

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE
4600 South Ulster Street | Suite 300
Denver, CO 80237

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 4TH QUARTER FY 2021 (PRELIMINARY)

DATE: 7/22/2021

OVERVIEW (12 months ending 6/30/21)

Key Performance Indicators	Status	YTD - 12 Months Ending 06.30.21		
		Actual	Target	% of Target
Effectuated Enrollment (average)		156,988	145,800	107.7%
Net Operating Margin	(1)	5.9%	4.9%	
Per Member Per Month (PMPM) - Carrier Fees		\$21.9	\$22.5	97.3%
Per Member Per Month (PMPM) - Operating Exp.		\$28.0	\$28.6	98.1%
Days Cash on Hand	(2)	125.7	120.0	104.7%
Working Capital Ratio	(3)	4.0	3.7	108.0%

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

(2) Based on FY21 budgeted daily operating expenses

(3) Current assets divided by current liabilities (target reflects budget - overall target is to exceed 2.0)

Average enrollment levels exceeded budget expectations for the year by 8% thanks in part to the expanded enrollment periods in both plan year 20 and 21. All other KPI's were in line with targets.

FINANCIAL RESULTS SUMMARY (12 months ending 6/30/21)

Financial Results (in 000's)	Status	YTD - 12 Months Ending 06.30.21		
		Actual	Budget	% of Budget
Revenues				
Program Revenue		9,440	8,273	114.1%
Carrier Fees		30,967	29,545	104.8%
Grant/Other Revenue		1,666	1,593	104.6%
Total Revenue		42,073	39,411	106.8%
Expenditures				
Technology		12,068	8,820	136.8%
Customer Service		11,882	11,845	100.3%
Personnel		10,035	10,571	94.9%
Marketing and Outreach		3,746	3,886	96.4%
Facilities		845	920	91.9%
Support Services		802	1,115	71.9%
Other		210	338	62.1%
Total Expenditures		39,587	37,495	105.6%
Earnings Before Depreciation		2,486	1,917	129.7%
Capital Expenditures		6,211	5,765	107.7%
Cash Flows		(2,651)	(1,302)	203.6%
Cash		12,442	13,791	90.2%
Working Capital		17,430	16,977	102.7%

The organization finished the year exceeding its overall financial goals. Enrollment levels continued to exceed budgeted expectations as the result of the COVID special enrollment period in 2020 and the current uninsured special enrollment period allowing for enrollment outside of the normal Nov-January annual enrollment period. The higher revenue helped buffer some of the increased technology spending that was necessary due to recently passed legislation.

For the fiscal year, earnings from operations (before depreciation) were \$2.5 million compared to budgeted expectations of \$1.9 million for the year. The largest drivers of this variance for the year were higher revenues generated through carrier fees and close adherence to our budgeted expense targets for non-technology expenditures.

Detailed financial statements are attached to this memo. Since this is year-end, additional pre-audit reconciliations will be performed on the accounting records which may result in some movement in the preliminary financial results being reported at this time. The following are high level explanations of budget to actual variances.

Revenue

Revenues exceeded the budget target for the year by \$2.6 million. Revenues from fees with issuers were higher as the result of enrollments being over 8% higher than budget expectations. Program revenues are higher due primarily to an adjustment in Medicaid reimbursements from the prior year. Revenues for Medicaid reimbursements for fiscal year 21 are estimated to be on target – this estimate will be revised upon finalization of the 3rd and 4th quarters cost allocation with HCPF. Other revenue of \$1.7 million reflects the fees collected for the operation of the COVID call center in the 2nd and 3rd quarter of the year

Expenditures

Overall, total expenditures (operating and capital) for the year were \$2.5 million higher than budgeted. The overage is driven by higher technology spending which was anticipated and approved by the Board. These higher spends were driven both by state and federal measures recently passed to reduce health insurance costs for our customers and the expediting of expenditures for the platform modernization effort. One of the government programs recently put in place was the American Rescue Plan Act. The ARPA required adjustments to our shopping platform in the 4th quarter. C4HCO has submitted a Federal grant application seeking reimbursement of some of these costs. No revenues have been recorded for this potential reimbursement.

Cash

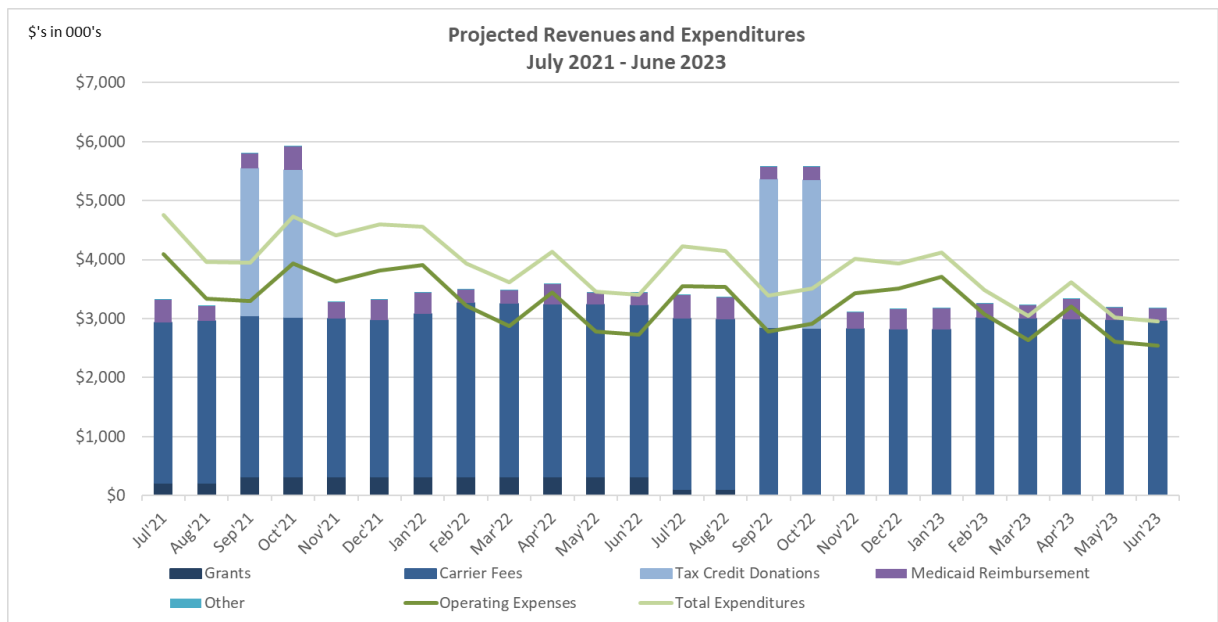
Cash fell below forecasted levels for the year by \$1.3 million. This decrease can be attributed to the higher technology spend mentioned above. In addition, there have been delays in Medicaid expense reimbursements for the 1st and 2nd quarter of the fiscal year (payments were received in July). This is offset by a higher receivable balance related to these outstanding payments and is reflected in the higher working capital balance.

The cash metric of days cash on hand was on target (126 days vs 120 days). Given the ongoing elevated investment in technology we expect to see continued pressure on our cash position. Overall, our working capital (current assets less liabilities) is exceeding target and well exceeds industry norms. This reflects our ability to cover our current expenditures with our cash and receivables.

Excess cash is currently residing in money market funds. Due to uncertainty around future interest rates we feel it is best to not lock in any longer term investments until there is more clarity with interest rate direction. Both CD rates and money market rates have dropped precipitously during the year from starting the year at over 1.5% for CD's down to .1 % on money market funds at the end of the year. As a result, our interest income is below what we had projected for the year by \$88,000.

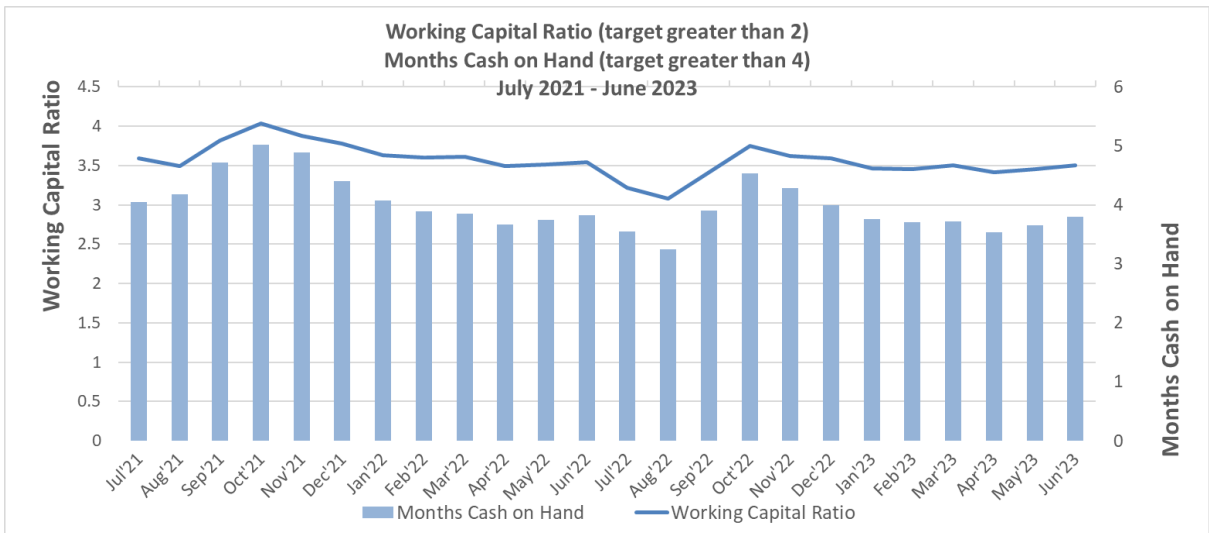
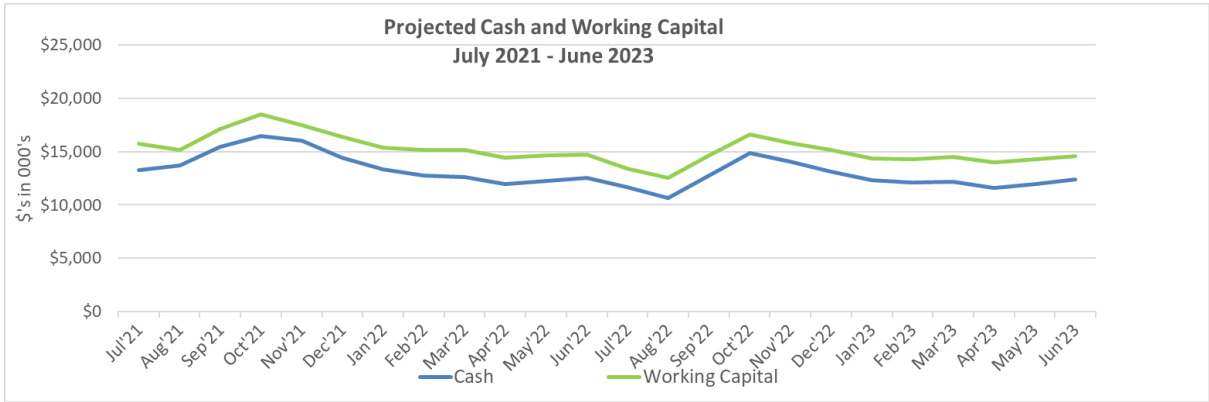
24 MONTH PROJECTIONS

Due to recent activity around additional funding sources, increases in enrollments due to the American Rescue Plan Act and higher demands on our technology platform we have updated the 24 months projections for the period covering July 1, 2021 thru June 30, 2023. We will continue to revise these projections as newer information becomes available.



Cash is forecasted to remain between \$10 and \$15 million for the 24 month period. Working capital – cash and accounts receivable less payables – reflects ability/buffer to cover immediate obligations – the updated projections show working capital in the range of \$14 to \$18 million. The working capital ratio is the ratio of cash & accounts receivable to payables – target is to exceed a ratio of 2. The forecasted range is 3.2 to 4.2. Months cash on hand measures the number of months of operating expenses the cash balance will cover. Target is 4 months or more. Current projection is 3.2 to 5 for the 24 month period from July 2021 to June 2023.

The baseline budget shows a continued higher level of total expenditures (light green line) for FY 22 due to the increased level of technology development work. Through the improvements gained by the technology modernization effort and reduced software development activity, expenditures are forecasted to drop to a sustainable level in FY 23.



Connect for Health Colorado
Statement of Revenues, Expenses, and Changes in Net Position

	FY 2021		
	12 months ending 06/30/21		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	30,928,621	29,521,380	1,407,241
Carrier Fee SHOP	-	-	-
Carrier Fee Vision	38,336	24,000	14,336
Grants	1,613,104	1,464,134	148,970
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	4,440,028	3,272,896	1,167,132
Interest Income	40,438	129,000	(88,562)
Other revenue	12,704	-	12,704
Total Revenue	42,073,231	39,411,410	2,661,821
EXPENSES			
Technology			
Maintenance & Operation	3,323,077	6,028,286	(2,705,209)
Software/Licenses/Subscriptions (Tech)	1,509,811	838,336	671,475
Hosting	1,943,337	1,691,050	252,287
DDI (Design, Dev., Implementation)	5,291,492	262,589	5,028,903
Total Technology	12,067,717	8,820,261	3,247,457
Customer Service			
Customer Service Support	6,474,637	4,813,001	1,661,636
Customer Service Infrastructure/Facility	3,932,711	5,617,030	(1,684,318)
Medical Assistance	1,474,700	1,414,729	59,971
Total Customer Service	11,882,048	11,844,759	37,289
Personnel			
Salaries & Wages - Other	7,191,372	7,369,468	(178,097)
Taxes and Benefits	2,843,986	3,201,328	(357,342)
Total Personnel	10,035,357	10,570,796	(535,439)
Marketing and Outreach			
Media Buys - Radio/TV/Web	1,423,368	1,284,176	139,192
Outreach Services-Events, Sponsorships	150,514	244,368	(93,854)
Marketing Services	61,224	255,007	(193,783)
Assistance Network	2,110,497	2,102,264	8,233
Total Marketing and Outreach	3,745,604	3,885,815	(140,211)
Facilities			
Occupancy	503,970	582,734	(78,764)
Supplies & Materials	19,713	31,956	(12,243)
Postage/Shipping	6,264	2,868	3,396
Printing/Copying/Shred	13,385	19,920	(6,535)
Phone/Internet	116,592	150,000	(33,408)
Equipment/Furniture and Fixture	185,079	132,120	52,959
Total Facilities	845,002	919,598	(74,596)
Support services			
Public Affairs Services	88,999	76,800	12,199
Professional Services	465,385	509,000	(43,615)
Training and Development	35,975	178,708	(142,733)
H/R Services	122,546	247,774	(125,228)
Legal Services	26,430	40,200	(13,770)
Audit Services	62,266	63,000	(734)
Total Support Services	801,600	1,115,482	(313,882)
Other			
Insurance	89,689	94,800	(5,111)
Conferences/Meetings	13,298	42,288	(28,990)
Memberships/Dues/Subscriptions (Non-Tech)	100,234	123,201	(22,967)
Travel/Meals/Lodging	2,633	76,830	(74,197)
Other - G&A	3,970	960	3,010
Total Other	209,824	338,079	(128,255)
Total Expenses	39,587,153	37,494,790	2,092,363
Net Income Before Depreciation	2,486,079	1,916,620	569,459
Depreciation	3,337,296	3,337,296	-
Net Income	(851,218)	(1,420,676)	569,459

Connect for Health Colorado Statement of Financial Position

	FY 2021		
	6/30/2021		
	Actual	Budget	Actual vs Budget
Assets:			
Current assets:			
Cash and cash equivalents	12,441,715	13,790,553	(1,348,837)
Accounts receivable (net)	10,745,535	9,404,208	1,341,328
Prepaid expenses	1,676,720	1,589,978	86,742
Security deposits	43,787	55,448	(11,661)
Total Current assets:	24,907,758	24,840,186	67,572
Noncurrent assets:			
Long-term Prepaids	688,605	1,104,088	
Investment in Subsidiary	25,000		
Capital assets:			
Web portal development	58,317,296	57,964,688	352,608
Software	19,154,275	19,154,275	0
Leasehold improvements	2,013,305	2,013,305	0
Office equipment	1,163,977	1,071,027	92,950
Furniture and fixtures	1,235,663	1,235,663	0
Less accumulated depreciation	(67,388,247)	(66,628,600)	(759,648)
Total Capital assets	14,496,269	14,810,358	(314,089)
Total Noncurrent assets:	15,209,874	15,914,446	(314,089)
Total Assets:	40,117,632	40,754,632	(637,000)
Liabilities and net position:			
Liabilities:			
Current liabilities:			
Accounts payable	1,951,643	3,311,164	(1,359,521)
Accrued liabilities	2,351,766	1,842,509	509,258
Payroll liabilities	1,453,391	1,064,160	389,231
Total Current liabilities:	5,756,801	6,217,833	(461,032)
Long-term liabilities:			
Deferred rent long term	134,108	119,743	14,365
Total Long-term liabilities:	134,108	119,743	14,365
Total Liabilities:	5,890,908	6,337,576	(446,668)
Net position:			
Unrestricted	34,226,724	34,417,056	(190,332)
Total Net position:	34,226,724	34,417,056	(190,332)
Total liabilities and net position:	40,117,632	40,754,632	(637,000)