

TO: CONNECT FOR HEALTH COLORADO FINANCE AND OPERATIONS COMMITTEE

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 1ST QUARTER FISCAL YEAR 2022

DATE: 11/12/2021

Key Performance Indicators	Status	YTD - 3 Months Ending 09.30.21		
		Actual	Target	% of Target
Effectuated Enrollment (average)		166,185	167,730	99.1%
Net Operating Margin	(1)	35.2%	27.7%	
Per Member Per Month (PMPM) - Carrier Fees		\$16.2	\$16.3	99.5%
Per Member Per Month (PMPM) - Operating Expenses	(2)	\$17.1	\$19.6	87.5%
Days Cash on Hand		121.7	120.0	101.4%
Working Capital Ratio	(3)	5.3	4.2	127.6%

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

(2) Net of Medicaid reimbursed expenses

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

Average enrollment levels for the quarter were slightly below targeted levels but had a positive trend at the end of the quarter with September enrollments of 169,100 compared to 167,400 targeted for the month. Financial indicators were close or exceeded targets for the quarter with net operating margin coming in higher than the targeted margin (35% compared to 28%).

Financial Results (in 000's)	Status	YTD - 3 Months Ending 09.30.21		
		Actual	Budget	% of Budget
Revenues				
Program Revenue		5,883	5,883	100.0%
Carrier Fees		8,090	8,204	98.6%
Grant/Other Revenue		568	753	75.5%
Total Revenue		14,541	14,840	98.0%
Expenditures				
Technology		2,305	2,817	81.8%
Customer Service		2,110	2,184	96.6%
Personnel		2,812	3,009	93.4%
Marketing and Outreach		1,607	2,083	77.1%
Facilities		217	220	98.6%
Support Services		303	336	90.4%
Other		69	79	86.7%
Total Expenditures		9,423	10,729	87.8%
Earnings Before Depreciation		5,118	4,111	124.5%
Earnings After Depreciation		4,060	3,053	133.0%
Capital Expenditures		1,308	1,945	67.3%
Cash Flows		(206)	2,181	-9.4%
Cash		12,171	15,444	78.8%
Working Capital		21,942	19,385	113.2%

Generally, the 1st quarter is the most profitable quarter given the influx of tax credit donations along with lower operating expenses during the quarter compared to open enrollment quarters. The actual results for the quarter exceeded the budgeted expectations with overall earnings coming in nearly 25% better than budget (\$5.1 million compared to \$4.1 million budgeted). These higher earnings were primarily the result of lower expenditures for the quarter – further discussed below.

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

Revenue

Revenues were \$300,000 below expectations for the 1st quarter. The lower overall revenues were driven in large part by a delay in funding from the new federal modernization grant. This funding is anticipated to begin in the 2nd quarter and should not impact the originally expected proceeds from the grant for the fiscal year. Also contributing to lower revenues were fees from issuers coming in slightly lower for the quarter. As discussed above, enrollments for September were on a positive trend which if continues should result in closing the gap with the budgeted issuer fee expectations next quarter.

Expenditures

Overall, operating expenses came in under budget for the quarter by \$1.3 million. Capital expenditures were also below expectations by \$600,000. The primary drivers behind these lower expenses were lower technology and outreach expenses than what was anticipated in the budget. Technology operating and development expenses (capital expenditures) were over \$1.1 million lower for the quarter. These lower expenses reflect the tightness of the technology employment market which resulted in delays in getting to the budgeted staffing levels. Through aggressive recruiting and working with our preferred vendors we have been able gain ground on filling positions in the 2nd quarter but expect the staffing deficit to continue through the 2nd quarter. Marketing and outreach expenses were also below budget expectations (\$500,000 lower) due to expense timing. It is expected the full amount of the marketing and outreach budget will be utilized in the remaining 3 quarters.

Cash

Cash fell below forecasted levels for the year by \$3.3 million to \$12.1 million. The lower cash balance can be attributed to differences in the timing of issuer tax credit donation and Medicaid reimbursement receivable payments. \$2.5 million of donations were budgeted to be received in the quarter but actual receipt is anticipated for 2nd quarter. Additionally, a delay in receiving the Medicaid reimbursement payment for the 3rd quarter of the prior fiscal year contributed to the lower cash balance. This payment was received after the end of the quarter.

The cash metric of days cash on hand was on target (122 days vs 120 days). 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.

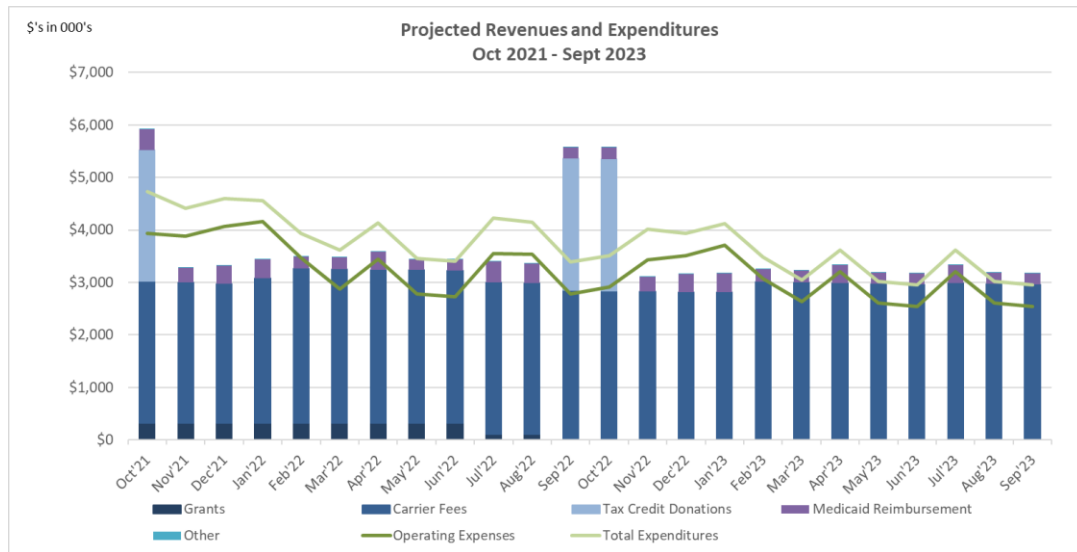
Cash during the quarter was in a combination of operating bank accounts and money market accounts. A transition in our banking relationship is in process and an analysis of investment options with the new bank is be undertaken. CD and money market rates continue to be very low resulting in low interest earnings. Due to uncertainty around future interest rates C4HCO is postponing locking in any longer term CD's until there is

more clarity with the interest rate direction. A review of future investment options will be provided to the Committee at a future meeting.

PROJECTIONS

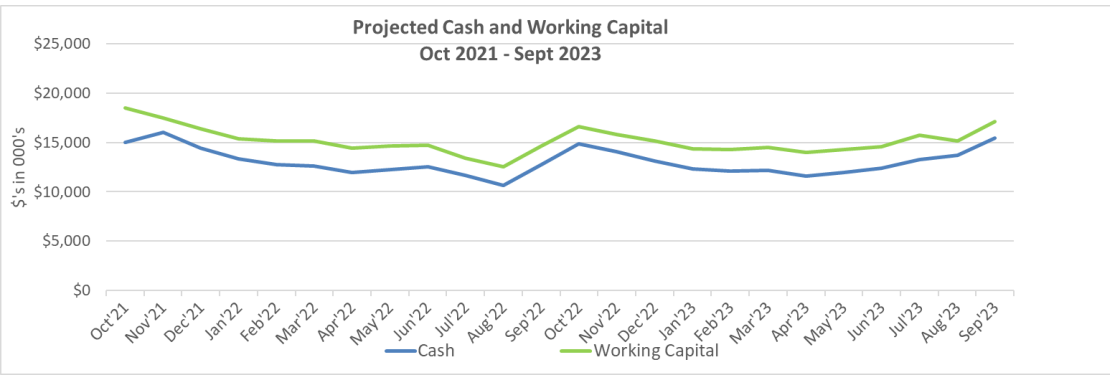
As part of our ongoing monitoring of long-term financial sustainability we regularly revise our long- range financial projections. With the recent rebudgeting effort in July we are basing these projections on the revised budget shared and approved by the Board.

Enrollments so far have not fluctuated enough to adjust our projections from the budget. We will have a better picture of 2022 enrollments after the 2nd quarter and will revise revenue projections accordingly. While expenses for the first quarter were significantly below budget for technology and marketing expenses we continue to expect we will spend the full budget for these 2 expense areas. The organization is currently going through an analysis of projects for the remainder of this year and next fiscal year that may result in revisions to future projections.

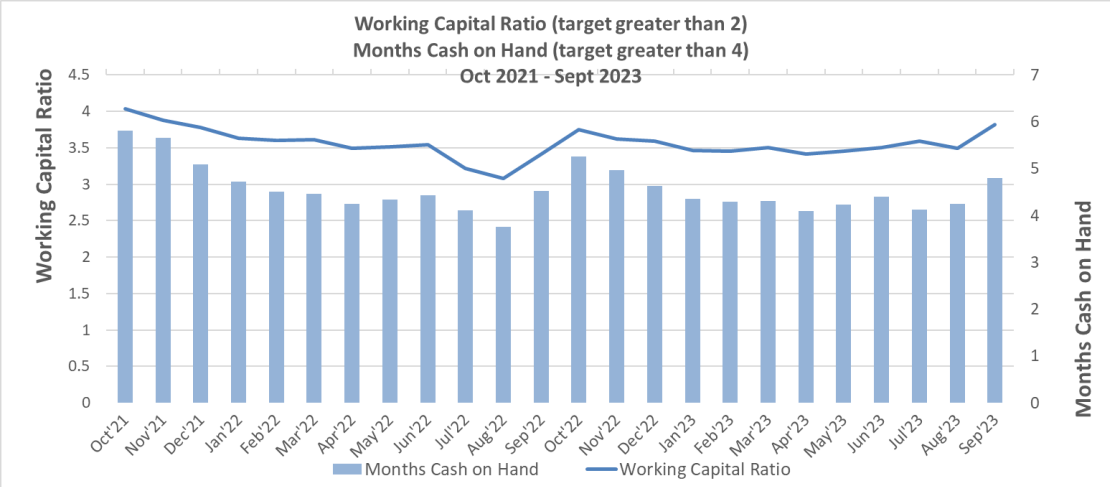


The projection shows a continued higher level of total expenditures (light green line) for the next 12 months due to the increased level of technology development work. Through the improvements gained by the technology modernization effort and reduced software development activity in the future, expenditures are forecasted to drop to a sustainable level in FY 23.

Cash is forecasted to remain between \$10 and \$16 million for the 24 month period (blue line in graph below). Working capital – cash and accounts receivable less payables – reflects ability/buffer to cover immediate obligations – the projections show working capital in the range of \$14 to \$18 million.



The working capital ratio (shown as the blue line in the graph below) 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 3.8 to 5 for the 24 month period from Oct 2021 to Sept 2023.



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

	FY 2022		
	3 months ending 09/30/21		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	8,080,348	8,198,270	(117,922)
Carrier Fee SHOP	-	-	-
Carrier Fee Vision	9,780	6,000	3,780
ARP Grant	-	111,083	(111,083)
HIAE Grant - Technology	-	350,000	(350,000)
HIAE Grant - Outreach	565,000	282,500	282,500
Tax Credit Donations	5,000,000	5,000,000	-
Medicaid Cost Reimbursement	882,752	882,752	-
Interest Income	135	9,000	(8,865)
Other revenue	3,206	-	3,206
Total Revenue	14,541,221	14,839,605	(298,384)
EXPENSES			
Technology			
Maintenance & Operation	546,792	654,594	(107,802)
Software/Licenses/Subscriptions (Tech)	386,479	417,384	(30,906)
Hosting	361,377	342,489	18,888
DDI (Design, Dev., Implementation)	1,010,542	1,402,061	(391,518)
Total Technology	2,305,190	2,816,528	(511,338)
Customer Service			
Customer Service Support	933,937	973,763	(39,826)
Member Services	853,066	885,397	(32,331)
Medical Assistance	323,085	325,247	(2,162)
Total Customer Service	2,110,089	2,184,407	(74,318)
Personnel			
Salaries & Wages - Other	2,011,956	2,066,694	(54,738)
Taxes and Benefits	799,842	942,334	(142,492)
Total Personnel	2,811,798	3,009,028	(197,230)
Marketing and Outreach			
Media Buys - Radio/TV/Web	631,694	745,000	(113,306)
Outreach Services-Events, Sponsorships	75,191	56,251	18,940
Marketing Services	7,753	40,002	(32,250)
Assistance Network	891,880	1,242,043	(350,163)
Total Marketing and Outreach	1,606,517	2,083,296	(476,779)
Facilities			
Occupancy	126,128	138,488	(12,360)
Supplies & Materials	7,902	4,454	3,448
Postage/Shipping	597	2,226	(1,629)
Printing/Copying/Shred	3,337	3,313	24
Phone/Internet	31,099	30,111	988
Equipment/Furniture and Fixture	48,095	41,702	6,393
Total Facilities	217,159	220,294	(3,135)
Support services			
Public Affairs Services	34,000	31,999	2,001
Professional Services	125,006	189,251	(64,245)
Training and Development	7,641	53,392	(45,752)
H/R Services	126,442	22,702	103,740
Legal Services	212	6,225	(6,014)
Audit Services	10,000	32,000	(22,000)
Total Support Services	303,300	335,569	(32,269)
Other			
Insurance	22,448	28,125	(5,677)
Conferences/Meetings	12,063	18,623	(6,560)
Memberships/Dues/Subscriptions (Non-Tech)	25,000	29,376	(4,376)
Travel/Meals/Lodging	8,086	2,099	5,987
Other - G&A	1,279	1,200	79
Total Other	68,875	79,423	(10,548)
Total Expenses	9,422,928	10,728,545	(1,305,617)
Net Income Before Depreciation	5,118,292	4,111,060	1,007,232
Depreciation	1,058,224	1,058,224	1
Net Income	4,060,068	3,052,837	1,007,231

Connect for Health Colorado Statement of Financial Position

	FY 2022 9/30/2021	
	Actual	Budget
Assets:		
Current assets:		
Cash and cash equivalents	12,171,039	15,443,764
Accounts receivable (net)	14,828,727	10,028,074
Prepaid expenses	2,320,867	2,476,367
Security deposits	43,787	43,787
Total Current assets:	29,364,420	27,991,992
Noncurrent assets:		
Investment in Subsidiary	(13,518)	
Capital assets:		
Web portal development	60,210,730	60,846,783
Software	19,154,275	19,154,275
Leasehold improvements	2,013,305	2,013,305
Office equipment	1,163,977	1,163,977
Furniture and fixtures	1,235,663	1,235,663
Less accumulated depreciation	(68,633,749)	(68,655,531)
Total Capital assets	15,144,201	15,758,472
Total Noncurrent assets:	15,130,683	15,758,472
Total Assets:	44,495,103	43,750,464
Liabilities and net position:		
Liabilities:		
Current liabilities:		
Accounts payable	1,579,228	2,790,695
Accrued liabilities	2,027,404	1,842,509
Payroll liabilities	1,450,814	1,453,391
Total Current liabilities:	5,057,446	6,086,595
Long-term liabilities:		
Deferred rent long term	121,765	134,108
Total Long-term liabilities:	121,765	134,108
Total Liabilities:	5,179,211	6,220,703
Net position:		
Unrestricted	39,315,891	35,029,761
Total Net position:	39,315,891	35,029,761
Total liabilities and net position:	44,495,103	41,250,464