



CONNECT for HEALTH
COLORADO®

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TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER
SUBJECT: QUARTERLY FINANCIAL REPORT 2ND QUARTER FISCAL YEAR 2021
DATE: 1/21/2021

Key Performance Indicators	Status	YTD - 6 Months Ending 12.31.20		
		Actual	Target	% of Target
Effectuated Enrollment		157,853	143,300	110.2%
Net Operating Margin	(1)	15.7%	8.1%	
Per Member Per Month (PMPM) - Carrier Fees		\$16.5	\$16.9	97.9%
Per Member Per Month (PMPM) - Operating Exp.		\$20.8	\$23.7	87.6%
Days Cash on Hand	(2)	149.8	120.0	124.8%
Change In Projected 12 Month Cash Flows		Yes		

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

(2) Based on FY21 budgeted daily operating expenses

Enrollment and earnings metrics through the 2nd quarter exceeded targets. Enrollment levels are running higher largely due to the COVID special enrollment period in March/April 2020. Net operating margin exceeded expectations thanks to the combination of higher fee revenues and lower operating expenses. Due to increased technology spending, projected cash flows have decreased since the prior projections.

Financial Results (in 000's)	Status	YTD - 6 Months Ending 12.31.20		
		Actual	Budget	% of Budget
Revenues				
Program Revenue		6,716	6,721	99.9%
Carrier Fees		15,661	14,529	107.8%
Grant/Other Revenue		985	950	103.6%
Total Revenue		23,362	22,200	105.2%
Expenditures				
Technology		5,022	5,375	93.4%
Customer Service		6,460	6,317	102.3%
Personnel		4,954	5,258	94.2%
Marketing and Outreach		2,283	2,271	100.6%
Facilities		416	458	90.8%
Support Services		439	565	77.7%
Other		111	161	68.7%
Total Expenditures		19,683	20,404	96.5%
Earnings Before Depreciation		3,679	1,796	204.8%
Capital Expenditures		4,757	4,300	110.6%
Cash Flows		(262)	510	-51.2%
Cash		14,831	15,603	95.1%
Working Capital		20,051	18,507	108.3%

Financial results through the 2nd quarter of fiscal year 2021 came in better than expected. For the 6 months ending December 31, overall earnings (excluding depreciation) were nearly \$3.7 million - exceeding budget expectations by \$1.9 million.

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 2nd quarter by nearly \$1.2 million. Revenues from fees with issuers were higher as the result of enrollments being almost 10% higher than budget expectations. Revenues for Medicaid reimbursements are estimated to be on target – this estimate will be revised upon finalization of the first 2 quarters cost allocation with HCPF.

Expenditures

Overall, operating expenses came in under budget for the 6 month period by \$720,000. Technology operating expenses came in \$350,000 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 (\$460,000 higher). Personnel expenses were \$300,000 below budget primarily resulting from delays in hiring of new positions. Support services were below budget due to lower training and HR recruiting expenses.

Cash

Due primarily to delays in Medicaid reimbursement payments, cash levels are below budgeted levels by \$800,000. Taking into account outstanding receivables, working capital is running \$1.5 million higher than forecasted levels thanks to the positive revenue and expense variances. 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 .40% for the year, 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 and are replaced with investments at the lower current rate level.

24 MONTH PROJECTIONS

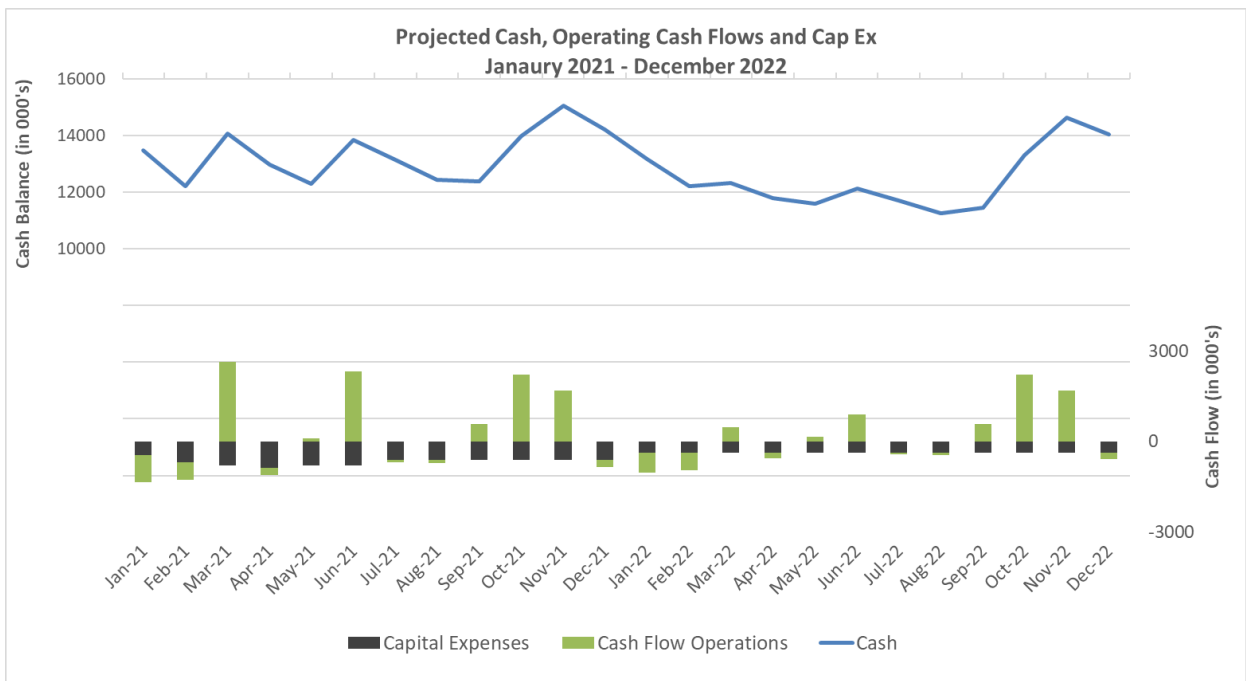
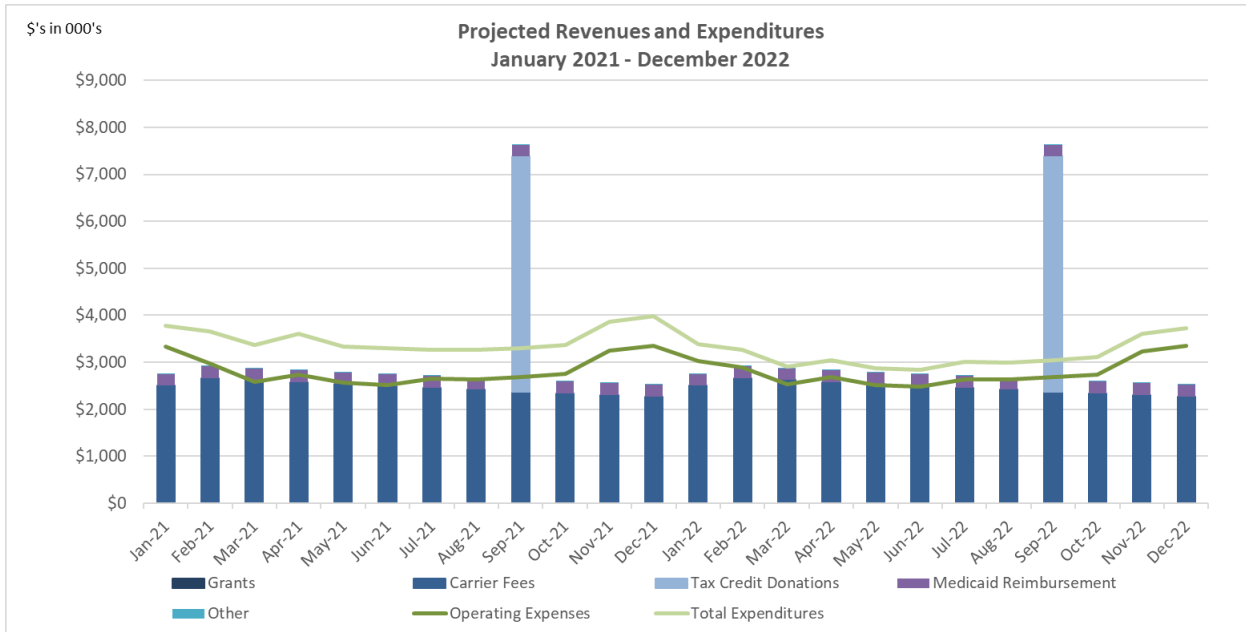
Projections are rolled forward every quarter to reflect our best financial estimates for the next 24 months. With the closing of open enrollment for plan year 2021, we have a clearer picture of what fee revenue will be for the 2021 plan year. The 24 month projections below reflect this new information.

Some of the key assumptions/changes in the projections include:

- Enrollment projections for 2021 were based on open enrollment plan submissions through January 15, 2021. Assuming a 90% effectuation rate, enrollments are projected to start the year out 8% higher than anticipated in the budget. This increase is offset partially by average premiums per member coming in 4% lower than originally projected in the budget. Enrollment levels in the second 12 months of the projection (plan year 2022) are expected to be similar to plan year 2021. No assumptions were made for increases in enrollments over the 24 month period resulting from new special enrollment periods and the recent legislation.

- Increased technology development expenses were increased in plan year 2021 to reflect recent budget increases approved to provide the resources needed to support the development effort related to the recent easy enrollment and health insurance affordability fee legislation and Mulesoft replacement.

The result of these changes to the projections is reflected in the graphs below. Note, cash projections for the projection period decreased primarily due to the increased technology spending forecasted for 2021. While still maintaining balances above the 120 day cash outstanding target, we are very close in plan year 2022. Additional focus will be placed on this during the upcoming budgeting process for fiscal year 2022.



Statement of Revenues, Expenses, and Changes in Net Position

	FY 2021		
	6 months ending 12/31/20		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	15,648,136	14,517,090	1,131,046
Carrier Fee SHOP	-	-	-
Carrier Fee Vision	13,147	12,000	1,147
Grants	955,839	881,417	74,422
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	1,715,972	1,720,671	(4,699)
Interest Income	23,172	69,000	(45,828)
Other revenue	5,653	-	5,653
Total Revenue	23,361,919	22,200,178	1,161,741
EXPENSES			
Technology			
Maintenance & Operation	1,385,730	3,622,878	(2,237,148)
Software/Licenses/Subscriptions (Tech)	707,243	413,668	293,575
Hosting	1,295,648	1,196,050	99,598
DDI (Design, Dev., Implementation)	1,633,435	142,589	1,490,846
Total Technology	5,022,056	5,375,185	(353,129)
Customer Service			
Customer Service Support	3,489,800	2,610,124	879,676
Customer Service Infrastructure/Facility	2,186,119	2,977,191	(791,071)
Medical Assistance	783,598	729,924	53,674
Total Customer Service	6,459,517	6,317,238	142,279
Personnel			
Salaries & Wages - Other	3,531,060	3,659,263	(128,202)
Taxes and Benefits	1,422,630	1,598,489	(175,859)
Total Personnel	4,953,690	5,257,752	(304,062)
Marketing and Outreach			
Media Buys - Radio/TV/Web	850,480	647,338	203,142
Outreach Services-Events, Sponsorships	111,531	182,184	(70,653)
Marketing Services	48,491	165,004	(116,514)
Assistance Network	1,272,838	1,276,134	(3,296)
Total Marketing and Outreach	2,283,339	2,270,660	12,679
Facilities			
Occupancy	253,692	289,125	(35,434)
Supplies & Materials	8,870	15,978	(7,108)
Postage/Shipping	4,007	1,434	2,573
Printing/Copying/Shred	6,536	9,960	(3,424)
Phone/Internet	61,272	75,000	(13,728)
Equipment/Furniture and Fixture	81,197	66,060	15,137
Total Facilities	415,574	457,557	(41,983)
Support services			
Public Affairs Services	51,000	38,400	12,600
Professional Services	260,823	277,002	(16,179)
Training and Development	19,196	84,554	(65,358)
H/R Services	53,221	124,762	(71,541)
Legal Services	21,279	20,100	1,179
Audit Services	33,085	20,000	13,085
Total Support Services	438,604	564,818	(126,213)
Other			
Insurance	48,230	47,400	830
Conferences/Meetings	12,703	23,020	(10,317)
Memberships/Dues/Subscriptions (Non-Tech)	45,597	60,716	(15,118)
Travel/Meals/Lodging	1,384	29,418	(28,034)
Other - G&A	2,659	480	2,179
Total Other	110,573	161,034	(50,461)
Total Expenses	19,683,354	20,404,244	(720,890)
Net Income Before Depreciation	3,678,565	1,795,934	1,882,631
Depreciation	1,447,109	1,447,109	-
Net Income	2,231,457	348,825	1,882,631

Connect for Health Colorado Statement of Financial Position

	FY 2021 12/31/2020	
	Actual	Budget
Assets:		
Current assets:		
Cash and cash equivalents	14,830,696	15,602,662
Accounts receivable (net)	11,691,161	9,122,049
Prepaid expenses	1,266,032	1,589,978
Security deposits	43,787	55,448
Total Current assets:	<u>27,831,676</u>	<u>26,370,138</u>
Noncurrent asseets:		
Long-term Prepays	1,147,000	1,132,696
Investment in Subsidiary	25,000	
Capital assets:		
Web portal development	56,943,041	56,499,226
Software	19,154,275	19,154,275
Leasehold improvements	2,013,305	2,013,305
Office equipment	1,081,502	1,071,027
Furniture and fixtures	1,238,666	1,235,663
Less accumulated depreciation	<u>(65,498,060)</u>	<u>(65,201,806)</u>
Total Capital assets	<u>14,932,729</u>	<u>14,771,690</u>
Total Noncurrent assets:	<u>16,104,729</u>	<u>15,904,386</u>
Total Assets:	<u>43,936,406</u>	<u>42,274,524</u>
Liabilities and net position:		
Liabilities:		
Current liabilities:		
Accounts payable	2,571,081	3,311,164
Accrued liabilities	2,468,559	1,842,509
Payroll liabilities	1,430,748	1,064,160
Total Current liabilities:	<u>6,470,387</u>	<u>6,217,833</u>
Long-term liabilities:		
Deferred rent long term	156,620	148,352
Total Long-term liabilities:	<u>156,620</u>	<u>148,352</u>
Total Liabilities:	<u>6,627,007</u>	<u>6,366,185</u>
Net position:		
Unrestricted	37,309,398	35,908,339
Total Net position:	<u>37,309,398</u>	<u>35,908,339</u>
Total liabilities and net position:	<u>43,936,406</u>	<u>42,274,524</u>