

TO: CONNECT FOR HEALTH COLORADO EXECUTIVE AND FINANCE COMMITTEE

FROM: BRIAN BRAUN, CHIEF FINANCIAL OFFICER

SUBJECT: QUARTERLY FINANCIAL REPORT 2ND QUARTER FISCAL YEAR 2025

DATE: 1/17/2025

Key Performance Indicators	Status	YTD - 6 Months Ending 12.31.24		
		Actual	Budget	% of Target
Effectuated Enrollment (average)	●	231,316	225,200	102.7%
Net Operating Margin	●	26.1%	21.2%	
Per Member Per Month (PMPM) - Carrier Fees	●	\$19.5	\$19.6	99.2%
Per Member Per Month (PMPM) - Operating Expenses	●	\$17.8	\$19.9	89.6%
Months Cash on Hand	●	5.5	3.8	143.8%
Working Capital Ratio	●	5.0	2.9	171.0%

Key metrics through the 2nd quarter were in line or exceeded expectations. Enrollment levels continue to run above budgeted targets. Net operating margin exceeded expectations due to lower operating expenses for the period compared to the budget. Correspondingly, the liquidity/cash metrics exceeded targets.

Financial Results (in 000's)	Status	YTD - 6 Months Ending 12.31.24		
		Actual	Budget	% of Budget
Revenues:				
Program Revenue	●	6,862	8,121	84.5%
Carrier Fees	●	27,026	26,518	101.9%
Grant/Other Revenue	●	1,652	1,459	113.2%
Total Revenue	●	35,539	36,097	98.5%
Expenditures:				
Technology	●	13,499	15,451	87.4%
Customer Service	●	5,415	5,962	90.8%
Marketing and Outreach	●	4,288	5,399	79.4%
Support Services	●	5,584	6,219	89.8%
Facilities	●	347	425	81.6%
Total Expenditures	●	29,131	33,456	87.1%
Less Capital Expenditures	●	(2,860)	(5,000)	57.2%
Earnings Before Depreciation	●	9,268	7,641	121.3%
Earnings After Depreciation	●	7,002	4,960	141.2%
Cash Flows	●	6,492	(993)	-653.5%
Cash	●	24,562	17,077	143.8%
Working Capital	●	32,266	21,515	150.0%

Financial results through the first six months of the fiscal year exceeded the budgeted expectations with overall earnings before depreciation coming in \$1.6 million better than budget (\$9.3 million compared to \$7.6 million budgeted). These higher earnings were the result of lower expenditures for the period.

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

Revenue

Revenues were below expectations by \$560,000 for the six month period. The lower revenues were driven by lower than anticipated donations from issuers (program revenue line). The budget assumed \$1.5 million in donations related to SB-81 would be received during the period. The actual SB-81 related donations came in at \$282,000 (\$1.2 million shortfall). The shortfall was partially offset by higher investment earnings (\$198,000) and higher carrier fee revenue due to higher enrollments (\$509,000).

Expenditures

Operating expenses came in significantly under budget for the six months (\$2.2 million below budget). Areas significantly contributing to this variance included marketing (\$1.1 million), customer service (\$550,000) and support services (\$635,000).

Marketing expenses were lower than budgeted levels primarily due to the timing of media buys along with lower staffing levels due to vacancies. Additionally, the budget included expenditures related to SB-81 funds. With lower SB-81 donations received this fiscal year, the related expenditures included in the budget are under evaluation.

Customer service expenses were below budget due to lower call volumes and the flexing of contracted staff in response to the reduced workload. Additional savings came from staff vacancies during the period that were not immediately filled due to lower call volumes.

Lower support service expenses for the period were driven by lower staffing levels than budgeted due to vacancies and slower hiring of planned new positions. Additionally, training costs were lower for the period. This generally occurs given the first 6 months of the fiscal year tend to be the busiest for our technology and service center staff – expect higher spending in the second half of the year.

Cash and Working Capital

Attributable to the lower operating expenditures for the six months along with lower capital expenditures (\$2.1 million), cash and investment balances are \$7.5 million higher than budgeted as of December 31. Still included in the receivable accounts is a \$2.8 million receivable from Friday Health Plans. This receivable is expected to ultimately be paid but is delayed due to the liquidation process. This receivable, along with higher cash and investments, contributes to a strong working capital position of \$32 million.

Cash during the quarter was in a combination of liquid bank accounts (\$3.9 million) and the CSIP liquid investment account (\$20.7 million). The current interest rate for the CSIP investment account is 4.5%.

Fiscal Year Projection

Based on actual enrollment submissions for plan year 2025 and six months of actual results (July-Dec 2024), projected earnings for the fiscal year are \$4.2 million higher than budget. This is primarily the result of higher enrollments for the Jan-June 2025 period than what was originally budgeted. Operating expenses are also expected to come in below budget for the fiscal year. Below is a comparison between the approved budget and projected results for the fiscal year.

<i>\$'s in 000's</i>	Fiscal Year 2025 Projected	Fiscal Year 2025 Budget	Projected vs Budget
Revenues			
Carrier Fees	58,078	54,015	4,063
Tax Credit Donations	5,281	6,500	(1,219)
Grants/Contracts	1,600	1,600	-
Cost Reimbursements	2,919	2,960	(41)
Service Fees (CoCo)	2,594	2,600	(6)
Interest/Other	524	326	198
Total Revenue	70,997	68,000	2,996
Operating Expenses			
Technology & Operations	20,729	20,106	623
Customer Operations	10,402	10,949	(547)
Marketing and Outreach	8,982	9,644	(662)
Support Services	12,390	12,989	(599)
Total Operating Expenses	52,504	53,688	(1,183)
Net Income Before Depreciation	18,492	14,313	4,180
Depreciation	4,812	5,226	(415)
Net Profit/Loss	13,681	9,086	4,594
Capital Expenditures	7,860	10,000	(2,140)

Key assumptions in the projections include:

- Effectuation rate of plan year 2025 open enrollment submissions will be at historical level
- Plan year 2025 average effectuated premium levels remain at current submission average
- No increased expenditures above budgeted levels for the Jan-June 2025 period.

Updated 3 year projections are being provided in a separate report.

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

	FY 2025		
	6 months ending 12/31/2024		
	Actual	Budget	Actual vs Budget
REVENUE			
Carrier Fee - Individual	27,001,530	26,492,634	508,896
Carrier Fee Vision	24,494	25,200	(706)
HIAE Grant - Technology	-	-	-
Tax Credit Donations	5,000,000	5,000,000	-
Tax Credit Donations - SB81	281,579	1,500,000	(1,218,421)
Medicaid Cost Reimbursement	1,580,000	1,620,597	(40,597)
Interest Income	357,089	158,645	198,444
Other revenue (CoCo Service Fees)	1,294,683	1,300,000	(5,317)
Total Revenue	35,539,375	36,097,076	(557,701)
EXPENSES			
Technology			
Personnel	6,482,861	7,321,709	(838,848)
Maintenance & Operation	680,903	705,138	(24,235)
Software/Licenses/Subscriptions (Tech)	892,398	1,160,108	(267,710)
Hosting	978,915	1,000,000	(21,085)
DDI (Design, Dev., Implementation)	4,463,472	5,263,999	(800,527)
Capitalized DDI	(1,224,999)	(3,000,000)	1,775,001
Capitalized Salaries	(1,634,835)	(2,000,000)	365,165
Total Technology	10,638,714	10,450,954	187,760
Customer Service			
Personnel	2,408,830	2,611,521	(202,691)
Contracted Staffing	2,200,016	2,607,277	(407,261)
Operations Support	805,703	742,943	62,759
Total Customer Service	5,414,549	5,961,741	(547,192)
Marketing and Outreach			
Personnel	632,992	923,948	(290,956)
Media Buys - Radio/TV/Web	1,223,521	1,947,374	(723,853)
Outreach Services-Events, Sponsorships	225,765	326,000	(100,235)
Marketing Services	89,920	82,250	7,670
Assistance Network	2,115,305	2,119,586	(4,281)
Total Marketing and Outreach	4,287,503	5,399,158	(1,111,655)
Support services			
Personnel	4,725,323	5,141,255	(415,932)
Public Affairs Services	40,002	40,002	-
Professional Services	472,648	463,129	9,519
Training and Development	28,209	130,258	(102,049)
H/R Services	73,714	152,895	(79,181)
Legal Services	6,679	7,500	(821)
Audit Services	47,454	58,450	(10,996)
Insurance	47,548	49,585	(2,037)
Conferences/Meetings	11,545	24,250	(12,705)
Memberships/Dues/Subscriptions (Non-Tech)	77,324	59,294	18,031
Travel/Meals/Lodging	53,209	89,786	(36,577)
Other - G&A	-	3,000	(3,000)
Total Support Services	5,583,654	6,219,403	(635,748)
Facilities			
Occupancy	117,901	184,994	(67,094)
Supplies & Materials	51,369	49,346	2,023
Postage/Shipping	2,125	7,112	(4,987)
Printing/Copying/Shred	4,025	4,140	(116)
Phone/Internet	47,265	45,310	1,955
Equipment/Furniture and Fixture	124,492	134,328	(9,836)
Total Facilities	347,176	425,230	(78,054)
Total Operating Expenses	26,271,596	28,456,485	(2,184,889)
Net Income Before Depreciation	9,267,779	7,640,591	1,627,188
Depreciation	2,265,869	2,680,655	(414,786)
Net Income	7,001,909	4,959,936	2,041,974

Connect for Health Colorado Statement of Financial Position

	FY 2025 12/31/2024	
	Actual	Budget
Assets:		
Current assets:		
Cash and cash equivalents	24,562,439	17,076,540
Accounts receivable (net)	15,712,625	15,527,394
Prepaid expenses	976,833	1,563,517
Security deposits	27,381	27,381
Total Current assets:	41,279,278	34,194,832
Noncurrent assets:		
Investment in Subsidiary	(172,762)	(200,420)
Capital assets:		
Web portal development	18,938,949	18,938,949
Software	44,747,698	50,814,144
Leasehold improvements	205,649	205,520
Office equipment	1,332,297	1,325,303
Furniture and fixtures	501,662	501,663
Less accumulated depreciation	(46,596,079)	(47,062,908)
Total Capital assets	19,130,176	24,722,671
Assets under lease - net	2,012,921	3,330,675
SBITA - net	336,859	336,859
Total Noncurrent assets:	21,307,193	28,189,785
Total Assets:	62,586,471	62,384,617
Liabilities and net position:		
Liabilities:		
Current liabilities:		
Accounts payable	2,751,449	6,892,583
Accrued liabilities	3,562,537	2,555,852
Payroll liabilities	1,695,491	1,640,248
Total Current liabilities:	8,009,477	11,088,683
Long-term liabilities:		
Lease Payable	2,171,643	3,605,317
SBITA Payable	371,840	371,840
Total Long-term liabilities:	2,543,484	3,977,157
Total Liabilities:	10,552,960	15,065,840
Net position:		
Unrestricted	52,033,511	47,318,777
Total Net position:	52,033,511	47,318,777
Total liabilities and net position:	62,586,471	62,384,617