

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 1ST QUARTER FISCAL YEAR 2021

DATE: 10/22/2020

| Key Performance Indicators | Status | YTD - 3 Months Ending 09.30.20 | | |
|--|--------|--------------------------------|---------|-------------|
| | | Actual | Target | % of Target |
| Effectuated Enrollment | | 157,853 | 145,400 | 108.6% |
| Net Operating Margin | (1) | 41.9% | 33.6% | |
| Per Member Per Month (PMPM) - Carrier Fees | | \$16.7 | \$16.9 | 98.6% |
| Per Member Per Month (PMPM) - Operating Exp. | | \$16.8 | \$20.2 | 83.5% |
| Days Cash on Hand | (2) | 143.5 | 120.0 | 119.6% |
| Change In Projected 12 Month Cash Flows | | No | | |

(1) Net income before depreciation as a % of revenue

(2) Based on FY21 budgeted daily operating expenses

Key metrics for the first quarter exceeded enrollment and most financial targets. Enrollment levels are running higher due the COVID special enrollment period in March/April which generated 14,000 new enrollments. Net operating margin and PMPM expense levels exceeded expectations thanks to lower expense levels teamed with the impacts of higher enrollments.

| Financial Results (in 000's) | Status | YTD - 3 Months Ending 09.30.20 | | |
|-------------------------------------|--------|--------------------------------|---------------|---------------|
| | | Actual | Budget | % of Budget |
| Revenues | | | | |
| Program Revenue | | 5,831 | 5,831 | 100.0% |
| Carrier Fees | | 7,891 | 7,370 | 107.1% |
| Grant/Other Revenue | | 3 | 35 | 8.5% |
| Total Revenue | | 13,725 | 13,236 | 103.7% |
| Expenditures | | | | |
| Technology | | 1,997 | 2,399 | 83.3% |
| Customer Service | | 2,290 | 2,349 | 97.5% |
| Personnel | | 2,437 | 2,590 | 94.1% |
| Marketing and Outreach | | 719 | 855 | 84.1% |
| Facilities | | 217 | 227 | 95.3% |
| Support Services | | 256 | 288 | 89.1% |
| Other | | 59 | 88 | 67.2% |
| Total Expenditures | | 7,974 | 8,795 | 90.7% |
| Earnings Before Depreciation | | 5,750 | 4,441 | 129.5% |
| Capital Expenditures | | 2,846 | 2,454 | 116.0% |
| Cash Flows | | (881) | (1,876) | 47.0% |
| Cash | | 14,211 | 13,217 | 107.5% |
| Working Capital | | 23,786 | 22,856 | 104.1% |

First quarter results for the 2021 fiscal year came in better than expected. For the 3 months ending September 30, overall earnings (excluding depreciation) were slightly over \$5.7 million - exceeding budget expectations by \$1.3 million. Generally, the 1st quarter is the most profitable quarter given the influx of the tax credit donations along with lower operating expenses during the quarter compared to open enrollment quarters. In addition, this quarter benefited from some of the impacts of reduced service center and technology operating costs resulting from recent contract changes.

Detailed financial statements are attached to this memo. The following are high level explanations of budget to actual variances.

Revenue

Revenues exceeded the budget target for the 1st quarter by nearly \$500,000. Revenues from fees with issuers were higher as the result of enrollments being almost 8% higher than budget expectations. Revenues for Medicaid reimbursements are reported at the budgeted level for this quarter due to the time delay in calculating and reviewing the cost allocation for the quarter.

Expenditures

Overall, operating expenses came in under budget for the quarter by \$820,000. Technology operating expenses came in significantly lower than budget. The lower expenses were the result of a new contract structure that provided more flexibility in the staffing model allowing for more resources to be directed towards development activities. This is reflected in lower technology operating costs but higher than anticipated development costs (shown in the capital expenditure line). Marketing and outreach expenses were also below budget expectations due to expense timing. It is expected the full amount of the marketing budget will be utilized in the remaining 3 quarters.

Cash

Resulting from the lower expenditure level, cash and working capital is running \$1 million higher than forecasted levels. Excess cash is invested in a combination of money market and certificates of deposit. The average interest rate earned on these invested funds fell to .50% in the quarter, lower than the budgeted earnings rate of 1%. This earnings rate on invested funds is expected to decrease further as CD's begin to mature over the next 6 months.

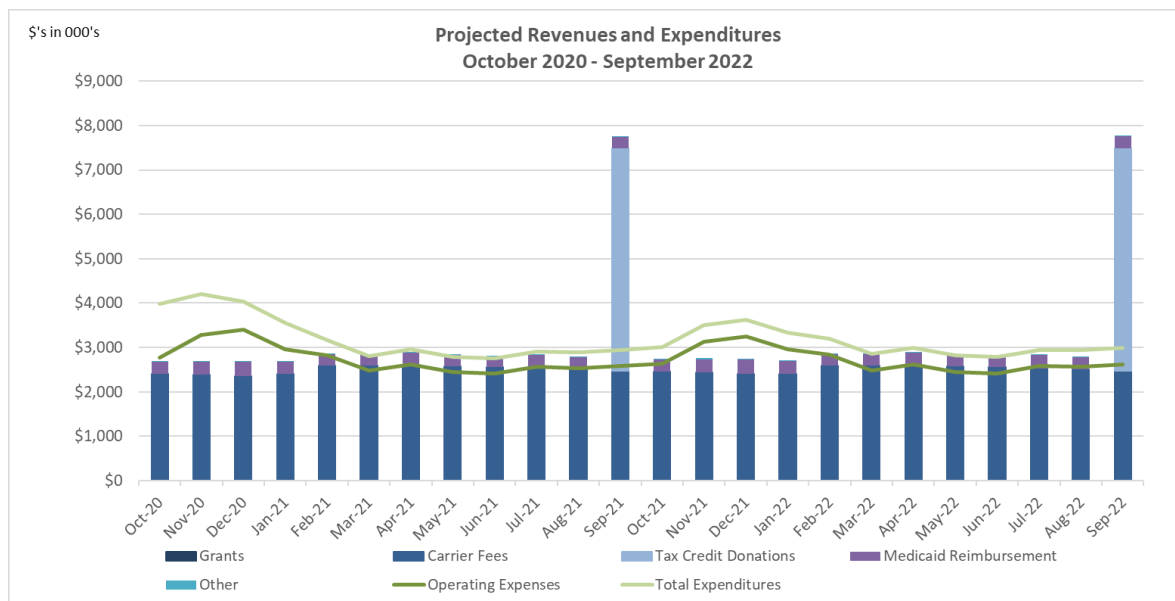
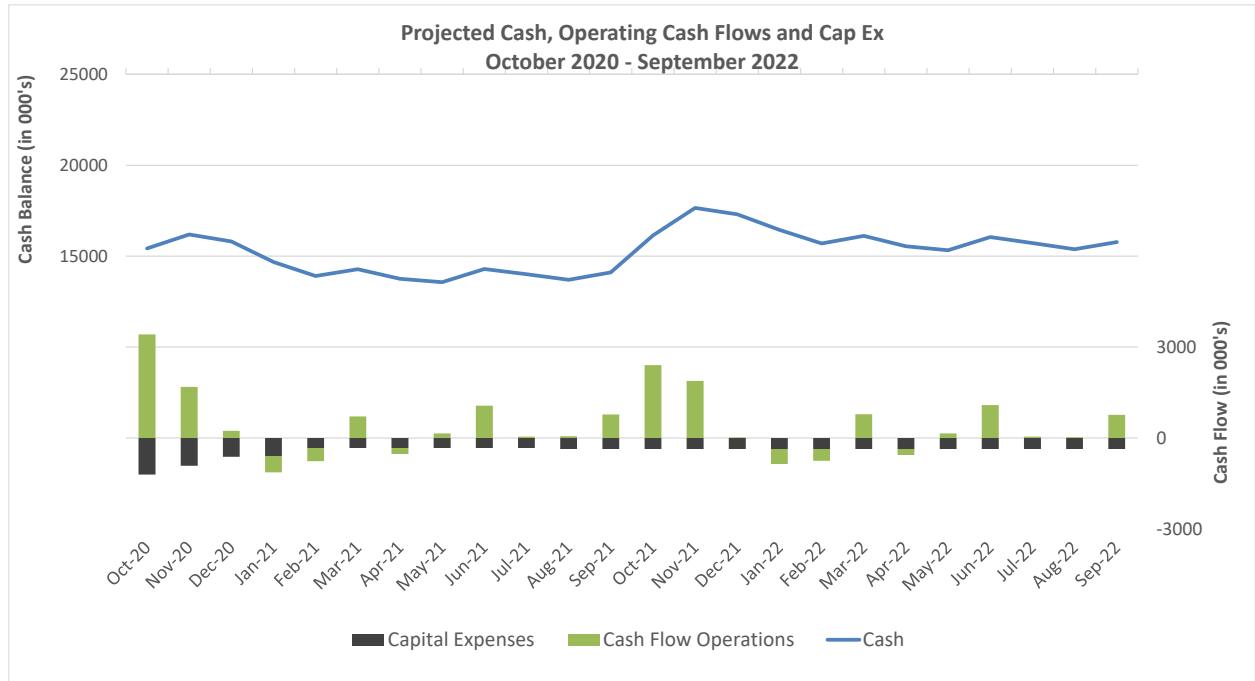
24 MONTH PROJECTIONS

As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long-range financial projections. Given the recent publication of 2021 insurance rates and based on our analysis of the impact of the rate changes we have updated our projections. Also, technology operating expenses were reduced and development/capital expenses were increased to reflect the new contract structure. The result of these modifications were higher cash balances than what were originally projected as part of the budgeting process.

Some of the key assumptions in the projections include:

- Enrollment projection is based on the expectation that effectuated enrollment resulting from plan year 2021 open enrollment will drop to pre COVID average levels of 146,000 and staying similar over the projection period (2021-2022).

- Small increase (4%) in average medical premium levels for the projection period based on our preliminary rate analysis for plan year 2021.
- Decreased technology operating expenses to reflect new contract structure. Moved savings to fund additional capital improvement/development initiatives. Additional analysis is being conducted on resource needs resulting from recent legislation requiring C4HCO to provide services to comply with the easy enrollment and health insurance affordability bills requirements.



Statement of Revenues, Expenses, and Changes in Net Position

| | FY 2021 | | |
|---|--------------------------|-------------------|---------------------|
| | 3 months ending 09/30/20 | | |
| | Actual | Budget | Actual vs Budget |
| REVENUE | | | |
| Carrier Fee - Individual | 7,884,214 | 7,364,385 | 519,829 |
| Carrier Fee SHOP | - | - | - |
| Carrier Fee Vision | 6,593 | 6,000 | 593 |
| Grants | - | - | - |
| Tax Credit Donations | 5,000,000 | 5,000,000 | - |
| Medicaid Cost Reimbursement | 830,972 | 830,972 | - |
| Interest Income | (342) | 34,500 | (34,842) |
| Other revenue | 3,258 | - | 3,258 |
| Total Revenue | 13,724,695 | 13,235,857 | 488,838 |
| EXPENSES | | | |
| Technology | | | |
| Maintenance & Operation | 519,479 | 1,601,692 | (1,082,213) |
| Software/Licenses/Subscriptions (Tech) | 332,912 | 201,334 | 131,578 |
| Hosting | 679,737 | 517,900 | 161,837 |
| DDI (Design, Dev., Implementation) | 465,080 | 77,589 | 387,491 |
| Total Technology | 1,997,208 | 2,398,515 | (401,307) |
| Customer Service | | | |
| Customer Service Support | 1,083,666 | 687,255 | 396,411 |
| Customer Service Infrastructure/Facility | 880,724 | 1,298,156 | (417,432) |
| Medical Assistance | 325,359 | 363,385 | (38,027) |
| Total Customer Service | 2,289,749 | 2,348,797 | (59,048) |
| Personnel | | | |
| Salaries & Wages - Other | 1,706,964 | 1,791,858 | (84,894) |
| Taxes and Benefits | 729,980 | 798,432 | (68,452) |
| Total Personnel | 2,436,944 | 2,590,290 | (153,346) |
| Marketing and Outreach | | | |
| Media Buys - Radio/TV/Web | 15,145 | 13,125 | 2,020 |
| Outreach Services-Events, Sponsorships | 67,059 | 91,092 | (24,033) |
| Marketing Services | 10,173 | 107,502 | (97,329) |
| Assistance Network | 626,366 | 643,065 | (16,699) |
| Total Marketing and Outreach | 718,742 | 854,784 | (136,042) |
| Facilities | | | |
| Occupancy | 126,846 | 143,224 | (16,378) |
| Supplies & Materials | 4,509 | 7,989 | (3,480) |
| Postage/Shipping | 709 | 717 | (8) |
| Printing/Copying/Shred | 3,240 | 4,980 | (1,740) |
| Phone/Internet | 32,211 | 37,500 | (5,289) |
| Equipment/Furniture and Fixture | 49,261 | 33,030 | 16,231 |
| Total Facilities | 216,776 | 227,440 | (10,664) |
| Support services | | | |
| Public Affairs Services | 25,333 | 19,200 | 6,133 |
| Professional Services | 138,080 | 138,501 | (421) |
| Training and Development | 17,150 | 41,677 | (24,527) |
| H/R Services | 40,554 | 63,106 | (22,552) |
| Legal Services | 11,957 | 10,050 | 1,907 |
| Audit Services | 22,975 | 15,000 | 7,975 |
| Total Support Services | 256,050 | 287,534 | (31,484) |
| Other | | | |
| Insurance | 24,970 | 23,700 | 1,270 |
| Conferences/Meetings | 6,771 | 16,010 | (9,239) |
| Memberships/Dues/Subscriptions (Non-Tech) | 24,870 | 30,137 | (5,266) |
| Travel/Meals/Lodging | 567 | 17,559 | (16,992) |
| Other - G&A | 1,763 | 240 | 1,523 |
| Total Other | 58,940 | 87,646 | (28,705) |
| Total Expenses | 7,974,409 | 8,795,005 | (820,596) |
| Net Income Before Depreciation | 5,750,286 | 4,440,852 | 1,309,434 |
| Depreciation | 517,690 | 517,690 | - |
| Net Income | 5,232,596 | 3,923,162 | 1,309,434 |

Connect for Health Colorado Statement of Financial Position

| | FY 2021 9/30/2020 | |
|--|----------------------|-------------------|
| | Actual | Budget |
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | 14,210,918 | 13,216,750 |
| Accounts receivable (net) | 14,825,549 | 15,857,538 |
| Prepaid expenses | 1,538,381 | 1,589,978 |
| Security deposits | 55,448 | 55,448 |
| Total Current assets: | 30,630,296 | 30,719,714 |
| Noncurrent assets: | | |
| Long-term Prepays | 1,147,000 | 1,147,000 |
| Capital assets: | | |
| Web portal development | 55,042,930 | 54,653,652 |
| Software | 19,154,275 | 19,154,275 |
| Leasehold improvements | 2,013,305 | 2,013,305 |
| Office equipment | 1,071,027 | 1,071,027 |
| Furniture and fixtures | 1,238,666 | 1,235,663 |
| Less accumulated depreciation | (64,568,641) | (64,538,973) |
| Total Capital assets | 13,951,563 | 13,588,949 |
| Total Noncurrent assets: | 15,098,563 | 14,735,949 |
| Total Assets: | 45,728,858 | 45,455,663 |
| Liabilities and net position: | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 1,715,905 | 3,311,164 |
| Accrued liabilities | 2,344,961 | 1,842,509 |
| Payroll liabilities | 1,189,780 | 1,064,160 |
| Total Current liabilities: | 5,250,646 | 6,217,833 |
| Long-term liabilities: | | |
| Deferred rent long term | 167,674 | 162,656 |
| Total Long-term liabilities: | 167,674 | 162,656 |
| Total Liabilities: | 5,418,320 | 6,380,489 |
| Net position: | | |
| Unrestricted | 40,310,538 | 39,075,175 |
| Total Net position: | 40,310,538 | 39,075,175 |
| Total liabilities and net position: | 45,728,858 | 45,455,664 |