

2016 STRATEGIC & FINANCIAL PLAN: FINAL DRAFT

Presentation to the Colorado Health Insurance
Exchange Oversight Committee
June 5, 2015

Executive Summary

Connect for Health Colorado staff has completed the 2016 planning and budget process, and presents this **final draft for the Committee's review** in addition to the attached Narrative.

Connect for Health Colorado's **Board Finance and Operations Committees have endorsed the Plan and Budget**; they will be presented to the full Board on June 8th for review and final approval.

The Strategic Plan and Budget best accomplishes three goals, which were priorities throughout the process:

1. Optimize the customer experience
2. Stabilize & right-size staffing, systems, processes
3. Put the Marketplace on the path to financial sustainability

Strategic areas of focus: Marketing & Outreach, Sales Channels, Service Center, Assistance Network, Medical Assistance Site contracting, Small Business Marketplace, and Staffing

The FY2016 Budget generates*:

Revenue:	\$40.3m
Operating Expense:	\$44.9m
Operating Deficit:	(\$4.6m)
Capital investment:	\$8.7m
Net Deficit:	(\$13.3m)

** Figures above are on a cash basis; the final Budget will be converted to an accrual basis for future reporting*



Stakeholder Input: What Worked Well

- **145,000+ enrolled to date in 2015 health plans**
 - 54% of customers received financial assistance
 - 46% of customers had no financial assistance
 - 26.3% of enrollees are between 18 and 34 years old
 - 25,000+ are enrolled in dental plans
- **Every county (except one) had an increase in enrollments during second enrollment period compared with active policies in December 2014**
- **Maintained enrollments through unpredictable market pricing that impacted APTC levels and net cost of coverage for thousands of Coloradans**
 - Even with this net price instability, we maintained very high effectuation rates (88%)
- **Incredible partner collaboration—Brokers, Health Coverage Guides (HCG's), Carriers, Vendors—everyone wants this to work!**
 - Local community organizations and agencies were a great referral base
 - Brokers and HCG's were able to partner to help customers apply and enroll
 - Spanish outreach and media improved
 - Decision support tools proved invaluable and effective to customers

Stakeholder Input: Learnings

Key learnings include:

- 1. Need to simplify technology and improve functionality before the next enrollment period;**
 - Inability to make changes to accounts and within financial applications
 - Follow-up on reported issues is not happening in acceptable time-frame
 - Wait/hold/response times for Customer Service (both Marketplace and Medicaid) were too long
- 2. Make the entire process more consumer-friendly and carrier-friendly; improve training and communications;**
 - Enhance renewal processes
 - Manage simultaneous enrollment process
 - Prioritize enrollment data process improvement
- 3. Give Brokers, Health Coverage Guides, Certified Application Counselors and Service Center Representatives the tools they need to more effectively help Coloradans obtain coverage.**

Stakeholder Input: Key Value Propositions

In addition to many known value propositions, such as the Marketplace being the ONLY source for Advance Premium Tax Credits, several others were identified by our stakeholders:

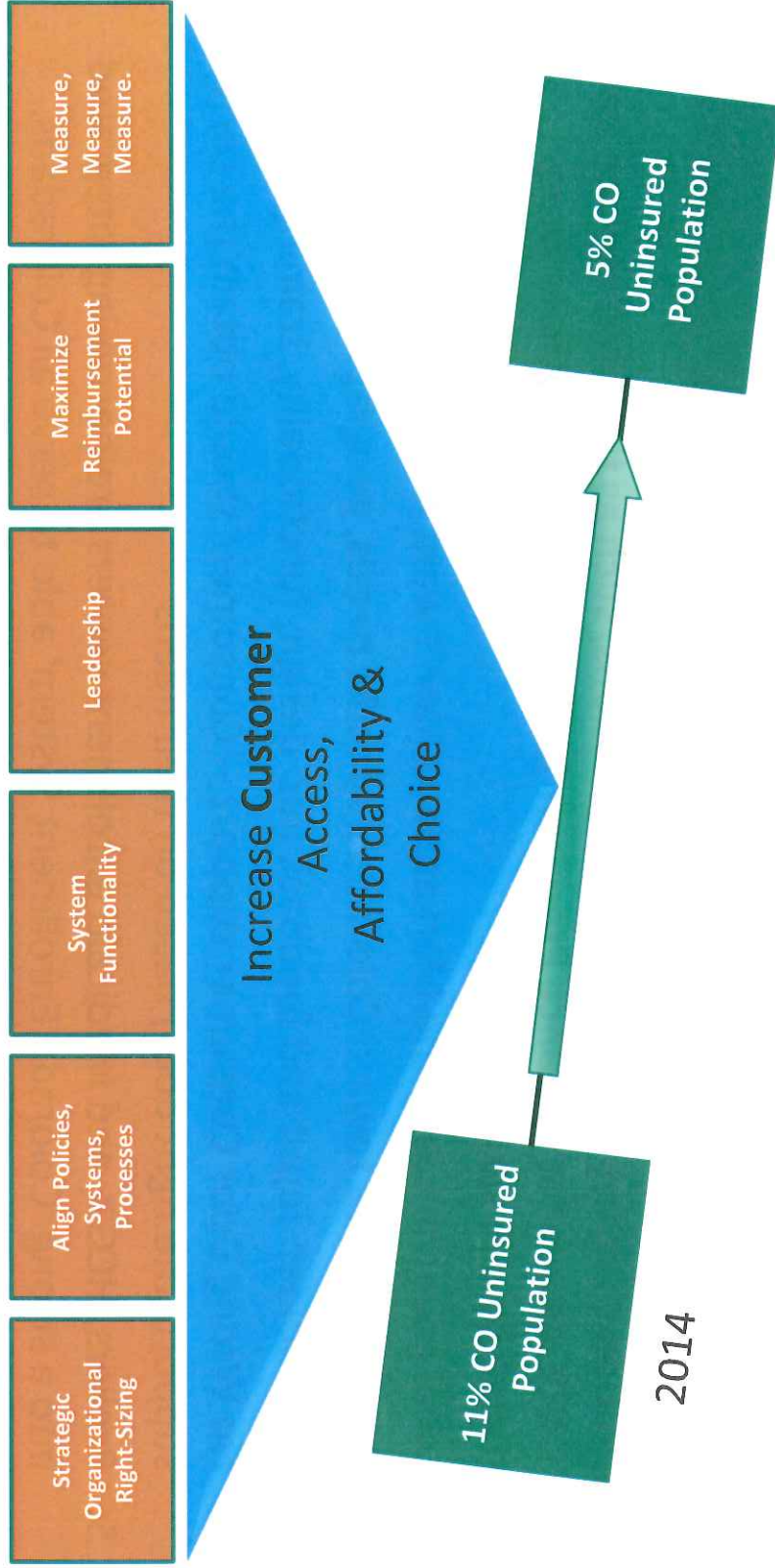
- 1. Local governance** of the Marketplace (don't want a federal Marketplace)
- 2. Gear strategies** toward **Colorado's specific needs**, geography, and populations
- 3. Stakeholder** input and feedback into design, functionality, training, operations
- 4. No Wrong Door Consumer support** -- Consumers should obtain the correct support (the right door) based on their needs
- 5. Brokers, HCG's, and Medicaid** enrollment centers are becoming integrated into a strong 'Colorado Enrollment System' able to serve all Coloradans.
- 6. Decision Support tools** available to consumers, Brokers, HCG's
- 7. The Marketplace and State own the data**, and can use it, report on it, and learn from it (e.g. FFM does not provide full data to the states*)

*FFM, by comparison, also excludes above elements and their fees exclude several million in state-based costs that would still be incurred



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Balancing Sustainability 2016 & Beyond



ENROLLMENT TARGETS, MARKETING, SALES & OUTREACH



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2016 Enrollment Targets

Situation:

- Several market forces present an increased “sales” opportunity in FY16 and FY17
 - Transition plans ending in individual and small business markets
 - Chance to bring back “lost” 2015 customers with better-working tech systems
 - Expansion of the definition of small group business (from 2-50 FTE → 2-100 FTE)
- Connect for Health Colorado has refined its partnership with Brokers and Health Coverage Guides-now we must capitalize on their passion and the customers they have entrusted to the Marketplace

Plan:

- 2016 low-end projections are set at 2015 target enrollment goal, which would have been achievable with fully functioning systems and moderate instability
- Forecasts are moderately aggressive, dependent on technical and process enhancements, AND are achievable with all systems optimized

Financial Impact:

- Enrollment projections generate approx. \$29m in revenue for FY2016

FY 2016-2018 Enrollment Projections

Enrollment Type	Mid-Level			Low			High			Mid-Level			Mid-Level		
	Covered Lives 6/30/15	Projection Covered Lives 6/30/16	Projection % Inc. 2016 v 2015	Projection % of Mid	Projection % of Mid	Projection % of Mid	Projection Covered Lives 6/30/17	Projection % Inc. 2017 v 2016	Projection Covered Lives 6/30/18	Projection % Inc. 2018 v 2017	Projection Covered Lives 6/30/17	Projection % Inc. 2017 v 2016	Projection Covered Lives 6/30/18	Projection % Inc. 2018 v 2017	
Individual- Gross	142,896	217,306	52%	90%	195,237	227,619	256,242	18%	295,178	15%	204,994	21%	236,142	15%	
Individual- Effect.	123,462	169,499	37%	90%	152,285	177,542	204,994	21%	236,142	15%	204,994	21%	236,142	15%	
SHOP Groups	336	763	127%	90%	686	839	1,220	60%	1,867	53%	1,220	60%	1,867	53%	
Covered Lives	2,688	6,881	156%	90%	6,193	7,569	12,249	78%	15,923	30%	12,249	78%	15,923	30%	

Primary Enrollment Drivers & Assumptions:

- Effectuation rate (current 86%; used 78% for out-year forecasts)
- Retention rate (66%)
- New business: General
- New business: Eligibility process improved thru-put and recapture
- New business: "Non-ACA" Transition plan expiration
- Life Change Event volume
- Small group market definition increase
- SHOP system functionality improved
- APTC Index assumed more stable
- Broad market plan pricing: assume ave 2% overall market increase (2016 rates pending)

2016 Overarching Marketing & Outreach Strategy

Situation

- More aggressive enrollment targets
- Lower budgets
- Harder-to-reach populations
- Success contingent on systems and processes working for consumers

Plan:

- Grow Awareness AND understanding of Connect for Health Colorado's services and value
 - Raise awareness 5%, measure through market research
 - Drive enrollments in targeted regions with population-specific messaging
- Use a data-driven approach to optimize education, outreach, advertising, communications and other marketing, emphasizing grassroots tactics and enrollment opportunities to reach new customers and retain current customers
- Educate about which "door" can best help people for their needs
- Collaborate with others in local communities to increase coverage
- Work closely with Brokers, Assistance Network, and stakeholders to provide the tools and information they need to be successful

Financial Impact:

- \$1.4m Budgeted (2015 Budget \$4.8m) for FY2016

Sales Channels

- Supporting Brokers & Agents
 - **System functionality & Tools:** (e.g. portal) for Individual and Small Group Employers
 - **Partnership:** Consistent hi-touch communications, working groups, partnership structures (e.g. enrollment centers), lead sharing system, & training
 - **Products:** Potential Ancillary Products
 - **Staffing:** Additional Broker Team Staff, with a dedicated Small Group Manager
- Supporting Assistance Network
 - **Proactive Alignment process:** focusing on enrollments and effectively adopting best sales practices across the 2016 member sites; partnering w/brokers, counties, MA sites, community orgs., volunteer programs, training
 - **SES system enhancements**
 - **An improved CRM:** to allow the HCGs to track and report back to customers on the status of their enrollment
- Supporting Carriers (and Carriers Agents)
 - Develop more strategic relationships with our carrier partners
 - Assist Carriers with presenting financial assistance options to boost enrollment for both Carriers & the Marketplace
 - SES enhancements are expected to make Carrier Direct Sales much easier
 - Sales/Carrier Teams to design joint enrollment drivers, e.g. co-marketing opportunities

Service Center

Situation:

- Connect for Health Colorado has 3 primary vendors for Service Center activities.
- No single vendor can be held accountable for service center performance

Plan:

- Renegotiate with current vendors for a fixed price, **integrated** Service Center, including technology, staffing, systems, quality, maintenance
- Contract with Medical Assistant site (see MA Site section)

Financial Impact:

- Complete cost, including the renegotiated package, associated internal costs, and MA Site outsourcing is budgeted for \$18.1m for FY2016 (2015 forecasted total is \$22m)

Assistance Network Alignment Strategy

Situation:

- Connect for Health Colorado supports the value of the Assistance Network as part of our mission
- Now is the time to build on 2 years of broad outreach and the work of 50+ Assistance Sites - best practices, winning strategies, etc.
- Need to evolve the program to focus on contribution to Marketplace sustainability, i.e.: balance between revenue contribution and fiscal conservatism needed to maintain this imperative program for the long term

Plan:

- Focus on best practices for enrollment and align across sites on achieving targets
- Consolidate the number of sites and HCGs by at least 60%.
- Ensure the grants received to support Marketplace are not redundant
- Place resources, efforts on key communities across the geography and demography of Colorado

Financial Impact:

- \$3m Budgeted, with \$2.5m requested from the Colorado Health Foundation to support state-wide enrollment and the 'No Wrong Door' concept for FY2016 (FY 2015 was \$8m)

Medical Assistance (MA) Site

Situation:

- If a customer submits a Shared Eligibility Application and **they do NOT receive a real time eligibility (RTE) determination**, Marketplace Brokers and HCGs have no way to intervene without CBMS access
- Verifications require access to and in-depth knowledge of CBMS
- Simultaneous Enrollment can be more tightly managed
- Marketplace customers are being handled by multiple Medical Assistance Sites. Connect for Health needs to own the customer experience
- Should align with Medicaid strategic referral initiatives: resourcing Medicaid-eligible folks to counties, etc. who can best support clients with systems' access and expertise of programs
- Need to pursue cost allocations from CMS to mitigate Marketplace costs related to supporting Medicaid-eligible customers

Plan:

- **Contract with a current MA Site** able to staff and perform CBMS-related work for Marketplace and associated Medicaid customers
- **Develop methodologies and gain cost allocation** from CMS (thru HCPF)

Financial Impact:

- \$1.2m budgeted (in Service Center); contract negotiations in process

Small Business Marketplace (SHOP) Strategy

Situation:

- A Small Group Marketplace (SHOP) is required by federal law
- Colorado is a state of small businesses, with 85% of companies employing 10 employees or less
- SHOP functionality has been limited, thus limiting enrollment. Other system issues diverted staff resources away from SHOP improvement
- Demand for SHOP is believed to be substantial with a fully-functional system
- Current costs outweigh benefits
- 2016 poses great growth opportunity w/transitional plans expiring
- 2017 poses great growth opportunity w/Expanded market (increase in size definition)

Plan:

- Outsource SHOP to an integrated business solution using a proven vendor with recognized technology capability, small group expertise and market credibility

Financial Impact:

- Increase Revenue to \$400k+ (gross, accrual); Expenses remain @ \$3m in 2016 and reduce substantially in out years as the strategy takes hold (FY2015 budget was \$3m)

Staffing Plan

Situation:

Current Staffing:

- 53 FT positions (filled + open), plus 11 individual contractors
- **Total: 64 FT positions**

Plan:

Proposed Staffing:

- 78 positions, plus 0 long-term individual contractors*
- **Total: 78 FT positions**
 - Net 14 New positions
 - Positions cover technology, sales, audit, appeals, Medicaid support
 - 11 Contractor Conversions to Employee status
 - 78 FTE is the mid-range among comparable state based Marketplaces

Financial Impact (approx.):

- Net Budget Impact: +1.7m (decrease consultants, increase staff)

* Temporary and/or specialist/project contractors will continue to be utilized on an on-going needs basis

CAPITAL & PROJECT REQUIREMENTS

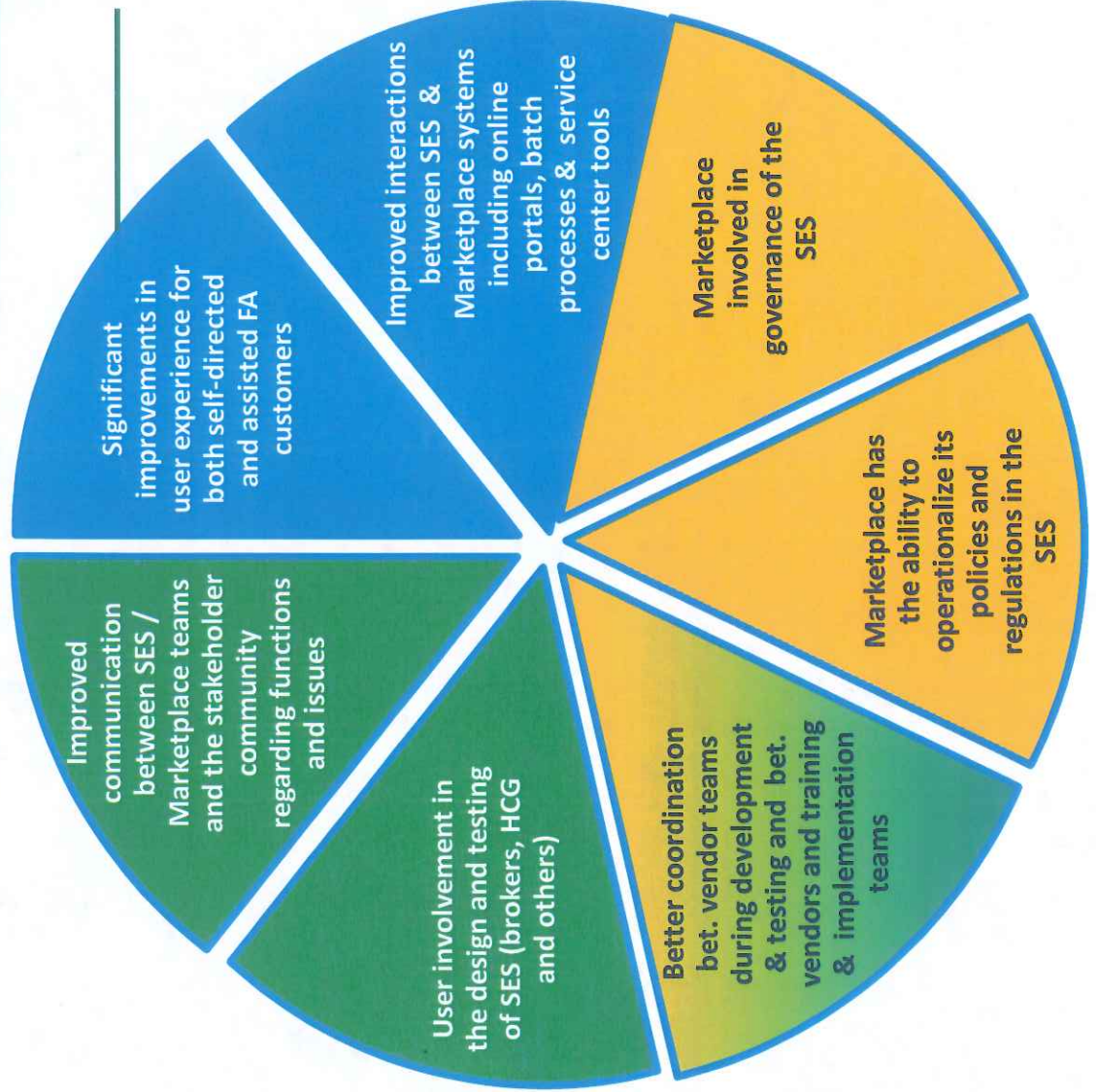


FY2016 Capital Investments

Project	FY 2016 Capital Budget	FY 2017 Cost Estimates	Total FY 2016/17 Projections	Comments
SES improvements	\$ 4,640,000	\$ 800,000	\$ 5,440,000	Assumes addl. charges post-OE3 to complete SES fixes; \$160k FY16 SES costs in salaries
2015 Marketplace Improvements	\$ 750,000	\$ -	\$ 750,000	Assumes limited ability to make changes to Marketplace for 2016 OEP other than SES (e.g, defect fixes, renewals processing improvements, some usability improvements)
Carrier EDI improvements	\$ 500,000	\$ 300,000	\$ 800,000	Assume EDI will be completely working with all carriers by end of FY 2016 and ongoing improvements costs are about \$300K/yr
Migration to target architecture/ 2017 OEP changes*	\$ 1,500,000	\$ 2,000,000	\$ 3,500,000	Assumes that we will reduce the number of products in the Marketplace to allow us to realize more fully the benefit of hCentive product enhancements and reduce overall M&O costs
SHOP migration	\$ 500,000		\$ 500,000	Currently waiting for vendor proposals for more definitive costs
BI improvements	\$ 250,000	\$ 200,000	\$ 450,000	Medicaid & Data Capture, Analysis
Service center technology refresh				Included in service center proposals
Other projects, ongoing costs & contingency	\$ 640,000	\$ 1,700,000	\$ 2,340,000	Includes desktop maintenance and other costs, new products development, \$900k contingency in FY17
Total	\$ 8,780,000	\$ 5,000,000	\$13,780,000	

NOTE: FY2017 figures are preliminary (+/- 20%) cost estimates for new / ongoing project work.

Shared Eligibility System: Must-have solution components



What we heard:
#1 priority is 1) a much faster path for families with straightforward income and households and 2) to simplify the process and questions for people with more complex situations

Legend

1) More streamlined user experience

2) Better stakeholder engagement during design, training, & issue resolution

3) More robust governance and vendor coordination



FY2016 BUDGET



Critical Budget Assumptions

1. Budgets are presented on a **cash basis**, i.e. when funds are received and spent. For reporting purposes, the Budget will be converted to a GAAP accrual basis, which will alter the bottom lines accordingly.
2. Budgeted revenue and variable expenses are **based on the proposed enrollment** figures addressed above (slide 9).
3. **Average premiums** per effectuated enrollee are budgeted to increase 2% for plan year 2016 (individual market), and 2.9% thereafter.
4. Assumes **federal grant is closed out** and all funds spent
5. Staffing budget assumes **unchanged tax and benefit rates**
6. Work flow and consulting conversion assumes **new/replacement positions hired in a timely manner**
7. Assumes total **Foundation grants** are maintained at \$2.5m per year in FY16-18.

2016 Assessment Fees

Situation:

- **Marketplace Revenue Sources:**
 - Marketplace Health Insurance Administrative Fee
 - Broad Market Assessment
 - Carrier donations
 - Grant Revenue
 - Other
 - Potential Medicaid Reimbursement
- **Marketplace Health Insurance Administrative Fee:** CY2015 was set at 1.4% of premiums
- **Broad Market Assessment (carried over from Cover Colorado, which was then \$3.79 PMPM):**
 - 2014 Fee was waived; 2015 set at \$1.25 pmpm. Maximizing the Broad Market fee during its short availability is critical for bridging Federal Grant to earned revenue

Plan:

- To build and bridge revenue to ensure sustainability, adequate capital, operational reserves and sufficient near-term capacity to gain system and staffing stability, rates were selected:
 1. Marketplace Health Insurance Administrative Fee: 3.5%
 2. Broad Market Assessment: \$1.80 pmpm (Converted to a % of the average Marketplace premium, \$1.80 = .5%)

Financial Impact:

- Fee rates will generate forecasted revenue of \$29.6m beginning in 4th quarter 2016

FY 2016 Budget: Revenue

Revenue Budget (000's)					
Category	2015 Estimate	FY 2016	FY 2017	FY 2018	
2014 Assessment Fees	5,100	200	0	0	
Marketplace Health Insurance Administrative Fee	987	9,610	24,899	30,321	
Special Broad Market Assessment	4,500	19,980	19,440	0	
Tax Credit Donations	5,000	5,000	5,000	5,000	
SHOP (w/ new investment)	120	293	1,223	2,056	
Vision	9	18	20	24	
Foundation Grants (estimates only - no commitments received)	2,500	2,500	2,500	2,500	
Interest Income	46	25	3	3	
New Product Development		0	40	60	
Medicaid Cost Recovery	0	2,500	2,000	2,000	
Level 2 Grant	60,500	200	0	0	
CoverColorado	14,034	0	0	0	
Total Revenue	92,796	40,325	55,126	41,964	

FY2016 Budget: Operating Expense & Capital Investment

Expense Category	FY 2015 Forecast (000's)	FY2016 (000's)
General & Administrative	7,325	10,738
Salaries & Benefits	5,515	9,048
Rent, Tech systems, equip, connectivity	797	780
Other	1,013	910
Marketing & Public Relations	4,771	1,364
Assistance Network	6,040	3,030
Operations	2,683	1,451
Business Development	673	405
Carrier Support & Other Operations	731	348
Training	324	80
Other	955	618
Customer Service Center & MA Site	21,280	18,123
Technology	10,942	9,438
Hosting	2,108	2,053
M&O Costs	6,653	5,588
Maintenance/Enhancements	986	888
Other	1,195	909
Contingency		750
Total Operating Expense	53,041	44,894
Technology CapEx and Other Projects		
Migration to Target Architecture		1,500
Marketplace Improvements/Licenses	15,531	750
SES (Excl \$160k in Salaries)	7,060	4,640
Shop		500
EDI		500
Other		890
Total CapEx and Projects	22,591	8,780
Total Cash Outlays	75,632	53,674

FY2016 Budget Summary

Budget Summary					
Category	FY 2015 Estimate	FY 2016	FY 2017	FY 2018	
Total Revenue	92,796	40,325	55,126	41,964	
Total Operating Expense	53,041	44,894	45,215	45,697	
Operating Surplus (Deficit)	39,755	(4,594)	9,911	(3,733)	
Total CapEx and Projects	22,591	8,780	5,000	5,000	
Net Surplus (Deficit)	17,164	(13,349)	4,911	(8,733)	

Takeaways:

- Revenue set at 3.5% and \$1.80 pmpm for CY 2016, cash received 2nd qtr
- Deficit generated in FY2016 is funded by reserve capital
- Continuing to pursue additional revenue options, reimbursement opportunities, and expense efficiencies

Cash Balance Forecast (\$000's)							
	6/30/15	12/31/15	6/30/16	12/31/16	6/30/17	12/31/17	6/30/18
Cash Available	28,500	16,000	14,000	21,000	19,500	16,500	10,000

QUESTIONS



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