



2015 Budget Discussion Document Preparing for Success

Finance Committee – May 8, 2014

Investing in our Future

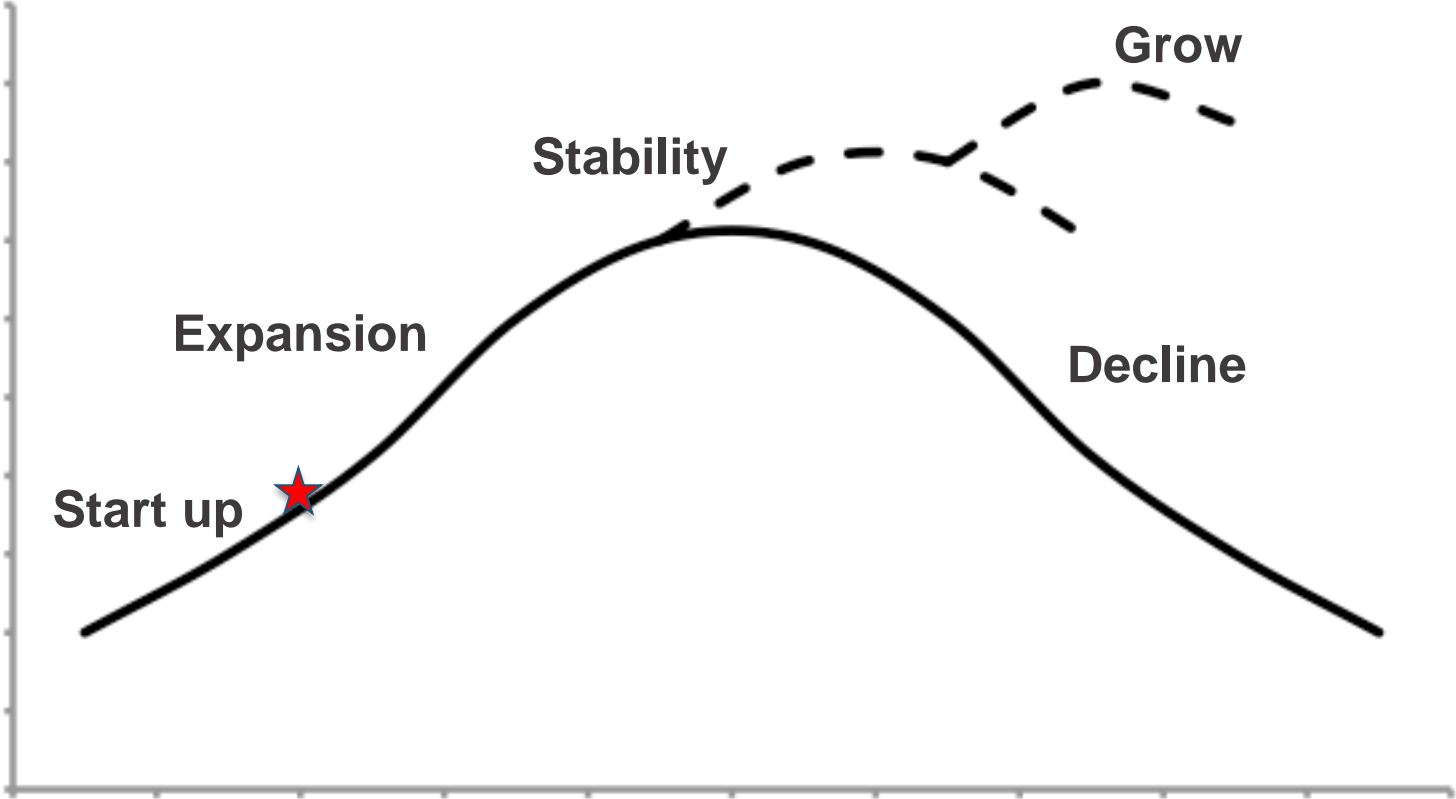
- Long-term strategy framework for the organization
 - A robust and competitive market in the future
 - Expansion of Small Group market
 - Addition of Large Group market
 - Operational reserve strategy
 - Reserves for technology sustainability
 - Additional decision support tools
 - Ancillary products and services

C4HCO Organizational Life Cycle

	Start-Up/Incubation	Adolescent-Growing	Mature-Sustainability
Program & Services	Clear program initiation & strong commitment to delivering services	Program establishment in the market, demand may exceed capacity, development of consistency & focus	Programs are recognized, long range planning, programs are added/deleted in response to market, smooth functioning
Staff Leadership	Single minded, vision drives the organization, minimal hierarchy	Strategic division of labor, CEO/ED primary decision maker but less direct to staff	Leadership roles may change to be more versatile, delegation of authority and clear accountability
Staffing	Small & enthusiastic, sense of “family,” entrepreneurial spirit	Staff increases with many still joining to support mission, deepening organization chart, non-centralized management	Diverse and specialized staff, more professional managers, more vertical/hierarchical organization chart
Governance/Board	Formal governance in place, homogenous board	Board expansion, new members are professionals with targeted expertise, less focus on operations more on future planning	Board diversity increases, function transitions to policy, most work is done at the committee level with strong committee structure

Adapted from: the 5 Stages of Nonprofits, Judith Sharken Simon

Organizational Life Cycle



Budget Drivers

- Paradigm Shift
 - Aligning budgets with the 7/1/13-6/30/14 and 7/1/14-6/30/15 fiscal years
 - Shifting from Federal Grant Budget Period (7/1/13-12/31/14) to a Calendar Year Budget Period
 - Guidance indicates that grant funds, other than recurring operational costs, will be able to be rolled over
 - Staff will bring forward a recommendation to move to a Calendar Year budget as grant funding period concludes
- Connect for Health Colorado Maturity Stage
 - Still developing technology and processes, learning and stabilizing through current and next fiscal budget periods
- Staffing Strategy
 - Outsourced model requires staff with experience to optimize vendor management
- Responsibility to Long-Term Success

Primary Budget Areas

Capital Budget, Operating Budget, Reserves = Revenue

Today's Budget Focus

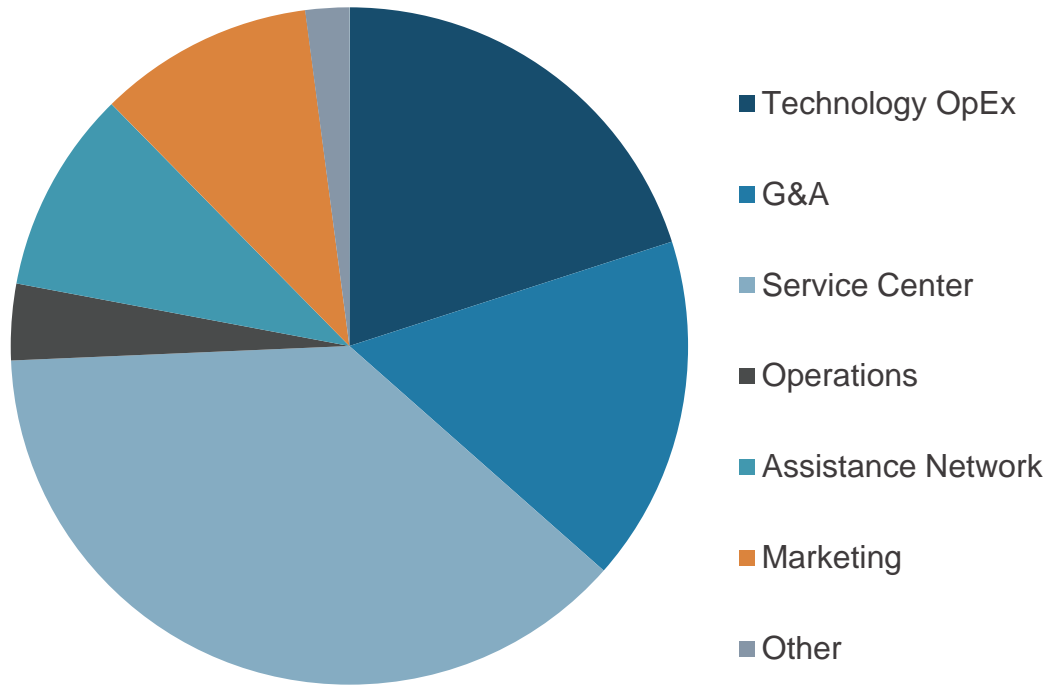
- Technology
- General & Administrative Expense
- Reserves & Capital Expenditure Planning

Future Meetings will Address

- Service Center
- Assistance Network
- Operations: Training, 508 Compliance, Translation, etc.
- Marketing
- Other: DOI/HCPF

Expense Breakdown

7/1/14 – 6/30/15



Technology – Sourcing Strategy

- Brought in Sourcing consultant to assess current contracts and vendor relationships
- Key activities:
 - Full review and evaluation of all vendor contracts in context of best practices, industry standards, and long-term organizational needs
 - Review of lessons learned
- Key findings:
 - Contract review discovered opportunities, but would require re-negotiating existing agreements
 - Possible transition to savings of 5% annually over 5 years (exception Tier 1 Help Desk vendor)
 - Recommendations regarding future agreements
 - Proposed 5 year strategy for addressing sourcing improvements

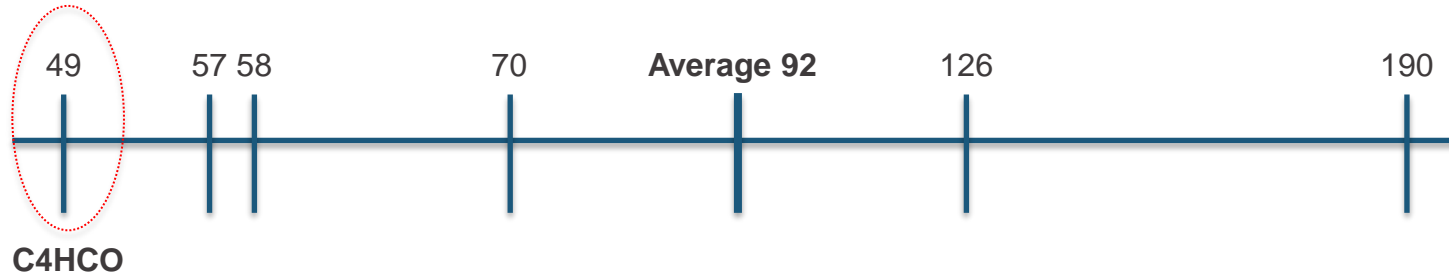
Technology – Fixed vs Variable

- Very High % of Costs are Fixed – 99.9% - \$8.37M
 - System Implementation (eg., HR software)
 - Security Testing
 - Software Licensing
 - Software Maintenance and Support
 - Hosting
- Variable Costs – .1% - \$8,383
 - Elements of Telecom Costs

General & Administrative

- Costs in this category \$6.9M:
 - Staffing Salaries – Variable - \$4.3M
 - PR Taxes & Insurance – Variable – \$1.3M
 - Occupancy – Fixed - \$400,000
 - Insurance – Fixed - \$250,000
 - Professional Fees – Fixed/Variable - \$170,000
 - Supplies – Variable - \$100,000
 - HQ IT Support – Variable - \$120,000
 - Travel – Fixed/Variable - \$100,000
 - Meetings, Memberships & Misc. Other – Variable - \$160,000

2015 Staffing - Context



These staffing totals are for 6 comparably sized State-Based Exchanges. The populations range from 3.5M to 6.5M – with Colorado at 5.2M. We did not use the largest or smallest state based marketplaces in our comparison.

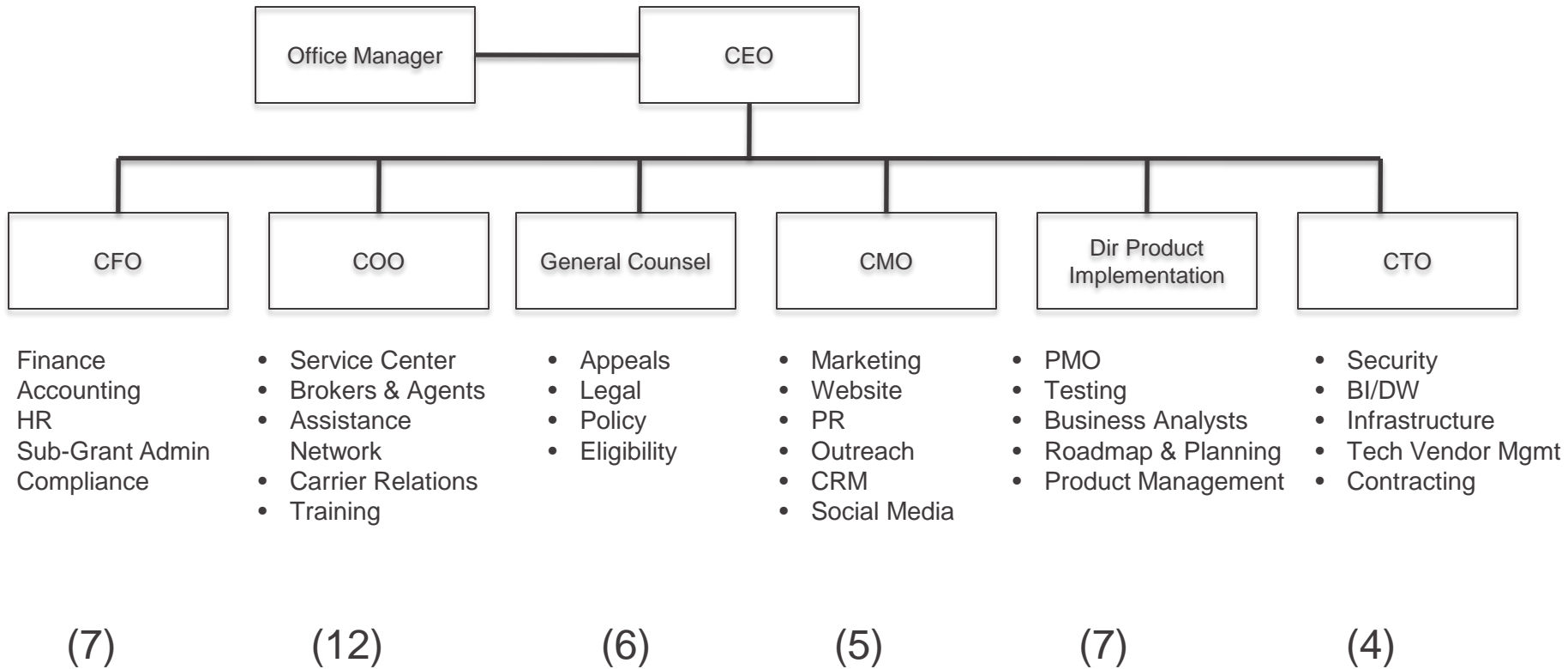
Quality Staff Retention/Attraction

Having built a quality team who are invested in the mission of the organization, and embody the entrepreneurial spirit of the Leadership, retaining and attracting like-minded individuals requires a competitive strategy.

Options include compensation, unique work environment, flexibility, and individualized benefits.

Ensuring that the right number of staff are in place to deliver high-quality work, on a consistent basis, while supporting work/life integration is achieved through an adequate staffing philosophy.

Staffing Plan



Capital Expenditures & Reserves

- C4HCO requires setting a minimum operating reserve at \$13M for the upcoming fiscal year, with a future discussion of increasing in future years
 - These reserves are being developed with funding from HB13-1245 mechanisms
 - \$13M represents approx. 50% of the organization's operating budget (excluding technology enhancements and development work)
- Technology Obsolescence/Capital Investment fund recommendation for 7/1/14-6/30/15 fiscal year is \$13M

Timeline for Budget/Assessment Approval Process

