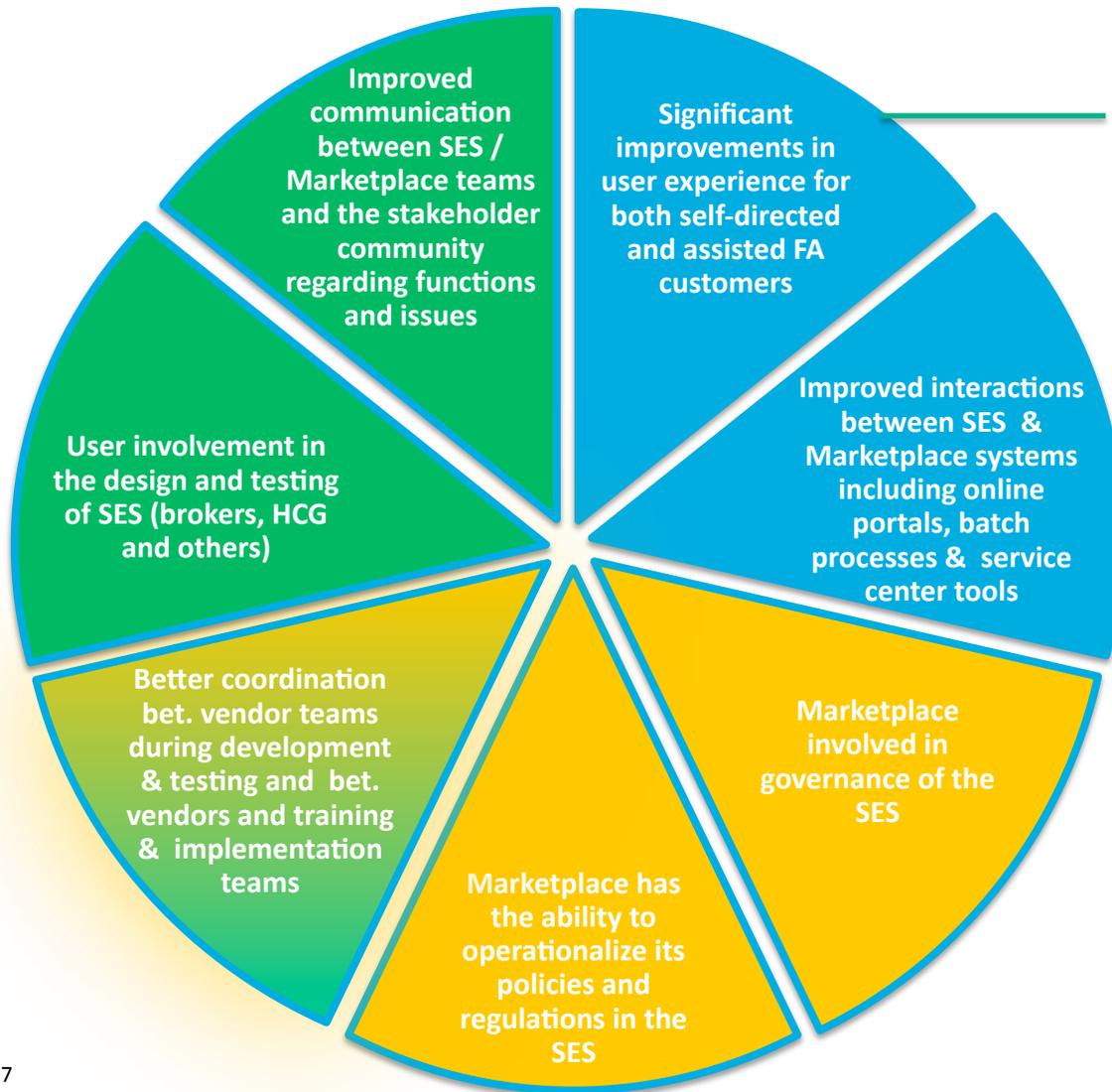
Key:

Built and supported by Deloitte/OIT/HCPF

Built and supported by CGI and Connect for Health Colorado



Must-have solution components



What we heard:
#1 priority is a much faster path for families with straightforward income and households and to simplify the process and questions for people with more complex situations

Legend

1) More streamlined user experience

2) Better stakeholder engagement during design, training, & issue resolution

3) More robust governance and vendor coordination

SES Recommendation

Solution Component	Recommendation
Significant improvement in user experience	<ul style="list-style-type: none"> • “Conditional application design • Creation of a “Wrap up summary” screen with “correct my application” and “submit my application” functions • Standalone, simplified RMC functions for Marketplace users • Screen redesigns • Avatar (Codebaby) for key screens • Allow customers to shop while eligibility is pending • Correct known limitations with current system for LPR
Interactions between systems improved – both online & service center tools	<ul style="list-style-type: none"> • Additional changes to payloads to support improved user experience • Deployment of CBMS customer service features onto the Marketplace customer support portal
Marketplace shares governance of SES	<ul style="list-style-type: none"> • Shared SES-only ESC with HCPF, Marketplace, and OIT • Simplified path through CBMS ESC for Marketplace only changes • Marketplace contracts senior PM for management
Marketplace operationalizes its policies	<ul style="list-style-type: none"> • Marketplace hires or contracts for Eligibility experts who understand Medicaid vs Marketplace and are part of the development, testing, implementation, training and ongoing support teams
Communication between development, testing & training teams is improved	<ul style="list-style-type: none"> • Co-located development and test teams • Joint development / delivery of training materials

Budget : Up to \$5.1M across FY 2015 and FY2016

- ~\$2.2M in FY2015 and ~\$2.9M in FY2016
- Fixed fee contracts for development and implementation



FINANCIAL SCENARIOS

Gary Drews, Connect for Health Colorado



Revenue, Expense & Capacity Drivers

Revenue Drivers	Expense Drivers
Health Plan Fee Assessment	Eligibility System functionality
<i>Plan Pricing</i>	Staffing levels
Medicaid reimbursement	Consumer interface & service levels
Broad Market Assessment	Carrier interface efficiency
Ancillary Product Development	<i>APTC Index movement, plan-change rate</i>
New funding sources	Customer path visibility
<i>APTC Index Level</i>	Decision Support
	<i>Audit & Oversight volume, depth, breadth</i>
	<i>Medicaid<>APTC Policy differentials</i>
	Marketing, Outreach, Channel support
	SHOP functionality

Takeaway: There is significant potential to manage our revenue and cost drivers through this planning & budgeting decision process.

Directional Context: SBM State Comparison

	CO	State #1	State #2	State #3	State #4
Enrollment	150,000 YTD	100K– 180K	100K– 180K	100K– 180K	100K– 180K
Annual Revenue	\$ 27.5M	\$ 40M	\$ 44M	\$ 43M	\$50M
Exchange Admin Fees	\$ 6.5M 1.4%		\$ 25M	\$ 14M	\$ 8M
Broad Market Assessment	\$16M \$ 1.25	\$ 25M			\$ 20M
Medicaid Recovery/Gen Fund		\$ 15M	\$ 19M	\$ 29M	\$ 20M
Other	\$ 5M				\$ 2M
OPEX	TBD	\$ 37M	\$ 50M	\$ 43M	\$50M
Call Center	\$ 21M	\$ 18M	\$ 20M	\$ 12M	\$ 28M
Salaries/Fringes	\$ 6M	\$ 9M	\$ 8M	\$ 7M	\$ 14M
Headcount	50	75	67	70	150

Takeaways (Above figures are approximate and 'in motion' as SBM's are in their planning processes as well)

- Other similarly situated SBM's are generating \$12m-22m greater revenue, primarily thru Medicaid reimbursement and/or higher Admin fees/assessments.
- Service Center expenses, generally the largest expense item, are in similar ranges
- Staffing models vary, but indicate the Marketplace is staffed at approximately 2/3 other SBM levels.



DRAFT I: Financial Scenarios: Revenue

Draft Revenue Scenarios - May 1, 2015 update										
Cash Basis Estimates (\$000's)	Working Model									
	FY 2015	2.8%/\$1.60 Model			3.5%/\$1.80 Model			4.5%/\$1.80 Model		
	Estimate	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018
2014 Assessment Fees	5,100	400	0	0	400	0	0	400	0	0
Health Plan Assessment Fees	987	7,795	14,031	22,394	9,617	24,187	27,993	11,047	31,098	35,991
Special Broad Market Assessment	4,500	19,260	17,280	0	19,980	19,440	0	19,980	19,440	0
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Shop (w/ new investment)	120	220	800	1,600	220	1,500	2,000	220	1,925	2,575
Vision	9	18	20	24	18	20	24	18	20	24
Foundation Grants (<i>estimates only - no commitments made or received</i>)	2,500	2,500	1,000	1,000	2,500	1,000	1,000	2,500	1,000	1,000
Interest Income	46	18	3	3	18	3	3	18	3	3
Medicaid Cost Recovery (PLACEHOLDER)		2,500	2,000	2,000	2,500	2,000	2,000	2,500	2,000	2,000
Level 2 Grant	60,500	200	0	0	200	0	0	200	0	0
CoverColorado	14,034	0	0	0	0	0	0	0	0	0
Total Revenue	92,796	37,911	40,104	32,021	40,453	53,150	38,020	41,883	60,486	46,593

Draft I: Financial Scenarios: Expenses

FY 2016 Draft Expense Models - May 1, 2015 Update			
Expense Category	FY 2015 Forecast	3.5% - Revenue Driven Model	1st Draft. Hi-Level Strategy-Based Model
General & Administrative	7,325	9,172	10,672
Salaries & Benefits	5515		9,126
Rent, Tech Infrastructure, equip, connectivity	797		781
Other	1,013		765
Marketing & Public Relations	4,771	1,000	2,000
Assistance Network	6,040	3,000	5,000
Operations	2,683	1,260	1,260
Business Development	673		468
Carrier Support & Other Operations	731		360
Training	324		54
Other	955		378
Customer Service Center (net of SES savings)	21,280	17,623	17,623
Technology	10,942	8,889	9,389
Hosting	2,108		2,053
M&O Costs	6,653		5,588
Additional Marketplace Maintenance/Enhancements	986		888
Other	1195		860
SHOP Savings		(100)	(100)
Total Operating Expense	53,041	40,944	45,944
Technology CapEx and Other Projects			
Completion of Carrier Coordination Project			
Marketplace Improvements/Licenses	15,531	2,800	2,800
SES (includes 2,200k in new SES project)	7,060	3,650	3,650
Shop		500	500
MA Site		TBD	TBD
EDI		750	750
Other		400	400
Total CapEx and Projects	22,591	8,100	8,100
Total Cash Outlays	75,632	49,044	54,044
Does not include depreciation/amortization			

Summary: DRAFT I Financial Scenarios

FY Revenue Models										
	FY 2015	1.8%/2.8%/\$1.60 Model			3.5%/\$1.80 Model			4.5%/\$1.80 Model		
	Estimate	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018
Total Revenue	92,796	37,911	40,104	32,021	40,453	53,150	38,020	41,883	60,486	46,593

FY 2016 Expense Models			
Expense Category	FY 2015 Forecast	3.5%- Revenue Driven Model	1st Draft, Hi-Level' Strategy-based Model
Total Cash Outlays, including CapEx	75,632	49,044	54,044

Takeaway:

- Budget process is in initial stages as planning work continues.
- Operational costs can be covered at the mid-level funding model.
- There is strategic work to do on both the revenue and expense sides of the bottom line equation, most notably continuing pursuit of Medicaid reimbursement.

Optimal Expense Level Cash Flow

Cash Balance Forecast (\$000's) Using Optimal Expense Budget								
Budget Model	6/30/15	12/31/15	6/30/16	12/31/16	6/30/17	12/31/17	6/30/18	
1.8%/2.8%/\$1.60 Model	26,000	18,200	9,500	8,700	NA	NA	NA	
3.5%/\$1.80 Model	26,000	18,200	12,000	18,400	13,300	8,400	NA	
4.5%/\$1.80 Model	26,000	18,200	13,500	23,900	22,700	21,000	16,200	

Takeaways:

- **Broad Market Assessment Fee runs CY 2015 + 2016**
- **Many options exist to backfill the revenue source and/or reduce expense between now and 2017**
- **Additional organizational capacity investment is required to continue the sustainability path**

FY 2016 FEE DISCUSSION

Gary Drews, Connect for Health Colorado



2016 Assessment Fees

- **Marketplace Revenue Sources**
 - Health Insurance Carrier Assessment; Broad Market Assessment, Carrier tax credit donations, grant revenue, Other
 - CMS reimbursement levels for Medicaid support is under research, retrospectively and prospectively
- **Timing:**
 - Setting the Carrier Assessment Fee level for CY 2016 is required presently for carriers to accurately set and submit plan rates due to DOI by 5/29
 - Timeline allows for adequate Marketplace testing time in the fall
- **Health Insurance Carrier Assessment:**
 - Board establishes Health Insurer Assessment for calendar year 2016
 - Cash receipt from the fee level set now will primarily impact FY 2017
 - Current fee is set at 1.4% of effectuated premiums; no cap in place
- **Broad Market Assessment (HB 13-1245)**
 - Board establishes broad market Health Insurer Assessment for calendar years 2014, 2015 and 2016; fee is capped at \$1.80 pmpm
 - Cash receipt from the fee level set now will impact FY 2017 revenue
 - 2014 Fee was waived; 2015 rate is set at \$1.25 pmpm

Health Insurance Carrier Assessment

- Considerations for setting fee:
 - Rates set now will impact cash for 2 months of FY2016 and most of FY 2017
 - 2016 Budget and long-term forecast are not yet completed, i.e. true costs of operation and capital requirements are in process following plan development
 - Optimal operations budget requires fee increase and Medicaid reimbursement funding for long-term sustainability
 - Cash Flow forecasts *at current budget projections (incomplete)* utilizing Reserves to bridge funding sources:
 - At previously projected level, operations funded through CY2016
 - At 3.5% (FFM level), operations funded *at least* through CY2017
 - At 4.5%, operations funded through *at least* CY2018
 - Additional unbudgeted funding requirements: Capital investment, Operational Reserves, New product development, unforeseeable revenue/cost impacts
 - Fee level impacts carrier margins and Marketplace ROI; and ultimately consumers
 - Context: Other States' fee levels vary greatly given State structures (up to 4.5% plus addl. Funding sources), and Medicaid reimbursement

State-based Exchange Value Propositions

- Gear strategies toward Colorado's specific needs, geography, and populations
- Stakeholders (including carriers) are able to provide input and feedback to design, functionality, training, operations
- Carriers have easy access to and an open dialogue with Connect for Health Colorado
- The Marketplace and State own the data, and can use it, report on it, and learn from it (e.g. FFM does not provide its data to the states)
- Decision Support tools available to consumers, brokers, HCG's
- No Wrong Door Consumer support
- Local governance of the Marketplace
- Brokers, Coverage Guides and interfaces with Medicaid supports are local and directly connected to the Marketplace (certified)
- FFM, by comparison, excludes above elements and their funding (i.e. Federal Marketplace excludes above services, resulting in state-based costs not included in the FFM 3.5% fee)
- Economic development—jobs stay in Colorado

Broad Market Health Insurance Carrier Assessment

- Considerations
 - Broad Market Assessment was carried over from Cover Colorado (CC rate \$3.80 pmpm)
 - 3 year fee: 1st year of fee waived; 2nd year set @ \$1.25 (67% of cap)
 - \$1.25 rate generates approx. \$14m ; \$1.80 rate generates approx. \$21m
 - Converted to a % of the average Marketplace premium, \$1.25 = .35%; \$1.80 = .5%
 - Cash receipt from rate set now begins approx. 12 months later
 - Maximizing the fee during its short availability is key for bridging funding from Federal Grants to earned revenue, and assisting with additional unbudgeted funding requirements and sustaining reserves

Fee Recommendation: CY 2016

- In order to build and bridge revenue as volume is built up to ensure sustainability; ensure adequate capital, operational reserves and sufficient near-term capacity to gain system and staffing stability:
 1. Carrier Assessment: 3.5% or higher
 2. Broad Market Assessment: \$1.80 pmpm
 3. Aggressively continue pursuit of Medicaid recapture funding
 4. Continue long-term revenue strategy development as a primary Finance Committee focus post-budget completion

Wrap-up

- We have served an increasing number of Coloradans and operated a Marketplace website that functioned more than 99% of the time over two Open Enrollment Periods. **On December 31, 2014 we had 123, 138 covered lives in the individual market and individuals and families saved \$251 Million with the use of a tax credit to help pay down their monthly premium.**
- **Year to date, we have 149, 997 covered lives in the individual market and 2,460 covered lives in the small group market.** That said, the launch of a new shared eligibility system presented problems that marred 5% of customers' experiences. Fixing these is our number one priority before the next Open Enrollment Period.
- In addition to technical changes to the eligibility system, we are working to improve upon how we deliver enrollment assistance through our Assistance Network program and Customer Service Center. We also have a renewed focus on the Small Business marketplace as we look ahead to future changes in the small group market.
- Our board and the executive leadership team are continuing to build next year's budget, operational and strategic plans. We will complete the review of revenues, cost structure and market opportunity in coming weeks to finalize a budget in June. The operations plan and budget then go to the Exchange Oversight Committee for review. Our fiscal year begins July 1.