



FISCAL YEAR 2021 PROPOSED BUDGET FINANCE AND OPERATIONS COMMITTEE

May 18, 2020

General Budget Comments/Assumptions

- **FY 2021 Budget Challenges:**

- Carrier fee revenues are projected to decrease by 21% from the prior fiscal years budgeted levels
- Capital expenditures will continue at a higher than normal level for the first half of FY21 - the initial phase of modernization of the shopping platform is expected to be completed in 2021 – requiring continued use of cash reserves to fund
- External forces (COVID-19, state legislative initiatives and federal actions) will place increased demands on the organization
- Grant funding for supporting the assistance network is no longer available and will need to be funded by general operations







- **Revenues:**

- FY 21 carrier fee revenue is based on current (plan year 2020) enrollment levels and average premium levels. No increases or decreases from current levels are assumed in enrollments or average premiums for plan year 2021. See next slide for potential COVID impacts.
- Medicaid cost reimbursements continue in FY21 – budgeted to decrease resulting from the reductions in service center and technology operations costs.
- Continuation of tax credit donation

- **Expenditures:**

- The impact on operating expenses from the service center transition in FY20 and the completion in FY21 of the major investment in the modernization of the shopping platform/technology infrastructure are reflected in the 18% drop in operating costs between FY20 and FY21 – discussed further in this package.

Potential COVID-19 FY21 Financial Impacts

Issue	Revenue and Overall Impact	Likelihood
Reduction in employer coverage/increase in Exchange enrollment		Very likely
Easy Enrollment bill		Possible
Dept of Labor links		Already happening
Decrease in enrollment due to income loss		Very likely
Medicare, Medicaid, and ESI expansions		Possible
Decrease in enrollment after expiration of grace period extension		Very likely
APTC impacts due to reinsurance	Unknown	Medium

Fiscal Year Comparisons

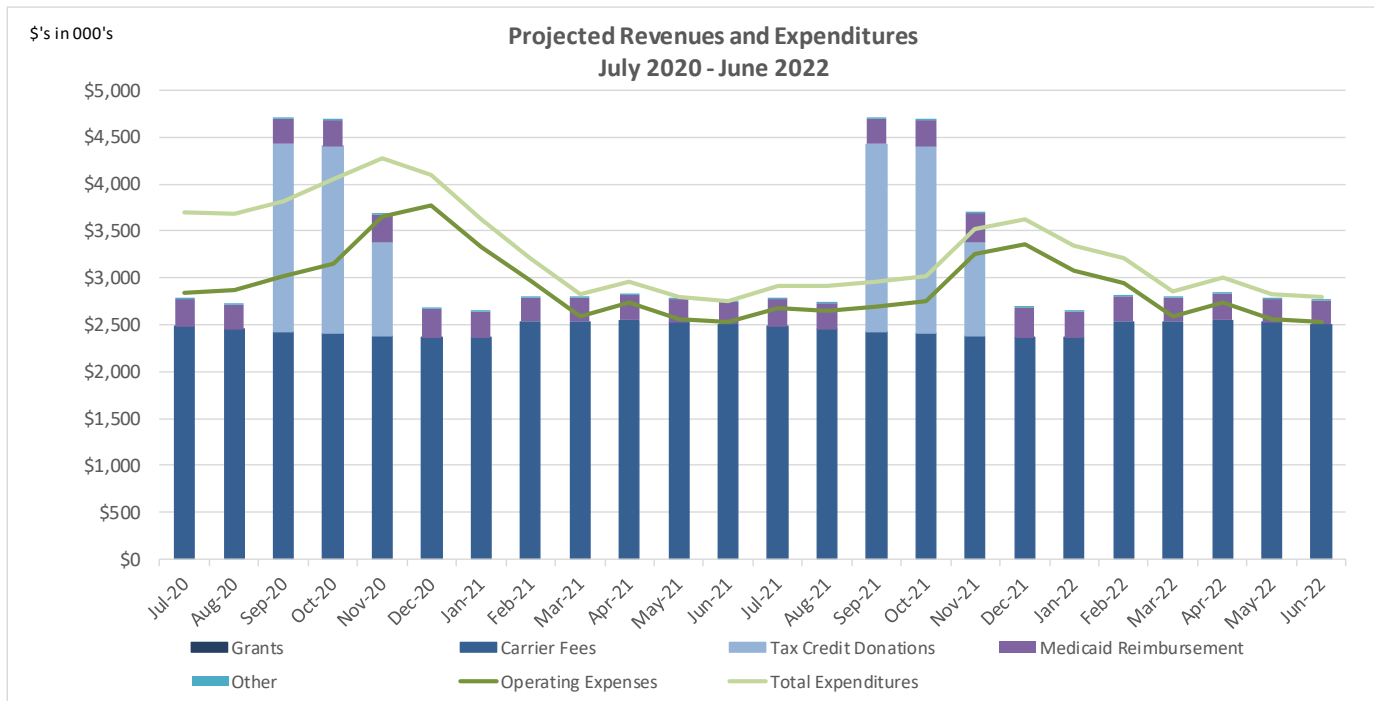
FY17 – FY22

\$'s in 000's

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020 Projection	Fiscal Year 2021 Budget	Fiscal Year 2022 Projection
Revenues						
Carrier Fees	37,059	32,083	36,084	33,349	29,545	29,545
Tax Credit Donations	5,000	5,000	5,000	5,000	5,000	5,000
Grants	2,590	2,500	1,300	500	-	-
Cost Reimbursements	2,834	3,533	3,691	4,800	3,245	3,327
Interest/Other	13	90	304	298	148	167
Total Revenue	47,496	43,206	46,379	43,947	37,939	38,039
Operating Expenses						
Technology & Operations	15,436	12,502	12,002	13,687	11,158	8,767
Customer Service	15,376	14,923	15,154	16,868	10,338	10,414
Marketing and Outreach	3,739	3,417	3,751	5,288	5,685	5,719
Support Services	8,940	9,522	9,284	7,966	8,842	8,896
Total Operating Expenses	43,491	40,364	40,191	43,809	36,022	33,796
Net Income Before Depreciation	4,005	2,842	6,188	138	1,917	4,244
Depreciation *	3,500	3,500	3,500	2,177	2,578	2,955
Net Income	505	(658)	2,688	(2,039)	(661)	1,289
Capital Expenditures	1,889	3,580	3,608	7,079	5,765	3,176

* Depreciation for 2017-2019 reflects projected stabilized annual depreciation upon refresh of technology

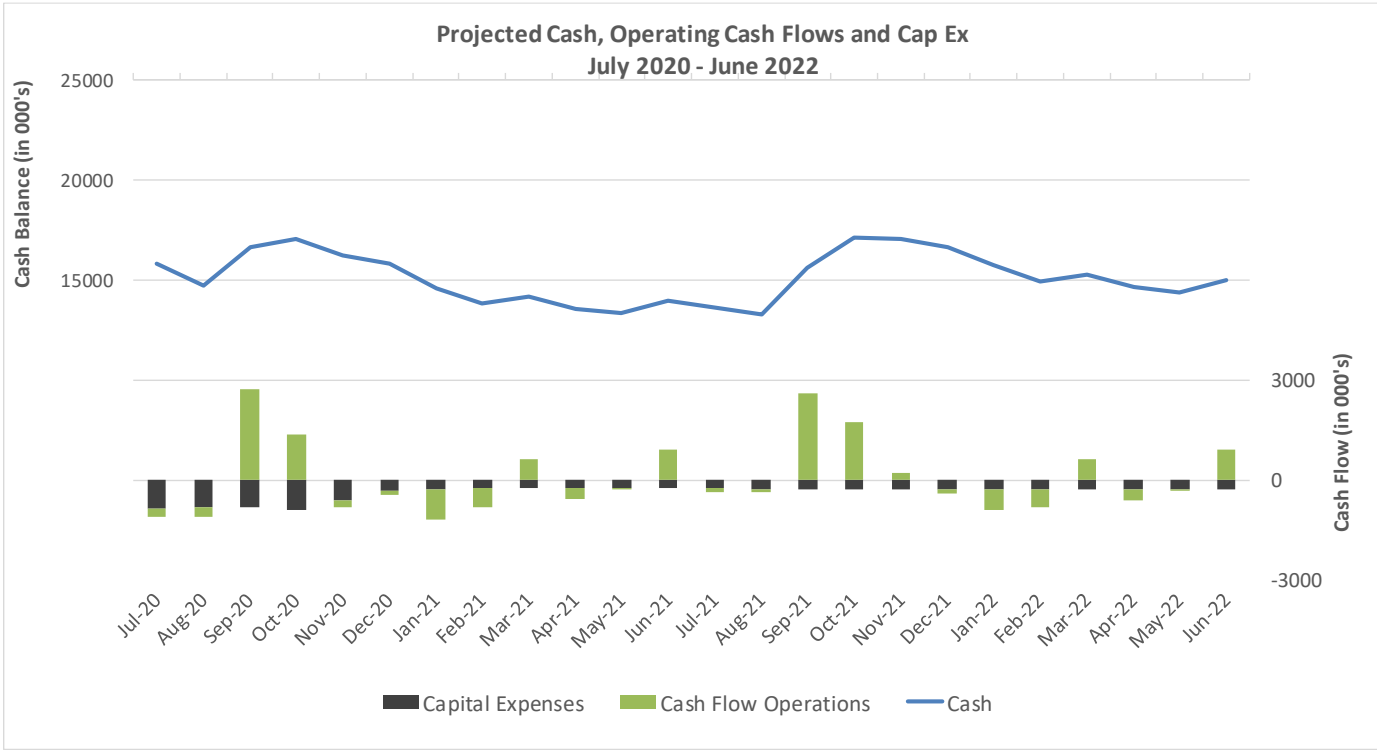
Projected Revenue and Expenditures January 2020 – June 2022



Through the implementation of this budget we anticipate an initial surge in expenditures (lines) as the result of the completion of the technology modernization effort in the first half of the year. Once the transition is complete by early 2021 overall expenditure levels will drop below expected revenues (bars).

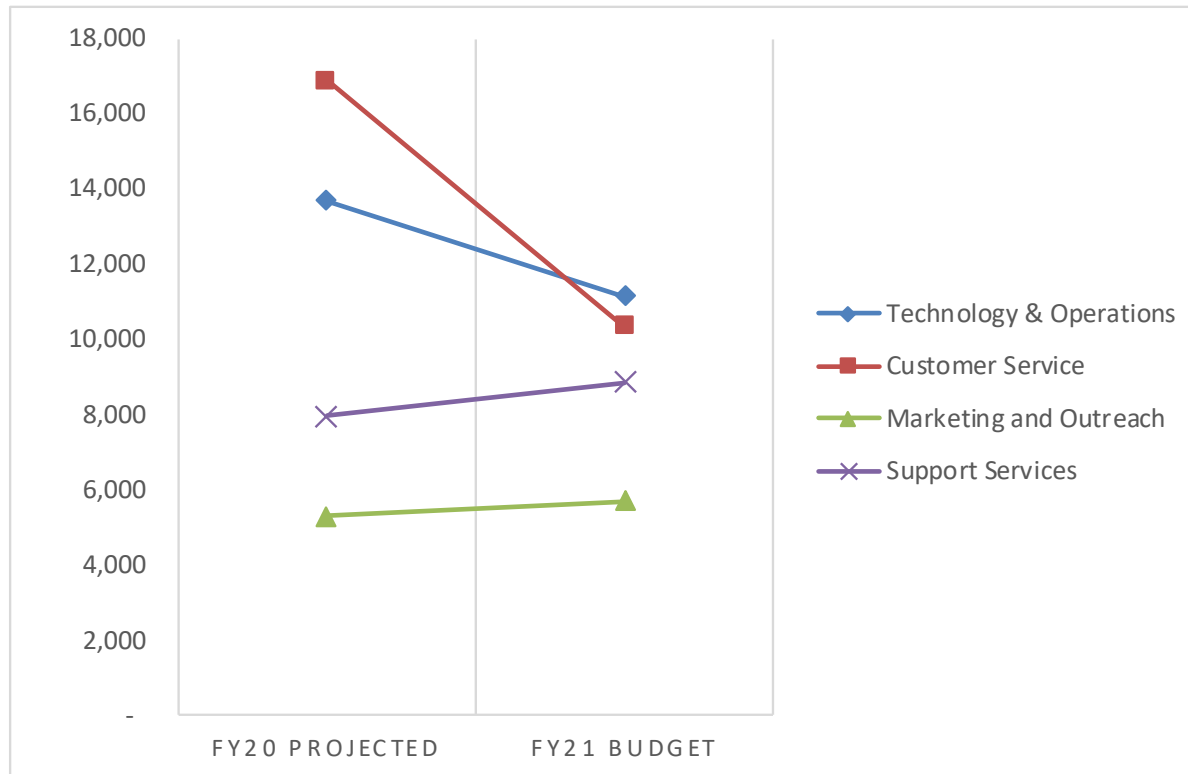
Projected Cash Flows

January 2020 – June 2022



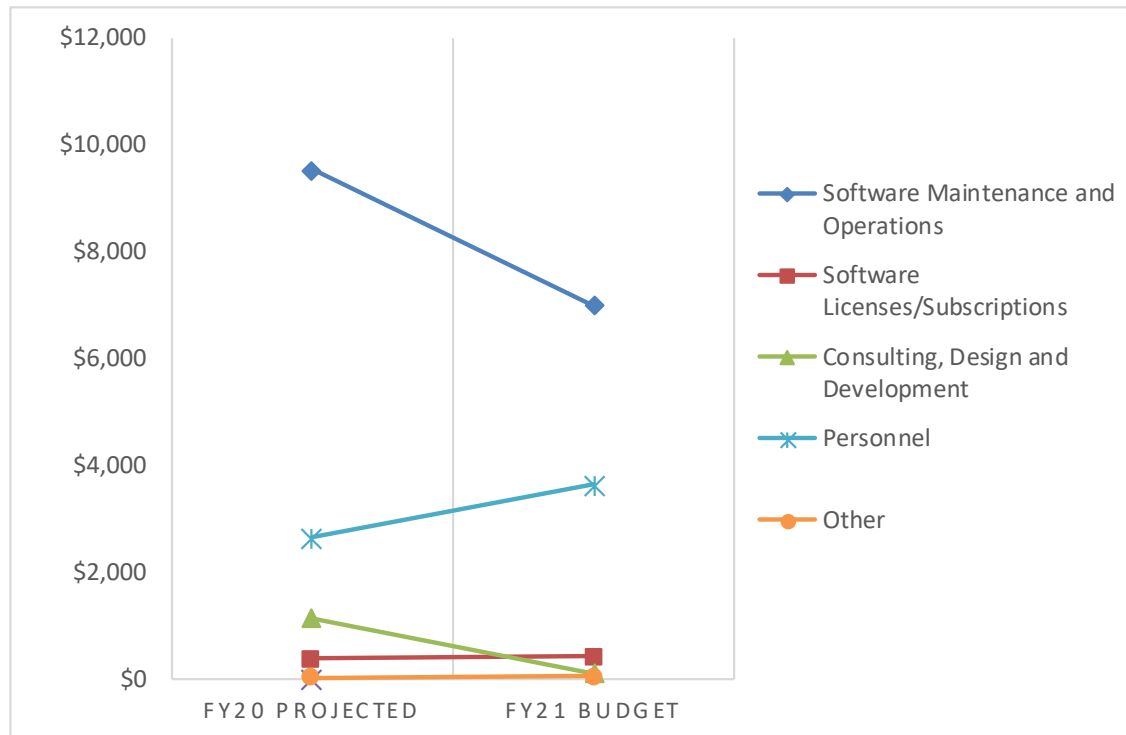
Due to the increases in expenditures for the first half of FY21, cash flows will be negatively impacted (right side scale). Cash balances (left side scale) are maintained during the first half of the year due to the timing of tax credit donations but decline below \$15 million in early 2021. Through expense reductions in the 2nd half of FY21 and the following year, cash balances are replenished to reasonable levels by fall of 2021.

Operating Expense Summary Comparison FY20 vs FY 21 Budget



Operating Expenses (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Technology & Operations	13,687	11,158	-18.5%
Customer Service	16,868	10,338	-38.7%
Marketing and Outreach	5,288	5,685	7.5%
Support Services	7,966	8,842	11.0%
Other	43,809	36,022	-17.8%

Technology & Operations Expense Comparison FY20 vs FY 21 Budget



Technology and Operations (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Software Maintenance and Operations	\$9,534	\$6,993	-26.7%
Software Licenses/Subscriptions	\$369	\$406	9.9%
Consulting, Design and Development	\$1,129	\$98	-91.4%
Personnel	\$2,633	\$3,621	37.5%
Other	\$22	\$41	89.0%
Total	\$13,687	\$11,158	-18.5%

Technology & Operations Expenses

FY 21 Budget Narrative

- **Technology Maintenance and Operations** – assumes move to cloud hosting services and transition to new platform prior to next enrollment (OE8). Budget assumes movement of some maintenance and operations expenses to internal staff – reflected in higher personnel expenses.
- **Software Licenses/Subscriptions and Development** – operational tools/services to support project management, testing and development. Actual software development costs are included in capital expenditures.
- **Consulting, Design and Development** – Project management and development support costs. Expected to primarily be performed internally in FY21 – reflected in personnel expense increase.
- **Personnel** – includes both technology and health plan operations staff – increasing due to increased internalization of technology/operational functions in FY21 providing for in house expertise for essential technology functions and modernization efforts.
- **Other** – travel, conferences, training, memberships, supplies

Technology & Operations

FY 21 Core Capital Projects

Projects prioritized in the budget for 2021 fiscal year include:

- **Completion of Enterprise Modernization**
 - Infrastructure and security components implemented for security audit.
 - Team focused on completion of user experience, integration between portals/tools and data migration.
- **Modernization of Shopping and Payment Screens**
 - Continue with transition from SaaS product to C4 intellectual property
 - Includes updating the look and feel to be consistent with NES
 - Streamlining workflow, data collection and usability
- **Completion of New Admin Portal**
 - Replace current back office/service center portal with new and improved user experience and C4 intellectual property.
 - Phase 1 launched in February in coordination with the Faneuil transition. Remaining functionality and improvements to launch with Enterprise Modernization go live.

Technology & Operations

FY 21 Core Capital Projects

Projects (Continued):

- Compliance Projects
 - Includes compliance efforts to better align logic between CBMS and C4 as well as adjustments based on new regulations and guidance from CMS.
- Broker/Assistor Tools and Resources
 - Improvements to the user experience and workflow for brokers and assisters. Phased approach for improvement before and after OE.
 - Transition tools to C4 intellectual property.
- Customer User Experience Improvements
 - Development of additional self-service tools within a customer's account.
 - Modernized life change event and document upload screens and logic.
 - Dental only shopping and enrollment workflow.
 - Completion of new self-service password reset workflow and user experience.

Technology & Operations

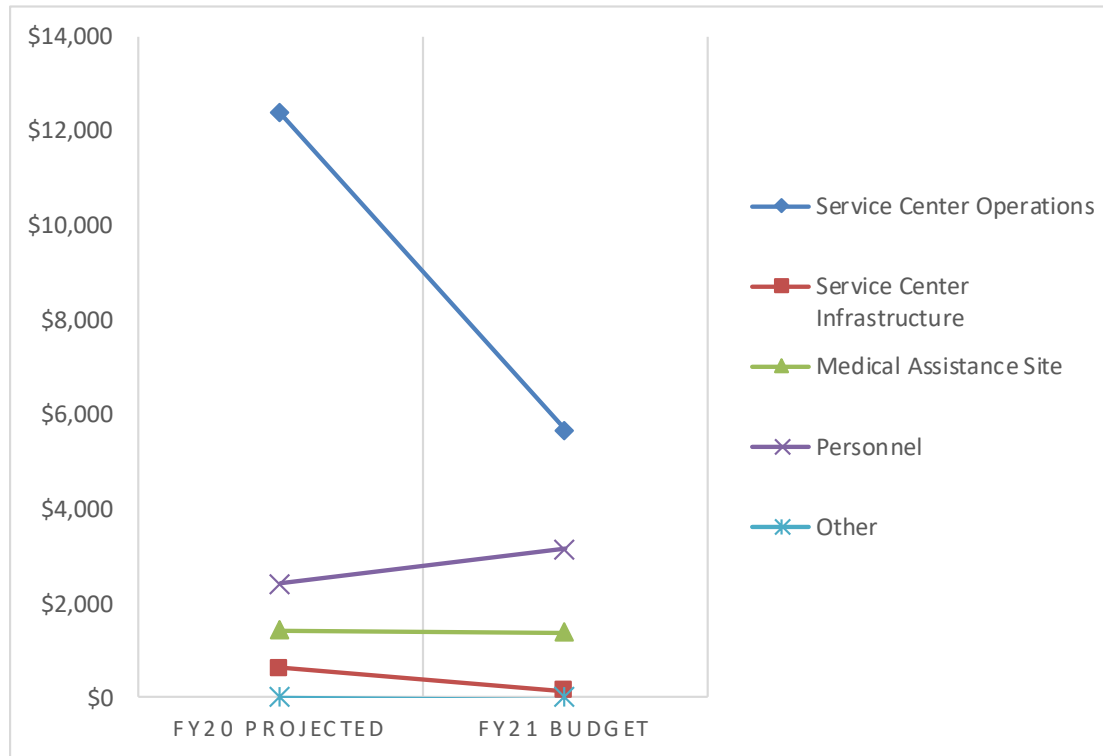
FY 21 Potential Capital Projects

Potential projects to be started in FY 2020:

- Improvements to data transfer process between C4 and Issuers.
- Refine and improve income collection and logic in eligibility application.
- Manual verification communication and process updates.
- Address validation service implementation.

These projects are currently under review and will be prioritized based on available resources, this list will be revised throughout the year.

Customer Service Expense Comparison FY20 vs FY 21 Budget



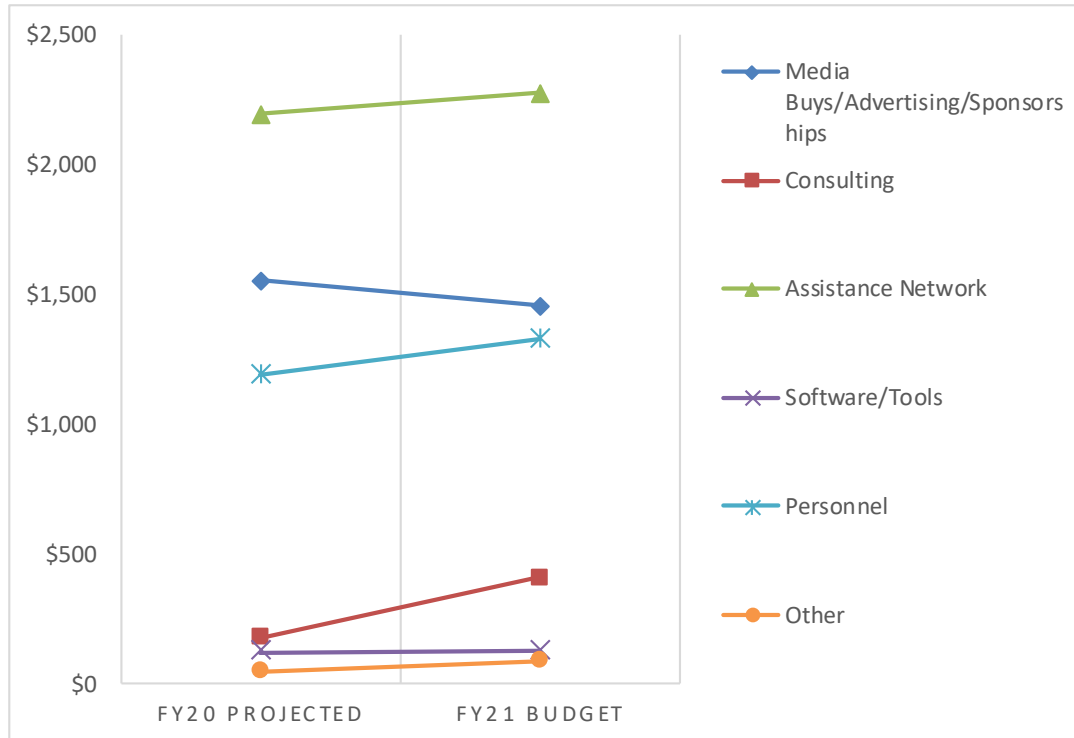
Customer Service (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Service Center Operations	\$12,393	\$5,673	-54.2%
Service Center Infrastructure	\$624	\$151	-75.7%
Medical Assistance Site	\$1,426	\$1,372	-3.8%
Personnel	\$2,409	\$3,140	30.4%
Other	\$17	\$1	-93.9%
Total	\$16,868	\$10,338	-38.7%

Customer Service Expenses

FY 21 Budget Narrative

- **Service Center Operations** – reflects full year of operations under new technology and staffing structure resulting from FY20 service center transition that included internalization of staff for management of more complex calls along with a new vendor contract. The decrease also reflects the one-time costs incurred in FY20 resulting from the transition of contractors.
- **Service Center Infrastructure** – includes facility/telecom costs for internal staff. Decrease due to Colorado Springs lease and operational costs taken over by new vendor and included in operations expenses. Previously the facility expenses were paid directly by C4HCO.
- **Medical Assistance Site** – includes staffing and operations of medical assistance site. Small decrease due to higher than expected use of contract staff in FY20.
- **Personnel** – reflects full year of maintaining a C4HCO service center and escalation team to handle more complex calls and escalations – transition to this model completed in prior year.
- **Other** – travel, conferences, training, memberships, supplies, postage, printing.

Marketing and Outreach Expense Comparison FY20 vs FY 21 Budget



Marketing and Outreach (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Media Buys/Advertising/Sponsorships	\$1,552	\$1,455	-6.2%
Consulting	\$177	\$407	130.4%
Assistance Network	\$2,195	\$2,277	3.7%
Software/Tools	\$126	\$128	1.3%
Personnel	\$1,191	\$1,331	11.7%
Other	\$46	\$87	87.5%
Total	\$5,288	\$5,685	7.5%

Marketing and Outreach Expenses

FY 21 Budget Narrative

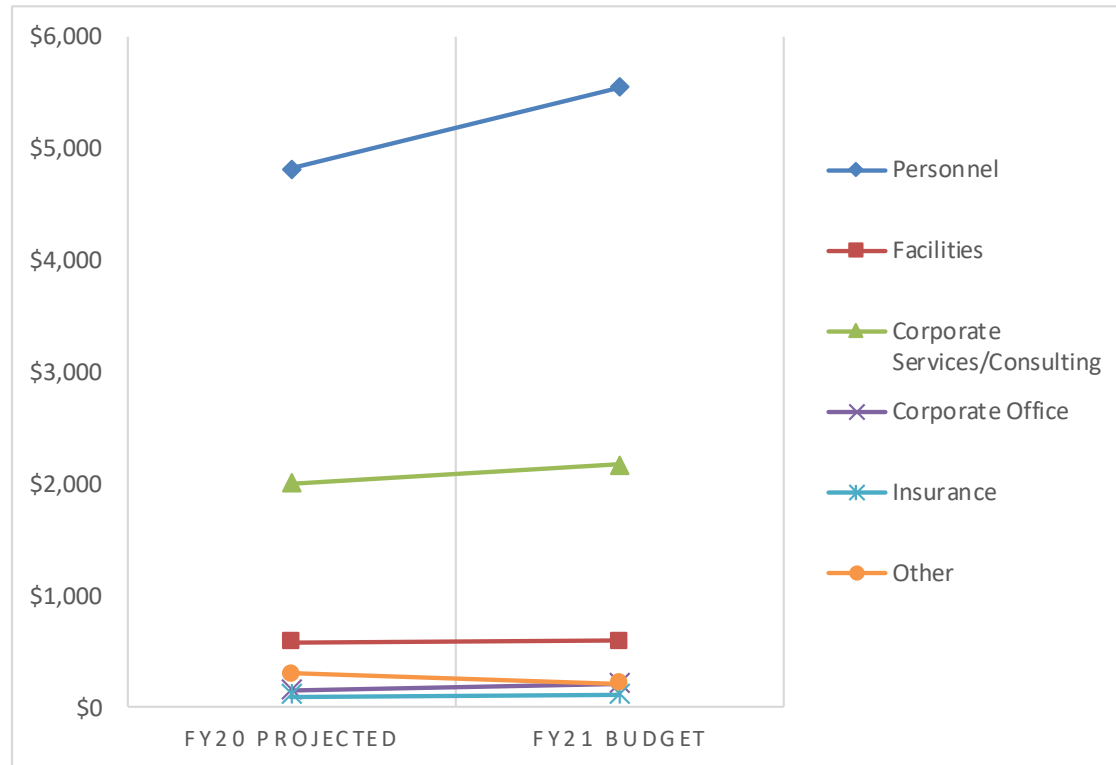
- **Media Buys/Advertising/Sponsorships** – assumes same level as prior year budget for media buys and event sponsorship. Increase in expense line resulting from moving membership budget to marketing department.
- **Consulting** – agency fees, surveys, design, translation services. Increase due to moving contractor services included in media buys/sponsorship line in FY 2020.
- **Assistance Network** – includes assistance network partner payments, program funding is budgeted to remain level with prior year – increased budget due to potential demand for assistance network services as the result of COVID.
- **Software/Tools** - Includes Wordpress website costs and broker lead tool.
- **Personnel** – Assistance network management, communications, broker team, marketing/outreach oversight and management – costs increased due to the addition of 1 regional outreach position.
- **Other** – travel, conferences, training, memberships, supplies, postage, printing

Marketing and Outreach Expenses

FY 21 Initiatives – Outreach and Marketing

- Increase focus on serving the needs of the business community and individuals experiencing job loss
- New application cycle for Assistance Network and Enrollment Center partners
- Refresh video and photography creative content
- Expand the use of analytics tools to quantify the effectiveness of Outreach and Marketing
- Enhance statewide LatinX outreach strategy
- Expand “Field Presence” with Brokers across the state

Support Services Expense Comparison FY20 vs FY 21 Budget



Support Services (\$'s in 000's)	FY20 Projected	FY21 Budget	% Change
Personnel	\$4,817	\$5,546	15.1%
Facilities	\$589	\$592	0.6%
Corporate Services/Consulting	\$2,002	\$2,165	8.2%
Corporate Office	\$151	\$210	38.8%
Insurance	\$110	\$115	4.7%
Other	\$297	\$214	-28.1%
Total	\$7,966	\$8,842	11.0%

Support Services Expenses

FY 21 Budget Narrative

- **Personnel** – staffing for office support, finance, HR, training, legal/compliance, privacy and security, executive, policy and business intelligence teams. Increase due in part to expected internalization of some technology functions which impacts security, HR and business intelligence teams. Increase also reflects impact of unfilled security and HR positions in FY2020.
- **Facilities** – rent and operations of corporate facilities.
- **Corporate Services/Consulting** – includes audit services, privacy/security services, outside legal, HR recruiting, payroll services, corporate software, BI consulting, training consulting/software – increase driven in part by increased privacy and security operational costs and HR recruiting services as the result of technology staffing initiatives.
- **Corporate Office** – office supplies, printing/copying, postage
- **Insurance** – Liability, property, technology (cyber)
- **Other** – travel, conferences, memberships